
Aurora Investment Trust plc

Annual Report 31 December 2022

Company No. 03300814



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Notice of Meeting

Strategic Report

Financial and Performance Highlights

Objective

To provide shareholders with long-term returns through capital and income growth by investing predominantly in a portfolio of UK listed companies.

Policy

Phoenix Asset Management Partners Limited ("Phoenix") was appointed as Investment Manager on 28 January 2016. Phoenix currently seeks to achieve the Company's Objective by investing, primarily, in a portfolio of UK listed equities.

The portfolio will remain relatively concentrated. The exact number of individual holdings will vary over time but typically the portfolio will consist of 15 to 20 holdings.

The Investment Policy of the Company can be found on page 7.

Benchmark

Performance is benchmarked against the FTSE All-Share Index (total return), representing the overall UK market.

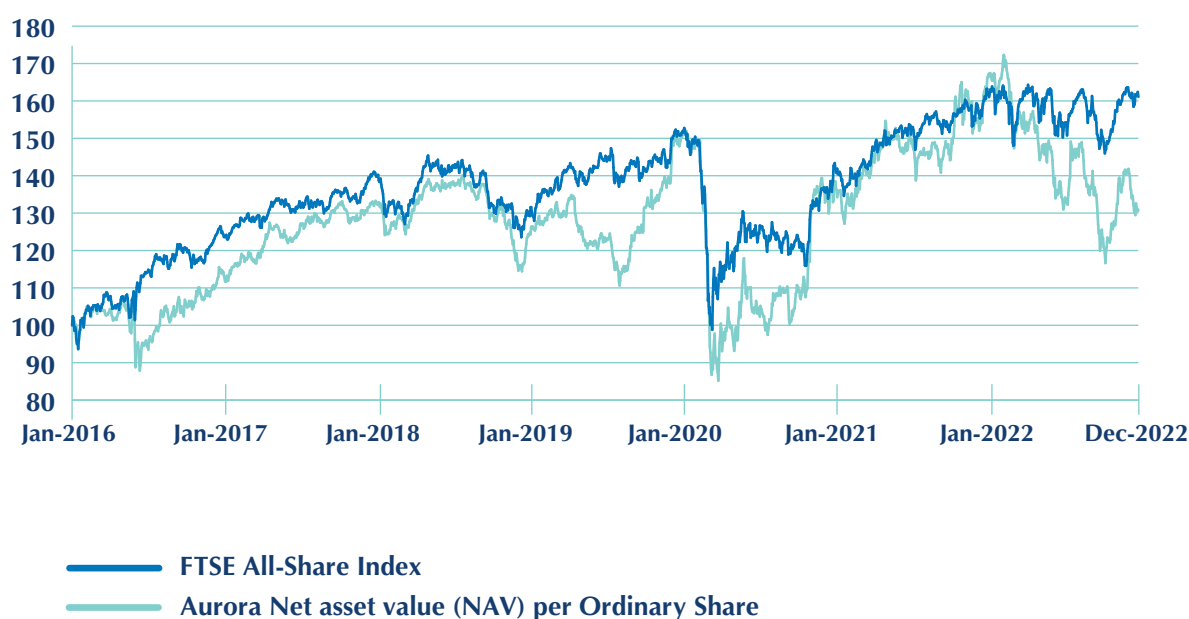
Dividend

The Board proposes to pay a final dividend of 2.97p per ordinary share (2021: 1.84p) to be paid on 4 July 2023 to shareholders who appear on the register as at 9 June 2023, with an ex-dividend date of 8 June 2023.

Annual General Meeting ("AGM")

The AGM of the Company will be held at 25 Southampton Buildings, London WC2A 1AL on 27 June 2023 at 2 p.m. There will be no Investment Manager presentation at the AGM. Instead, there will be a separate Investment Manager presentation and Q&A event at 4 p.m. on 10 October 2023 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

Performance



The chart above shows the Company's NAV performance (total return) compared to the FTSE All-Share Index (total return) since Phoenix became the Investment Manager.

Chair's Statement

Lucy Walker
Chair

20 April 2023

This is my first statement as Chair of your Company, since I succeeded Lord Howard Flight on 28 June 2022. I would like to thank Lord Flight and The Honourable James Nelson for their service to the Company during their tenure, following their retirement at last year's AGM.

Performance

2022 was a difficult year, with concerns over inflation and the war in Ukraine causing significant market turbulence. The Company's Net Asset Value ("NAV") Total Return* for the year ended 31 December 2022, on a non-IFRS basis, was -17.4% (2021: +17.1%) and the share price total return* was -16.3% (2021: +13.5%). Over the same period the Company's benchmark FTSE All-Share Index (total return) increased by 0.3% (2021: 18.3%), predominantly due to the c.25% weighting in energy and mining stocks which performed strongly after the Russian invasion. The Mid Cap index is less exposed to those sectors, and saw a fall of 20% for the year.

The strongest contributor to the Company's performance was the inflation hedge, put in place in 2021 and sold early in 2022, while the weakest contributor was Barratt Developments, where the proceeds from the inflation hedge were invested. We recognise that this was a disappointing performance for shareholders, but concentrated portfolios of undervalued holdings are not immune to short or medium term market volatility. The Board remains confident that the investment approach followed by the Investment Manager will lead to long term outperformance for shareholders.

Your Investment Manager, Phoenix Asset Management Partners Limited ("Phoenix"), has provided a full description of the development and financial performance of the portfolio over the year in the Investment Manager's Review on pages 14 to 23.

The Investment Manager and Performance Fees

2022 was the seventh year of Phoenix's management of the Company's portfolio, which began in January 2016. Throughout that time, Phoenix continued to employ a focused and patient investment approach.

Phoenix receives no annual management fee, which is a unique aspect of the Company. Instead it is solely remunerated from an annual performance fee, equal to one third of the outperformance of the Company's NAV against its benchmark, the FTSE All-Share Index (total return).

The performance fee is paid by issuance of the Company's ordinary shares, which are subject to a fixed three-year clawback period. That means the issued shares will be returned by the Investment Manager in the event that any outperformance versus the index reverses on the third-year anniversary. If outperformance fully reverses, the Investment Manager will receive nothing.

In the years ending 2019, 2020 and 2021 the Investment Manager was awarded shares in settlement of a performance fee.

In 2022, instead of paying a performance fee, the Company clawed back 530,311 shares from Phoenix, which were delivered to the Company and held in Treasury at the year end, but cancelled shortly after on 9 January 2023.

*Alternative Performance Measure (see page 97).

Chair's Statement

Continued

Following this cancellation, the Company's issued share capital is now 76,078,460 ordinary shares of 25p, each carrying one voting right. The Company does not hold any ordinary shares in Treasury.

Share Premium/Discount

During 2022 the Company saw the discount of its share price to the underlying NAV per share narrow from 7.6% at the end of 2021 to 4.4% at the end of 2022. On occasions during the year, the shares traded at a small premium.

Closing the discount is one of the Board's key objectives for 2023, and marketing activities are considered a key part of the strategy. Phoenix along with Liberum, the Company's broker, and Frostrow Capital as investor relations and marketing adviser continue to promote the Company proactively.

To assist with management of the discount and the liquidity of the Company's shares, resolutions to renew the Board's powers to issue and buy back shares are included in the Notice of Annual General Meeting beginning on page 100.

Growth of the Company

Growing the Company remains another key objective of the Board, with a medium-term target of £250 million. This objective was set back during the year, with the market capitalisation falling from £179 million in January 2022, to £148 million at the year end. The only shares issued in the year were issued to Phoenix in relation to the 2021 performance fee. Growing the company will only be possible with the Company's shares trading at a premium to NAV per share, and therefore the first objective is to close the discount.

Annual General Meeting ("AGM") and separate Investment Manager presentation event

Historically the AGM included a presentation from the Investment Manager, however this year the Board is instead introducing an Aurora Investor Event to be held at 4 p.m. on 10 October 2023 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE. This event is intended to be of interest to both existing and prospective Aurora shareholders and will include multiple speakers from the Investment Manager. It is intended for this event to be recorded and made available afterwards on the Company's website.

This year's AGM will be held at the Company's registered office, 25 Southampton Buildings, London WC2A 1AL, on 27 June 2023 at 2 p.m. to consider the business set out in the Notice of Meeting on pages 101 and 102, and will not include an Investment Manager presentation.

With respect to the AGM, the Board strongly encourages shareholders to register their votes online in advance of the meeting by visiting www.signalshares.com and following the instructions on the site. Appointing a proxy online will not restrict shareholders from attending the meeting in person should they wish to do so and will ensure their votes are counted if they are not able to attend. Shareholders are invited to send any questions they may have to the Company Secretary by email to info@frostrow.com ahead of the meeting.

Chair's Statement

Continued

The Board

As mentioned above, Lord Flight and The Honourable James Nelson retired from the Board at the 2022 AGM. Two new non-executive Directors, Farah Buckley and Helen Vaughan, were appointed on 8 September 2022. Unfortunately it was necessary for Helen Vaughan to resign her appointment in February 2023 due to a conflict of interest that arose post appointment. In line with other investment companies of a similar size and taking into account the mix of skills and experience of the existing Board members, the Board has decided not to recruit a fifth member for the time being. Farah Buckley's biography is set out on page 36.

Following these changes, Farah Buckley serves as Chair of the Audit Committee and Lady Rachael Robathan chairs the Management Engagement Committee and the Nomination & Remuneration Committee.

David Stevenson now represents the Company on the Board of Castelnau Group Limited ("Castelnau"). This directorship is in the interest of the Company since it provides access to, and a deeper understanding of, the Company's investment in Castelnau. As a result, the Board continues to consider David Stevenson as independent.

Administration

2022 was a busy year administratively, with changes of Auditor (now BDO LLP), Administrator and Company Secretary (now Frostrow Capital LLP) and Depositary and Custodian (now Northern Trust Investor Services Ltd). The Board thanks our new service providers for a smooth transition. Further information is included in the Directors' Report.

Dividend

The Board is recommending a final dividend of 2.97p (2021: 1.84p) per ordinary share, to be paid on 4 July 2023 to shareholders who appear on the register as at 9 June 2023. The ex-dividend date is 8 June 2023. This dividend will be proposed at the forthcoming AGM to be held on 27 June 2023. The Company's dividend policy, which is to distribute substantially all net revenue proceeds, remains unchanged and can be found on page 7 of this Annual Report.

Outlook

Whilst Phoenix's approach was not rewarded in 2022, market turbulence provides opportunity. The portfolio was rotated into more attractive names, and in some cases, companies that had been patiently followed for over a decade. These times, whilst painful in the short run, are what provide foundations for a strong return in the long run. Performance from the beginning of 2023 to the end of March saw the NAV return +14.4% vs. the index +3.1%, demonstrating the potential for significant performance.

Lucy Walker
Chair
20 April 2023

Investment policy and results

The Company seeks to achieve its investment objective by investing predominantly in a portfolio of UK listed companies. The Company may from time to time also invest in companies listed outside the UK and unlisted securities. The investment policy is subject to the following restrictions, all of which are at the time of investment:

- The maximum permitted investment in companies listed outside the UK at cost price is 20% of the Company's gross assets;
- The maximum permitted investment in unlisted securities at cost price is 10% of the Company's gross assets;
- There are no pre-defined maximum or minimum sector exposure levels but these sector exposures are reported to and monitored by the Board in order to ensure that adequate diversification is achieved;
- The Company's policy is not to invest more than 15% of its gross assets in any one underlying issuer (measured at the time of investment) including in respect of any indirect exposure through Castelnau Group Limited ("Castelnau");
- The Company may from time to time invest in other UK listed investment companies, but the Company will not invest more than 10% in aggregate of the gross assets of the Company in other listed closed-ended investment funds; and
- Save for Castelnau Group Limited, the Company will not invest in any other fund managed by the Investment Manager.

While there is a comparable index for the purposes of measuring performance over material periods, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. The portfolio will be relatively concentrated. The exact number of individual holdings will vary over time but typically the portfolio will consist of holdings in 15 to 20 companies. The Company may use derivatives and similar instruments for the purposes of capital preservation.

The Company does not currently intend to use gearing. However, if the Board did decide to utilise gearing the aggregate borrowings of the company would be restricted to 30% of the aggregate of the paid-up nominal capital plus the capital and revenue reserves.

Any material change to the investment policy of the Company will only be made with the approval of shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Dividend Policy

The Company does not have a fixed dividend policy. However, the Board expects to distribute substantially all of the net revenue arising from the investment portfolio. Accordingly, the Company is expected to pay an annual dividend that may vary each year.

Borrowing Policy

The Company is not prohibited from incurring borrowings for working capital purposes, however the Board has no current intention to utilise borrowings. Whilst 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

Investment policy and results

Continued

have the opposite effect where the underlying return is 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 NAV per Ordinary Share.

The Company has a policy not to invest more than 10% of its gross assets in other UK listed investment companies. As a consequence of its investments, the Company may therefore itself be indirectly exposed to gearing through the borrowings from time to time of these underlying investment companies.

Purpose and Key Performance Indicators (“KPI’s”)

The Company’s purpose is encapsulated in its investment objective, which is to provide shareholders with long-term returns through capital and income growth by investing predominantly in a portfolio of UK listed companies. The Board measures the Company’s success in attaining its objective by reference to KPIs as follows:

- a. To make an absolute total return for shareholders on a long-term basis;
- b. The Company’s Benchmark is the FTSE All-Share Index (total return), against which the NAV total return is compared. After achieving the goal of making absolute returns for shareholders, the next aim is to provide a better return from the portfolio than from the market as measured by the Benchmark;
- c. The Board seeks to ensure that the operating expenses of running the Company as a proportion of NAV (the Ongoing Charges Ratio) are kept to a minimum; and
- d. The discount/premium to NAV per share at which the Company’s shares trade is also closely monitored in view of its effect on shareholder returns.

The Chair’s Statement on pages 4 to 6 incorporates a review of the highlights during the year.

The Investment Management Review and Outlook on pages 14 to 23 gives details on investments made during the year and how performance has been achieved.

Performance (KPIs a and b)

The Company’s performance in absolute terms and relative to the FTSE All-Share Index (total return) benchmark since Phoenix was appointed as Investment Manager in 2016 is shown below:

	Cumulative since 28 January 2016 to 31 December 2022 %	Year to 31 December 2022 %	Year to 31 December 2021 %
NAV per Ordinary Share (total return) ¹	43.2	(17.4)	17.1
Ordinary Share price (total return) ¹	38.1	(16.3)	13.5
Benchmark (total return)	61.0	0.3	18.3

¹ Alternative Performance Measures (“APMs”).

Ongoing charges (KPI c)

Phoenix does not earn an ongoing annual management fee, but instead is paid an annual performance fee, only if the benchmark is outperformed, equal to one third of

Investment policy and results

Continued

the outperformance of the Company's NAV against its FTSE All-Share Index (total return) benchmark.

The Board monitors the Company's other operating costs carefully. Based on the Company's average net assets for the year ended 31 December 2022, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 0.45% (2021: 0.49%). Expenses are managed with the intention of keeping costs down and as the size of the Company grows the ongoing charge ratio should be expected to reduce.

Discount to NAV (KPI d)

The discount of the ordinary share price to the NAV per Ordinary Share is closely monitored by the Board. The ordinary share price closed at a 4.4% discount to the NAV per Ordinary Share as at 31 December 2022 (2021: 7.6% discount). During the year ended 31 December 2022, the Company's shares traded between a premium of 1.6% and a discount of 13.6% to NAV per share, with an average discount of 5.4%.

Revenue Result and Dividend

The Company's revenue income after tax for the year ended 31 December 2022 showed improvement towards pre-COVID levels, at £2,263,000 (2021: £1,413,000). The Board is recommending the payment of a final dividend of 2.97p per ordinary share (2021: 1.84p per ordinary share). This dividend, if approved by shareholders, will be paid on 4 July 2023 to shareholders on the register as at 9 June 2023; the ordinary shares will be marked ex-dividend on 8 June 2023. In accordance with International Financial Reporting Standards this dividend is not reflected in the financial statements for the year ended 31 December 2022.

Five Year Summary

Year	Year end Published NAV per Ordinary Share (pence) ¹	Dividend per Ordinary Share in respect of the year (pence)	Year end Ordinary Share price (mid-market) (pence)
Year ended 31 December 2018	182.24	4.00	183.00
Year ended 31 December 2019	232.07	4.50	237.00
Year ended 31 December 2020	213.39	0.55	207.00
Year ended 31 December 2021	253.49	1.84	234.50
Year ended 31 December 2022	203.45	2.97	194.50

Investment policy and results

Continued

Net Asset Value per Ordinary Share

The table below is a reconciliation between the NAV per Ordinary Share as at 31 December 2022 announced on the London Stock Exchange on 3 January 2023 and the NAV per Ordinary Share disclosed in these financial statements. The difference is principally the result of amortising performance fees over the vesting period in accordance with IFRS 2 - Share-based Payment, in these financial statements, whereas the NAV as at 31 December 2022 published on 3 January 2023 treated the performance fees as earned on 31 December 2022, in accordance with the investment management agreement. The remaining reconciling balances related to adjustment of the unquoted investment valuation and expenses, due to timing lag.

	NAV	NAV per share
	£'000	p
NAV as published on 3 January 2023	157,967	207.64
Reversal of performance fee clawback accounted for under non-IFRS 2 approach	(4,240)	(5.57)
Add back performance fee clawback accounted for under IFRS 2	1,385	1.82
Year end adjustments on unquoted investment valuation and expenses	(334)	(0.44)
NAV as disclosed in these financial statements	154,778	203.45

Top Holdings as at 31 December 2022

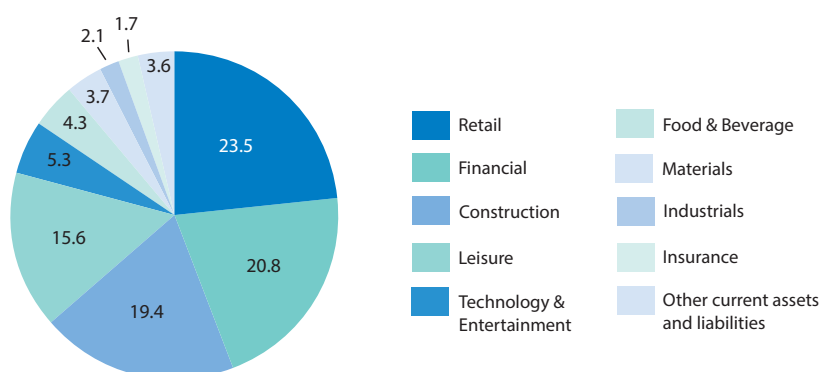
Company	Sector	Holding in Company	Valuation	Percentage of net assets	Date of first purchase	Average cost per share*	Share price	Market capitalisation
			£'000	%				Million
Frasers Group plc	Retail	5,114,011	36,309	23.5	Jan-16	£3.07	£7.10	£3,390
Barratt Developments plc	Construction	5,866,312	23,278	15.0	Nov-18	£4.87	£3.97	£3,957
Castelnau Group Limited#	Financial	24,563,184	16,212	10.5	Oct-21	£1.00	£0.66	£127
Ryanair Holdings Plc	Leisure	928,600	10,060	6.5	May-19	€8.34	€12.21	€13,903
easyJet Plc	Leisure	2,975,768	9,659	6.2	Sep-16	£6.86	£3.25	£2,461
Lloyds Banking Group plc	Financial	19,618,000	8,909	5.8	Jan-16	£0.62	£0.45	£30,551
Netflix Inc	Technology & Entertainment	33,500	8,212	5.3	Apr-22	\$164.00	\$294.86	\$129,554
Hotel Chocolat Group plc	Food & Beverage	3,876,800	5,932	3.8	Jul-22	£1.33	£1.53	£214
Bellway Plc	Construction	306,940	5,855	3.8	Jan-16	£21.47	£19.08	£2,356
RHI Magnesita N.V.	Materials	260,970	5,757	3.7	Jan-20	£33.55	£22.06	£1,046
Other holdings (less than 3%)			19,045	12.3				
Total holdings			149,226	96.4				
Other current assets			5,552	3.6				
Net assets			154,778	100.0				

* Average net cost including sales.

Castelnau is a multi-sector financial holding company, listed on the Specialist Fund Segment of the London Stock Exchange. Castelnau is also managed by Phoenix and its value is excluded from the Company's net assets when calculating performance fees earned by Phoenix to avoid double charging.

Portfolio Analysis as at 31 December 2022

Sector	Percentage of Net Assets
	%
Retail	23.5
Financial*	20.8
Construction	19.4
Leisure	15.6
Technology & Entertainment	5.3
Food & Beverage	4.3
Materials	3.7
Industrials	2.1
Insurance	1.7
Other current assets and liabilities	3.6
Total	100.0



* Castelnau is included in the Financial classification as it is a multi-sector financial holding company.

Statement from the Chief Investment Officer of the Investment Manager

Gary Channon
Chief Investment Officer Phoenix
Asset Management Partners

20 April 2023

2022 was the year that the clawback process did its work and reversed the performance fee earned in 2019. Although I imagine you appreciate the fairness of this act, I know you would have preferred that we delivered the performance instead. 2022 was a difficult year for our portfolio to outperform with outsized gains in the energy sector triggered by the war, but those effects will wear off in time and the extreme under valuation of the portfolio should result in the sort of outperformance that is deserving of performance fees.

Instead of a portfolio that trades at intrinsic value and a great run of recent performance that would lead you to think you had the right people looking after your money we instead have for you a portfolio trading at 40% of what we think it is worth and ask for your patience which we believe will be well rewarded in future performance.

The UK market seems to be getting incrementally cheaper with each wave of negativity that has hit since Brexit. History tells us that these effects are transitory even if they can persist for long periods of time. We had negative interest rates for so long that some thought they would be here forever, and the UK has been cheap for so long now that you hear some who think it is also going to be a permanent attribute. We don't profess to make forecasts about the near term however we do expect fundamentals to reassert themselves in the long run and the wonderful value that we are accumulating in these times of cheapness will turn into the sort of excellent long-term returns that make this approach to investing so worthwhile.

Gary Channon
Chief Investment Officer
Phoenix Asset Management Partners
20 April 2023

Investment Management Review and Outlook

Steve Tatters
Director
Phoenix Asset Management
Partners

20 April 2023

During the year, the NAV per share fell by 17.4% and the share price by 16.3%. The FTSE All-Share Index rose by 0.3% over the same period. Since Phoenix began managing the Company's portfolio on 27 January 2016 to 31 December 2022, the Company's NAV per share total return was 43.2% versus 61.0% for the FTSE All-Share Index. Net assets at year-end were £158 million (2021: £194 million).

The underperformance in 2022 ensured that no performance fee was payable. As a reminder, if a performance fee is payable, it is paid by way of the issuance of ordinary shares, which are subject to a fixed three-year clawback period. If the outperformance versus the index reverses on the third-year anniversary, some or all the issued shares will be returned, and if outperformance fully reverses, Phoenix will receive nothing.

On 31 December 2022, a clawback test for the year ending 31 December 2019 was carried out and, due to underperformance in 2022, the clawback was triggered in full. The 530,311 shares awarded to Phoenix for the 2019 fee have been returned to the Company and the NAV per share increased by 1.66p as a result.

Following a review and dialogue with advisers, prompted by ourselves and the Board, we agreed that accounting for the clawback in the daily NAVs better represents the economic impact of the clawback and is more informative to investors.

The impact of the fully clawed back 2019 fee and the 2020 & 2021 fees, which would be clawed back if the underperformance as at 31 December 2022 continued, but which have yet to be subject to the final three-year clawback test, was to increase the NAV by 5.44p per share in total.

2023 has started positively as the market looks towards inflation, and therefore interest rates, falling. As of 28 February 2023, the NAV has risen 16.8% for the year, with the FTSE All-Share Index rising 6.1%.

Performance Review

From a performance perspective, 2022 was dominated by concerns over higher inflation and the impact of higher interest rates. The war in Ukraine was also a significant factor as it led to an increase in commodity prices, which added to the existing inflationary forces.

The first half of the year saw falls across the portfolio, with the NAV down 16.6% versus 4.6% for the benchmark at 30 June 2022.

The year ended slightly weaker with the portfolio down 17.4% whilst the Index recovered to end the year up 0.3%. Within the second half of the year, Q3 was weak as the NAV fell a further 9.7% before a 9.5% recovery in Q4.

It has been a tough year in which to beat the UK indices. The main UK indices have, unusually (from a global perspective), returned a positive performance in 2022, largely owing to the weighting in energy and miners, whose prices jumped in response to the elevated profit opportunity that followed Russia's invasion of Ukraine. Between them, those sectors make up c.25% of the market and they are up 42% and 23% respectively in 2022. We do not have any ownership in those areas.

The Mid Cap Index, which has a lower exposure to those sectors and is more domestically focused, fell 20% in the year.

The 17.4% decline in Aurora was after a positive 6.5% contribution from a hedge against inflation, through put options on a short sterling future contract, which was disclosed in detail in the Company's last annual report. The biggest contributor to our decline was **Barratt Developments** where we re-invested the proceeds of that

Investment Management Review and Outlook

Continued

hedge, it was down 41% in 2022, which results in a –5.4% effect on the return. **Castelnau Group** contributed a –4.3% effect after it declined by 35%.

The other stocks to make negative contributions of over 2% were **Randall & Quilter** and **easyJet**, which were down 3% and 2.8% respectively.

Last year's biggest riser, **Frasers Group**, the Company's biggest holding, fell 8% in 2022 (having risen 71% in 2021). When combined with its large weight, this had a –1.5% effect on the Company for the year.

The best performer in the portfolio in 2022 was **Netflix**, rising 50% from when we purchased it and making a +1.3% contribution to the overall performance.

Activity Review

In the June 2022 monthly factsheet, we highlighted the valuation opportunities afforded by the fall in the NAV during the half year. This piece was titled "Christmas in Valueland".

Please refer to the June factsheet on our website for the full details, but it highlighted the counter intuitive thinking of value investors as bad fundamental news can often provide good investment opportunities. The essence of "Valueland" is the ability to buy the future for less, and it follows that the less you pay the higher the return you will enjoy in the future.

Those "Valueland" type opportunities persisted for much of the year and even after recent positive performance valuations remain at an historically attractive level.

We took advantage of the opportunity set and instigated four new holdings. We reported in detail during the year on two; **AO World** and **Netflix**, a third, **Hotel Chocolat** recently went over 3% and we will be formally introducing it in the next monthly factsheet. A fourth, **Wayfair**, remains below our 3% disclosure level and will be introduced when it exceeds that 3% threshold.

The investments in **Netflix** and **Wayfair** are outside our historic focus on UK listed equities, but if they sit within our circle of competence, they are investable, and the Company's mandate allows up to 20% of the portfolio to consist of non-UK holdings. Ryanair for example is another member of the portfolio from outside the UK. When we stray outside of the UK, it is to multinational businesses where we think we bring some initial knowledge and insight. Unilever is listed in the UK and Proctor & Gamble in the US, but the expertise required to understand one is highly applicable to the other.

The rationale behind the purchase of Netflix was also outlined in the June factsheet, and it is repeated below:

Rather than cover the story of Netflix, which you probably know and has been covered well elsewhere, including in founder Reed Hasting's book collaboration with Erin Meyer called "No Rules Rule", which is written up in the Phoenix Reading Room, we thought we should explain why we have invested in it.

Long-term holders will remember that we have owned media production broadcast businesses before, initially Carlton Communications and then, following its merger with Granada, ITV. At the time of that merger in 2003 the competition and media regulators decided that ITV would have too much power, and so restricted their ability to change their business and capped their prices and advertiser contracts at 2003 levels. This hobbled them in a changing world. They tried something called ITV Digital,

Investment Management Review and Outlook

Continued

which was a failure, but even in 2008 when this was reviewed by Ofcom, they were still thought to need restrictions. In that report streaming, though mentioned, was not expected to be significant. What they called Broadband TV, or internet TV, was held back because only two thirds of households had access to the internet at the time. The internet itself was underestimated because they said it didn't allow the same ability to target audiences the way broadcast TV did.

We sold our ITV and our WPP viewing that the world was changing fast in a way that undermined both those businesses. All this time later, ITV trades 40% below where we sold it and whenever we have reconsidered it as an investment, for example in 2018 when Carolyn McCall moved there from easyJet, the fear of Netflix has undermined its attractiveness. A show like The Crown would have been a natural for ITV before the emergence of Netflix.

Now, 43% of UK households subscribe to Netflix, streaming services are in 59% of households and Netflix dominates the Top 10 list of most enjoyed titles watched according to Kantar. ITV finally got together with the BBC, and in 2017 created something called BritBox to compete. Currently Netflix has 100 times more subscribers.

What has been playing out in the UK has been going on everywhere at different paces and in different ways. Streaming is a superior way of receiving media content. To young people who have grown up with it, the idea of scheduled linear timed broadcasting is quaint, anachronistic, and not the way they tend to consume media unless it's a live broadcast. Around 300 million households around the world now utilise a streaming service and we think over the next 10 years that could grow to a range of numbers averaging about 1 billion. Netflix, as the first and biggest, we expect to lose share as others get up and running, but they will have a smaller share of a much bigger market. Their growth trajectory will be different to newcomers because they have reached points of deep penetration in many markets. The pandemic has distorted numbers and made trends harder to discern, but it seems reasonable to assume that lockdown had a positive impact upon them and so the end of lockdown should be negative. They entered the lockdown with 167m subscribers and have emerged with 220m. Netflix is not just the UK's no.1; it is the World's. Whilst many focus on Netflix versus Disney, we think the real pain points will be with the likes of ITV and their ilk around the world.

Netflix has built this business whilst charging for it. ITV is free. ITV doesn't have churn numbers because it is free, and advertisers pay for it. This dynamic gives Netflix a great opportunity to vary its business model to reduce subscription price as a point of friction. Netflix is already the streaming service that consumers say is their favourite and would be the last one they cancel. As Netflix experiments with the advertiser funded model that has served Google, YouTube, Facebook and most of the world's commercial broadcasters well, we believe it will increase its competitive advantage.

Netflix has a founder led culture that is always adapting and evolving, using trial and error combined with a good understanding of data to develop. We see this in many successful businesses and so when we consider the management team and culture at Netflix, we think it will outcompete its rivals.

There are many scenarios you can model at Netflix. Our base one gives a value of well over \$500, and our downside stress test comes out around \$200. We have now invested 3% of the portfolio at an average price of \$211.49 and, given that it represents a new area for us, we will restrict ourselves there until we believe we have developed our expertise further. In the past, that cap has taken years not months to lift.

Investment Management Review and Outlook

Continued

In January 2023, Phoenix Asset Management Partners, through **Castelnau Group Limited**, launched an offer for **Dignity PLC** in conjunction with Sir Peter Wood. For full details of that Offer, please refer to the Castelnau Group website www.castelnaugroup.com.

Outlook

In the year-end factsheet for the Company published in January 2023, Gary Channon, Phoenix CIO, outlined some thoughts to shareholders on inflation and the general outlook for the year ahead. It is repeated below, as those thoughts remain relevant today:

Inflation

Given the significant contribution of the inflation hedge to our recent performance, it is worth commenting on our current thoughts and why we were happy to take it off and not extend it.

There seems to be some general misunderstanding as to whether inflation is controllable or not, which at times draws upon the 1970s as an example. However, it is important when considering that period to understand that the prevailing view of politicians and policy makers at the time was that inflation could not be controlled with interest rates or money supply. The way in which governments sought to control inflation was through government intervention in prices and wages.

In the UK we had the National Board for Prices and Incomes, which was set up in 1965 and through which the government attempted to impose controls on prices and wages through direct legal constraint and coercion. Periods of wage freezes were imposed, where no businesses could raise pay, followed by mandated pay rise levels set by the government. This even extended to dividends. All these measures seem unworkable today and they were even then. Much mental and legal resource was spent trying to operate around them and huge misallocations of capital were caused by those distortions, but their ultimate undoing was that they failed to work. Inflation took off and labour represented by unions went on strike bringing the UK to a standstill. (Plus ça change, plus c'est la même chose!)

Some lessons of history are learned because they result in a change that works, and so it was with inflation. We learned that inflation could be controlled by the setting of interest rates and paying attention to the money supply and that, even better, if you gave this as a mandate to an independent central bank, then it would gain real credibility in the pricing of long-term obligations from the government.

The lesson of history that you cannot control inflation by imposing below market wage settlements looks like it is about to be relearned in the UK.

We were worried about inflation in 2021, because we saw the huge growth in money supply caused by the pandemic interventions, which were funded by effectively printing money. Because "quantitative easing", as it became known, worked so well in the Global Financial Crisis of 2008, it was assumed not to cause inflation. But the big difference then was that the money printing occurred as the banking system shrank and the overall effect on money supply was minimal. With COVID-19 there was no offsetting shrinkage. To make matters worse, the interruption to the world trading system that COVID-19 caused meant that supply could not respond to all the extra money in the system and so price rises were the inevitable outcome.

Investment Management Review and Outlook

Continued

To throw fuel to the fire, the invasion of Ukraine, accompanied by a restriction on the supply of Russian energy, caused a surge in oil and gas prices which quickly feeds into all prices.

The key central banks all have a clear policy objective of controlling inflation, and this hiccup has undermined their credibility, which they are acting quickly to regain. They have the tools and there is no reason not to expect them to succeed. Money supply has already stopped rising and has even been declining in the US for the first time in decades. It is a reasonable assumption that long term inflation will be around the goals set for central banks (UK is 2.0%), and that in focusing on restoring their credibility they will tend towards undershooting that level.

2023 will be the year of transition and given the unsustainably elevated level of energy prices (i.e. they are at such a high level that the excess profits incentivise increased supply, whereas elevated prices reduce demand and incentivise alternatives), it is highly possible that inflation could be negative before the year is out.

Once central banks can see the trajectory is on target, we will see where peak interest rates are, and also whether a greater recession is needed, albeit that is the ultimate effect of raising rates to restrain inflationary pressures.

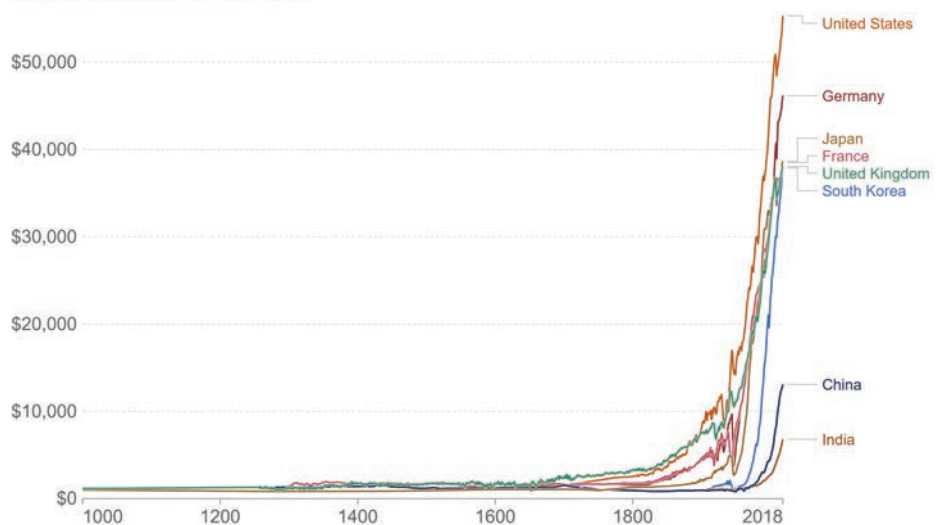
Outlook

You know us better than to expect a forecast for 2023, but we do want to share a thinking framework for someone with, or thinking of, making a long-term investment in equities and then in particular with our investment philosophy.

For all the talk about inflation, interest rates and wars, the most important factor for considering an investment in equities is the underlying economic miracle engine that has been running now for some 300 years. Whatever you call it, industrialisation, or capitalism, starting in the UK a force has been at work that has raised the productive output of the world at a rate faster than population growth. In the previous 1,000 years this did not happen.

GDP per capita, 1000 to 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database 2020 (Bolt and van Zanden, 2020)

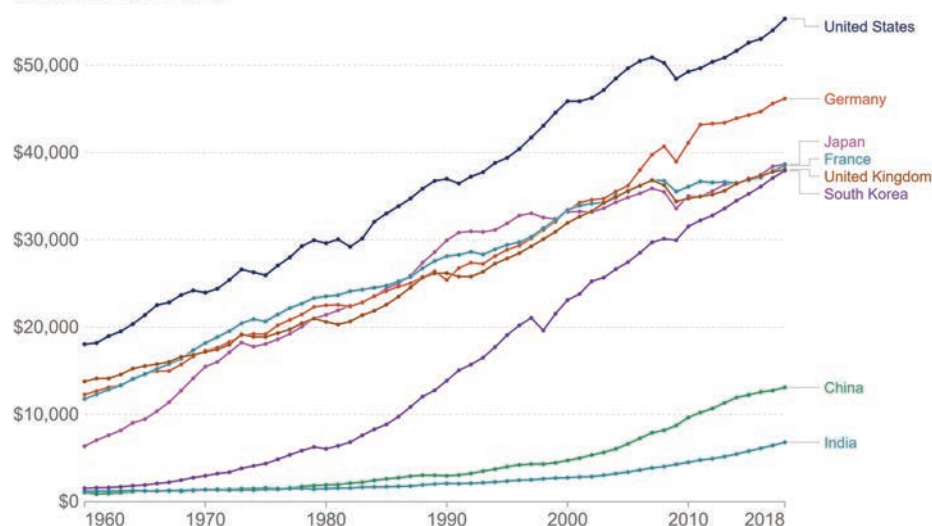
OurWorldInData.org/economic-growth • CC BY

Investment Management Review and Outlook

Continued

GDP per capita, 1960 to 2018

This data is adjusted for differences in the cost of living between countries, and for inflation. It is measured in constant 2011 international-\$. 



Source: Maddison Project Database 2020 (Bolt and van Zanden, 2020)

OurWorldInData.org/economic-growth • CC BY

The effects of this machine can be seen in the world GDP figures adjusted for inflation. The first column of GDP data in the table below shows the figures adjusted for inflation, but when we are thinking about where corporate profits come from, it is actual dollars which the next column shows. Corporate profits have averaged between 8% and 10% of GDP over that period and so the final column is an estimate of their size using a 9% estimate.

The forces of that progress are identifiable and measurable. The number of people involved and the output per person are the two simple factors of the output result. Innovations in ways of working and innovation in the technologies involved, combined with trade, drove that output. But by far the biggest absolute driver has been the increase in the number of people joining the system. Even without any innovation, newly industrialising countries can just adopt methods and technologies already discovered.

	World (2015\$)	change	World (Current\$)	change	Profit Pool
1961	\$11,316,399,618,088		\$1,448,625,354,543		\$130,376,281,909
1971	\$18,866,906,740,753	67%	\$3,310,780,486,001	129%	\$297,970,243,740
1981	\$26,824,107,597,640	42%	\$11,727,633,651,775	254%	\$1,055,487,028,660
1991	\$36,481,847,683,018	36%	\$23,763,555,781,581	103%	\$2,138,720,020,342
2001	\$49,318,791,162,402	35%	\$33,623,959,264,594	41%	\$3,026,156,333,813
2011	\$67,008,015,715,948	36%	\$73,857,648,457,527	120%	\$6,647,188,361,177
2021	\$86,852,662,217,901	30%	\$96,513,077,364,368	31%	\$8,686,176,962,793

Source: World Bank national accounts data, and OECD National Accounts data files, Phoenix

Investment Management Review and Outlook

Continued

The effects of this machine can be seen in the world GDP figures adjusted for inflation. The first column of GDP data in the table below shows the figures adjusted:

Throughout those decades interest rates went up and down, inflation came and went and so did wars, but none of it derailed this relentless machine.

Increasing output at a rate faster than population growth raises the standard of living and that has also happened at a relentless pace. The best way to show it is with the GDP per capita, see table below:

World GDP per Capita

Year	Value	Change
1961	\$3,683	
1971	\$5,007	36%
1981	\$5,933	18%
1991	\$6,778	14%
2001	\$7,921	17%
2011	\$9,500	20%
2021	\$11,010	16%

Source: World Bank national accounts data, and OECD National Accounts data files

As citizens get wealthier they consume differently, and the business opportunities to satisfy that consumption grows. This is the basis of the economic system in which we participate, from which our businesses derive their profits and therefore, ultimately where the returns and values of our businesses come from.

This is the strong and compelling case for equities over the long term, as a participator in that great wealth generating machine and as a protection against any inflation that accompanies that progress.

World GDP had just passed \$30 trillion when we started Phoenix in 1998 and it most likely will have passed \$100 trillion now. The pool of corporate profits has more than tripled in that period and a holder of one of the world indices would have achieved something similar to that on their investment.

The Case for the Value Investing Approach

If the index-based approach can give such good returns for the long-term investor, then why contemplate a value-based approach?

There are two key edges that a value-based approach has over a pure index tracking one, which should mean that all value managers can outperform the index, even after fees, if they do them.

1. Avoid bubbles of over valuation
2. Take advantage of troughs of under valuation

Both go against basic human instincts and are the primary reason why the average investor underperforms.

Investment Management Review and Outlook

Continued

Avoiding bubbles. As we have discussed previously, markets have in the past few years become dominated by a euphoric interest in technology related businesses. Many of them look like great businesses and are highly profitable, but in a run reminiscent of the Go-Go Years rally of the 1960s, which focused on the Nifty Fifty of forever stocks, the valuation put on businesses with great prospects reached highly elevated levels.

A value-based approach keeps you out of such manias and protects you from the fallout seen already in 2022. We had none of those in the portfolio.

Buying Value in a Trough. As we have discussed previously, the layers of negative forces prevailing in the stock market, especially in the UK, have created significant undervaluation opportunities. It has been our focus to make the most of this opportunity. Although straightforward in principle, buying cheap but declining and out of favour stocks is always uncomfortable when you are doing it, because they usually keep declining and looking like mistakes.

We save ourselves from the human side of that by sticking to our approach, making rational value-based judgements, in the knowledge that, in the long run, it is the underlying cash generation of a business that ends up determining its value and long-term investment returns. We pay no attention to timing but if we invest in undervalued securities, that are themselves making high returns on the capital retained within them, then time works for us. Value builds and, ultimately, returns follow.

The result of applying that edge, since we started in 1998, is that we had a 12-fold return whilst those world indices and profit pool tripled.

UK House Prices

Given our large exposure to UK housebuilding, and that this is again a much-discussed topic, we thought we should say something on house prices.

Those familiar with our investment rationale will know that the movement in house prices does not matter much for value and, counter-intuitively, the outcome that produces the most cash for shareholders is one of continual house price decline. The reason being that declining prices, in essence, release capital currently tied up in land, because the replacement cost of land falls as house prices fall. Because the cost of building houses does not decline, land prices always take a disproportionate hit which releases a lot of capital. (e.g. in 2009 a 9% fall in house prices was accompanied by a 40% fall in land prices).

We restate that reasoning so it is clear that we don't have an endowment bias (i.e. the cognitive bias you get when you already own something to favour thinking that supports that ownership) that leads us towards optimistic house price expectations.

Ultimately, we think house prices reflect the forces of supply and demand. Rising mortgage rates have an impact on the area of demand that comes from buyers of a house with a mortgage, but demand occupancy is a function of the supply of households and most households are not formed with a mortgaged purchase; they start as a rental decision. A shortage of supply of housing means that occupancy of property is high and that landlords can expect a tenant. Higher rates mean that landlords will either have to raise rents or lower the price at which they are willing to buy properties. In 2022 private rents rose 11% in the UK and 15% in London. Like

Investment Management Review and Outlook

Continued

higher energy prices, they end up taking up a larger proportion of household budgets and for some it will mean that a household does not get formed, e.g. young people will continue to live at home longer.

The price at which landlords are willing to bid will be impacted by their cost of funds. Though the overall yield on UK residential property is still at or above the long-term risk-free rate. On top of that, rents rise with inflation and so, from a purely asset pricing point of view, the pricing still looks attractive.

House prices adjust very slowly in the UK. Many choose not to move when they don't get their desired price and so transaction volumes decline. In 1989-1995, when the last period of overbuilding caused a bursting bubble in the UK, it took 5 years for prices to fall 9% and, with inflation included, that resulted in a fall of 23% in real terms. (1989 was the last year in which the UK built more houses than households formed!)

That bubble was accompanied by over building and lots of poor lending. Following the financial crisis in 2008, the UK mortgage market has changed considerably, and new regulations have restricted lending to those passing affordability tests, which include rises in interest rates. That is not to say that a rise in unemployment will not cause some to find their mortgage unaffordable, but the UK regulator has already guided the lenders to seek all possible ways to help borrowers, including pausing capital repayments rather than have someone lose their home. Repossessions have never been a significant factor in the UK house market, even in past bubbles, and that looks even likelier to be the case again.

More likely is a period of adjustment to new mortgage rates and rental prices, a decline in prices from lower expectations of value by agents, sellers and buyers, before the forces of supply and demand assert themselves to leave residential property in the UK still expensive.

We have used many methods to estimate the level of undersupply of housing in the UK and the best approximate figure we have is around 5% or 1.5 million homes, not evenly distributed and most extreme in London. The latest changes and government backdowns on planning policy show that there is no likely path in the medium term to fix this. Even the political will, that we have seen from both parties in the past 20 years to raise housing output, it has not overcome the underlying local resistance to new housing.

China

Given the way we view the world, the most significant recent news has been the re-opening of the Chinese economy from COVID-19. In the short run, it will help alleviate inflationary pressures, but in the long term, the forces we talked about earlier are what matters. China aspires to have an economy like the US, but even if it managed to raise its GDP per capita to the level of the UK, that alone would add \$47 trillion to the \$100 trillion world economy. However, China's relationship with the US and Europe (including the UK) has changed; there is a wariness about China's intentions, and this is causing restrictions to trade in crucial areas like semiconductors. Military and political rivalries are concerning, but a student of history cannot help but notice how much innovation and economic progress has been made in the competition for power between nations (see Paul Kennedy's 1987 book *The Rise and Fall of Great Powers* for a great illustration of this over 500 years). There is no military victory route available and so the best way for China (and India) to build their power to

Investment Management Review and Outlook

Continued

match the size of their nations, is economic progress towards conversion with the West, and in doing so the standard of living of the whole world will rise substantially. And as previously said, the best way for a long-term saver to participate in that is by owning commercial enterprises.

Conclusion

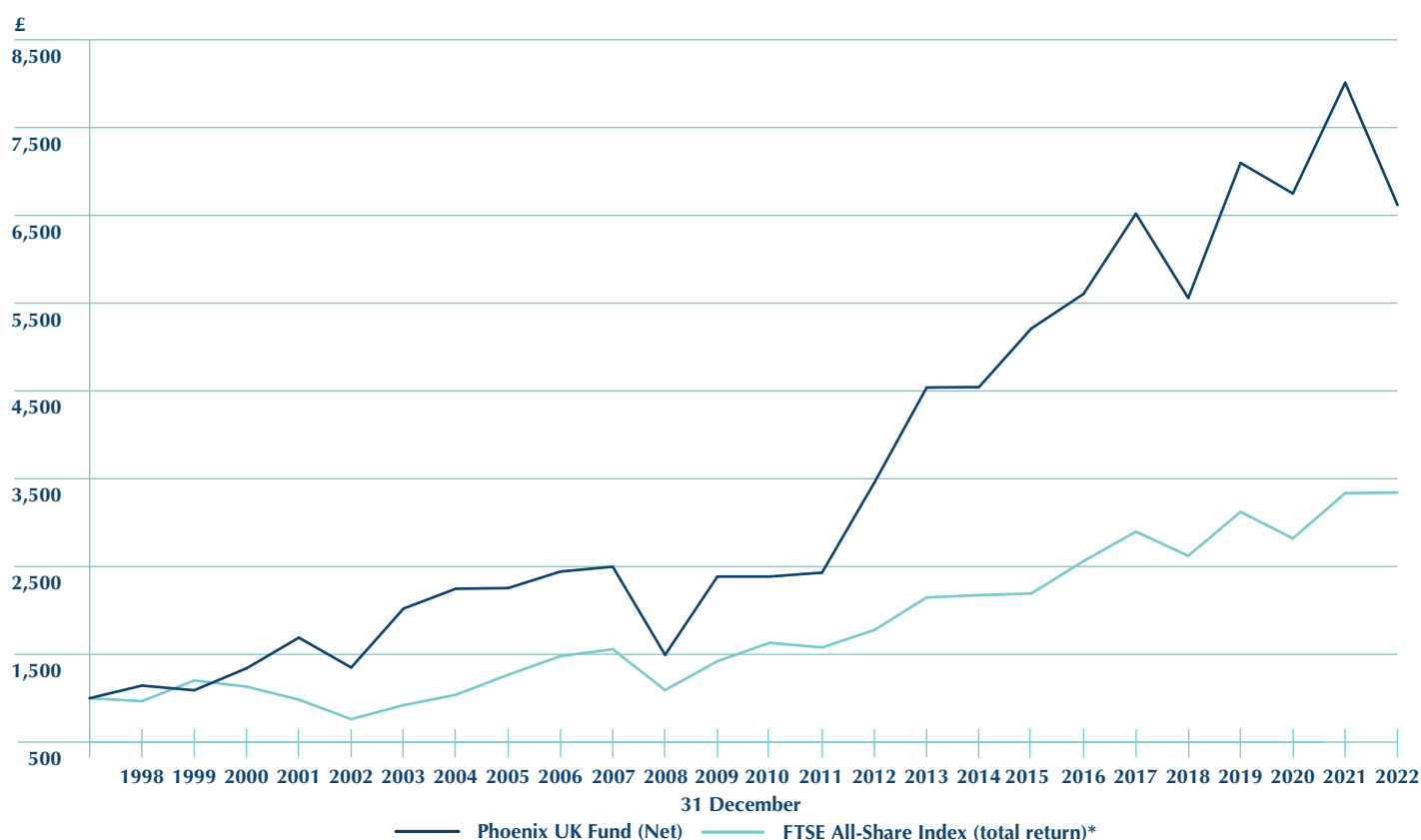
All that grandiose macro context does not help you pick stocks. Companies succeed and fail in much more dramatic fashion than countries. We have a portfolio of strong businesses, and so in tough times they get relatively stronger and that shows when conditions improve. We see that happening across the portfolio, where companies with strong management teams are outcompeting their competitors and creating great long term future value. Unfortunately, our external scorecard is based upon the value that the market puts on those businesses, and currently that is low. We believe we have added considerable long-term value to the portfolio in this period and that will start showing up in returns in the coming years.

Steve Tatters
Director
Phoenix Asset Management Partners
20 April 2023

Value of £1,000 invested in the Phoenix UK Fund at launch to 31 December 2022

Phoenix UK Fund Track Record

The investment strategy followed by the Phoenix UK Fund is the same as that followed by the Company*



Source: Phoenix. All figures shown are net of fees and do not account for an investor's tax position. The FTSE All-Share Index is shown with dividends re-invested. The Fund's inception date is May 1998.

* Whilst the investment strategy is the same in all material respects, the portfolio holdings will not necessarily be the same and investors in the Company will have no exposure to the investment performance of the Phoenix UK Fund. For illustrative purposes only, not a recommendation to buy or sell shares in the Fund. Past performance is not a reliable indicator of future performance.

Phoenix UK Fund Track Record

Year	Investment Return (Gross) %	NAV Return (Net) %	FTSE All-Share Index %	NAV Per Share (A Class) £
1998 (8 mths)	17.6	14.4	(3.3)	1,143.71
1999	(1.3)	(4.6)	24.3	1,090.75
2000	24.7	23.0	(5.8)	1,341.46
2001	31.7	26.0	(13.1)	1,690.09
2002	(17.8)	(20.1)	(22.6)	1,349.64
2003	51.5	49.8	20.9	2,021.24
2004	14.1	11.2	12.8	2,247.26
2005	1.4	0.3	22.0	2,254.99
2006	9.5	8.3	16.8	2,442.90
2007	3.4	2.3	5.3	2,498.40
2008	(39.5)	(40.2)	(29.9)	1,494.31
2009	62.8	59.7	30.2	2,386.48
2010	1.1	0.0	14.7	2,386.37
2011	3.0	1.9	(3.2)	2,430.75
2012	48.3	42.2	12.5	3,456.27
2013	40.5	31.3	20.9	4,539.47
2014	1.9	0.1	1.2	4,544.25
2015	20.1	14.7	0.9	5,211.13
2016	9.1	7.6	16.8	5,605.58
2017	21.5	16.3	13.1	6,518.69
2018	(13.6)	(14.7)	(9.5)	5,558.97
2019	30.3	27.7	19.1	7,098.36
2020	(3.9)	(4.9)	(9.7)	6,748.66
2021	23.4	18.7	18.3	8,011.17
2022	(16.7)	(17.4)	0.2	6,619.32
Cumulative	1,098.0	561.9	233.3	n/a
Annualised Returns	10.6	8.0	5.0	n/a

Report under Section 172 of the Companies Act 2006

Directors' duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires the Directors to seek to promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term, the need to foster the company's business relationships with suppliers and others, the impact of the company's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company.

The Board seeks to understand the views of the Company's shareholders and their interests, and those of its other key stakeholders, and to consider these, together with the other matters set out in section 172, in Board discussions and decision-making. The Board keeps engagement mechanisms under review so that they remain effective and in fulfilling their duties the Directors carefully consider the likely consequences of their actions over the long-term.

The following describes how the Directors have had regard to the views of the Company's stakeholders in their decision-making.

Shareholders

The Investment Manager regularly meets the largest shareholders and beneficial owners and reports back to the Board on those meetings. Liberum Capital Limited ("Liberum"), the Company's corporate broker, and Frostrow Capital LLP ("Frostrow"), in its capacity as the Company's investor relations & marketing adviser, also meet with investors and seek to understand their views, which they relay to the Board. Additionally, the Company Chair is available to meet with investors on request. Through these interactions and other communications the Board and the Investment Manager seek to promote a supportive investor base of long-term investors.

The Board communicates with investors twice a year via the Annual Report and Half-yearly Report and more frequently via the Company's website which hosts various information, including news reports, video presentations by the Investment Manager and monthly factsheets. Additionally, the NAV per share is announced daily via a regulatory information service.

The Company encourages all shareholders to attend the Company's AGM, at which the Directors are available in person to meet with shareholders and to answer their questions. Historically the AGM included a presentation from the Investment Manager, however, this year the Board is instead introducing a separate Investment Manager presentation and Q&A event at 4 p.m. on 10 October 2023 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE. This event is intended to be of interest to both existing and prospective Aurora shareholders and will include multiple speakers from the Investment Manager. It is intended for this event to be recorded and made available afterwards on the Company's website.

The Notice of Meeting on pages 101 and 102 sets out the business of the AGM and each resolution is explained in Explanatory Notes to the Resolutions, which follow the Notice, starting on page 107. Separate resolutions are proposed for each substantive issue. The Company Chair, and where relevant, each Committee Chair, welcomes engagement with the Company's shareholders (and the Company's other key stakeholders) on significant issues raised by them at the AGM or at other times. Details of the votes cast on each resolution will be announced via a regulatory information service shortly after the AGM and published on the Company's website.

Report under Section 172 of the Companies Act 2006

Continued

At each of its regular meetings the Board tracks shareholder changes and monitors the evolving shareholder profile. A list of the largest shareholders in the Company can be found on page 43.

Shareholders have generally been supportive through the year and nothing arose from the shareholder interactions requiring a substantive decision to be made. However, related to this topic, the Board has decided to participate in a retail focus group initiative aimed at further understanding retail shareholders.

Other stakeholders

As an externally managed investment company, the Company has no employees and all operational activities are outsourced to third party service providers. These include the Investment Manager, the Company Secretary and Administrator, the Registrar, the Depositary, the Custodian, lawyers and financial advisers. The Board has identified these service providers to be key stakeholders in the Company, together with its shareholders and investee companies. The Board is aware of the need to foster the Company's relationships with its key stakeholders through its stakeholder management activities.

As part of the Board and stakeholder evaluation processes that are undertaken annually, the Board reviews its engagement mechanisms to ensure they remain effective.

In fulfilling their duties, the Directors carefully consider the likely consequences, for stakeholders and otherwise, of their actions over the long term.

During the Board's quarterly meetings the Directors consider and are mindful of:

- i. the Company's investment objective and policy;
- ii. the main trends and factors likely to affect the future development, performance and financial position of the Company;
- iii. the Company's key performance indicators;
- iv. the Company's peers;
- v. the Company's overall strategy; and
- vi. the Company's core values, which are integrity, accountability, transparency and commitment.

The Investment Manager is the most fundamental service provider to the Company's long-term success, and the Board provides oversight and challenge to the Investment Manager at all Board meetings to ensure that the portfolio is managed in line with the Company's published investment policy.

A description of key service providers' roles together with the terms of their engagement can be found on pages 42 to 44. The Management Engagement Committee, on behalf of the Board, reviews the performance and terms of engagement of each of the Company's key service providers annually to ensure each remains competitive and to consider the quality of the services they provide.

Environmental, Social and Governance ('ESG') Matters

The Board expects good standards of business sustainability to be maintained, especially with respect to ESG, at the companies in which the Company invests and

Report under Section 172 of the Companies Act 2006

Continued

satisfies itself that the Investment Manager consistently and proactively engages with them on this basis.

All shareholdings are voted at listed company meetings worldwide where practicable in accordance with the Investment Manager's own corporate governance policies.

Further details of the Investment Manager's approach to ESG within its investment framework can be found on its website at www.phoenixassetmanagement.com.

Monitoring of Key Decisions and the outcome of those decisions

The Board meets at least quarterly and at such other times as deemed appropriate. During these meetings, the Board considers reports from the Investment Manager on the Company's portfolio, its investment activity and sector diversification. In addition, the Investment Manager provides an overview of engagement with the investee companies and with potential investee companies. The Board debates the Company's portfolio and notable acquisitions or disposals at each of its meetings and challenges stock selection where deemed appropriate. In between meetings, the Investment Manager and Board maintain contact through which they consider investment ideas, market outlook, any strategies under consideration for adjusting the Company's portfolio in line with the Company's investment policy and other initiatives.

The Board receives reports from Frostrow, in its capacities as Company Secretary, Administrator and Investor Relations & Marketing Adviser, respectively on the latest governance, legal and investment trust sector issues, the Company's management accounts and, together with Liberum, the Company's corporate stockbroker, on the Company's shareholder base, including changes thereto. The Depositary also provides oversight reports and Liberum also reports on performance relative to the Company's peers and the market liquidity of the Company's shares. Contact with shareholders by the Investment Manager, Frostrow and Liberum is also relayed to the Board who consider these discussions at their quarterly meetings.

As mentioned above, the Board decided to participate in a retail focus group initiative aimed at further understanding retail shareholders. During the year, the Board reviewed the performance and terms of engagement of each of its key service providers, which included a review of their control reports and policies, such as whistleblowing, anti-bribery, anti-money laundering and corruption, cyber security, data protection policies and each entity's business continuity arrangements to ensure they were in place and were adequate. This was a particularly active area of consideration in the year and decisions were taken, and have been implemented, to change the Company Secretary and Administrator, to Frostrow, the Depositary and Custodian, to Northern Trust, and the Auditor, to BDO.

In accordance with the Company's Investment Management Agreement, the Board agreed during the year to issue shares to the Investment Manager in respect of the performance fee earned for the year to 31 December 2021.

As part of the Board's succession plan, the Board worked with independent search consultant Trust Associates, to search for and appoint two new Board members to replace Lord Flight and the Honourable James Nelson who stepped down from the Board at the Company's AGM on 28 June 2022.

Other decisions included recommending the payment of a final dividend in respect of the year ended 31 December 2021, which was paid on 1 July 2022, in accordance with the Company's dividend policy to distribute substantially all the Company's revenue to shareholders by way of a dividend. It was also paid to satisfy the

Report under Section 172 of the Companies Act 2006

Continued

investment trust status requirement that no less than 15% of the Company's qualifying revenue must be retained each year.

Boardroom Diversity

The Board supports the principle of Boardroom diversity, and the Board currently comprises four non-executive Directors of which three are female and one male. One Director is from a minority ethnic background. The Board considers its composition, including the balance of skills, knowledge, diversity (including gender and ethnicity) and experience, amongst other factors on an annual basis and when appointing new Directors. The Board has considered the requirements under the FCA's Listing Rule 9.8.6R (10) in relation to target reporting, and has provided full details in the Corporate Governance Statement section on page 47. Summary biographical details of the Directors are set out on pages 35 and 36.

Stewardship code

The Board and the Investment Manager support and have a strong commitment to the FRC's UK Stewardship Code, the latest version of which was effective from 1 January 2020. It is endorsed by the AIC and sets out principles of effective stewardship by institutional investors. Whilst the Investment Manager is not a formal signatory to the Stewardship Code, it has chosen to adhere to the 12 principles as closely as possible. Further details of the Investment Manager's approach to the Stewardship code can be found on the Investment Manager's website at **www.phoenixassetmanagement.com**.

Modern slavery disclosure

Due to the nature of the Company's business, being a company that does not have employees and does not offer goods or services to consumers, the Board considers that the Company falls outside of the scope of the Modern Slavery Act 2015 and is not required to issue a slavery and human trafficking statement. 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 this matter.

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. The Board has made enquiries of its third-party service providers to ensure they have procedures and policies in place.

Criminal Finances Act 2017

The Company maintains a zero-tolerance policy towards the provision of illegal services, including the facilitation of tax evasion. The Company has received assurances from the Company's main service providers and suppliers that they maintain a zero-tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

Other Strategic Report Information

Principal Risks and Risk Management

The Board is responsible for the identification, evaluation and management of the risks facing the Company. Risk is a key element of all the Board's deliberations. Additionally, the Board has delegated to the Audit Committee the formal regular review of these risks, together with their mitigation and the discerning of emerging risks, on its behalf. This process accords with the UK Corporate Governance Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Audit Committee and the Board has carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

The Board's policy on risk management has not materially changed during the course of the reporting period and up to the date of this report. In particular, the Board undertakes a review of the performance of the Company and scrutinises and challenges notable transactions at each quarterly Board meeting.

The Audit Committee maintains a framework of the key risks and the policies and processes in place to monitor, manage and mitigate them where possible. This risk map is reviewed regularly by the Audit Committee, as set out in the Audit Committee Report starting on page 60.

The Audit Committee and the Board consider that the risks summarised below are the principal risks currently facing the Company. It is not an exhaustive list of all risks faced by the Company.

Principal Risks and Uncertainties

Geopolitical and economic risks

The Company and its portfolio are at risk from changes in economic and market conditions such as from rising interest rates; high inflation; recession; local and global politics; and disruptive local and global events. These can disrupt trade and supply chains and cause increased market volatility, which could substantially and adversely affect the Company's prospects and the market prices of its investments. Rising interest rates, high inflation and the threat of recession are all contemporary areas of concern, together with the war in Ukraine and the related sanctions that have been imposed.

The opportunity for the Board to mitigate such macro risks is somewhat limited. The Board and the Investment Manager monitor and discuss the macroeconomic environment at each Board meeting, along with potential impacts. The Investment Manager also provides a detailed update on the investments at each meeting, including, *inter alia*, developments in relation to the macro environment and trends. Mitigating factors include the experience and expertise of the Investment Manager, that the Company's portfolio, although concentrated, is diversified across a range of sectors, and that the Company has no leverage and a net cash balance. The sanctions in relation to the war in Ukraine are not expected to have any direct impact on the Company, but the Board will continue to monitor developments closely.

Investment objective and strategy

The Company's investment objective is to provide shareholders with long-term returns through capital and income growth by investing predominantly in a portfolio of UK

Other Strategic Report Information

Continued

listed companies. It is not assured that the objective will be met or that it will continue to meet investors' needs. Poor performance or the investment objective losing its attractiveness to shareholders could result in reputational damage and a widening discount.

The Board reviews performance at every Board meeting and challenges the Investment Manager on stock selection and diversification.

The Board also seeks to understand shareholder sentiment with respect to the investment objective and the strategy being followed with the help of the Company's Investment Manager, corporate broker and investor relations & marketing adviser.

Shareholders are provided with an opportunity to vote on the Company's continuation every three years. The continuation vote provides a gauge of the attractiveness of the Company to its shareholders. The most recent continuation vote took place at the Company's AGM on 28 June 2022 and was successfully passed with overwhelming support from shareholders (100% voted in favour).

Risks related to the Investment Manager

The Company's success is closely dependent on the performance of the Investment Manager. In addition to the performance of the portfolio, the Company is also exposed to any potential loss of key personnel from, and the reputation of, the Investment Manager.

The Investment Manager has a well-defined investment strategy, a proven process and an extensive track record. The performance and the terms of engagement of the Investment Manager are reviewed annually by the Management Engagement Committee on behalf of the Board, in addition to the Board's ongoing communications, monitoring and challenge. The Investment Manager also reports regularly to the Board on personnel changes and other developments.

Service Provider Transition Risk

Although this has abated somewhat since the dates of the transitions, during the course of the year the Board recognised the risks posed by the transition of a number of the Company's service providers: Auditor; Company Secretary and Administrator; Depositary and Custodian.

Care was taken to minimise the risk through hand-over protocols, communication and parallel running where possible. The Board continues to monitor the new providers and plans to conduct a 360° review of all the providers and their interaction later in the year.

Operational Risks

Also related to the service provider transition, operational risks are considered to be at a heightened level until the new providers have been in place sufficiently long to prove themselves. These incorporate, amongst other things, the potential for errors or irregularities in published information, cyber risks, business continuity risks, and regulatory risks.

The Audit Committee has received internal controls reports from the relevant service providers, where available, and has satisfied itself that adequate controls and procedures are in place to limit any impact on the Company's operations, particularly with regard to a financial loss. It has also satisfied itself that they have appropriate

Other Strategic Report Information

Continued

business continuity plans in place. The performance of service providers is reviewed annually by the Management Engagement Committee. Each service provider's contract defines their duties and responsibilities and has safeguards in place including provisions for termination in the event of a breach or under certain circumstances.

Discount risk

The Board specifically recognises the risk that the price of the Company's shares may not reflect their underlying net asset value, which could compromise shareholders' returns.

The Board, along with its advisers and the Investment Manager, monitors any discount closely and seeks to enhance share price performance through effective marketing. The Board also seeks authority from shareholders each year to buy back shares and will consider doing so if a discount becomes excessive and persistent.

ESG

The Board recognises the risks posed by environmental, social and governance ("ESG") factors, particularly with respect to portfolio risks and potential reputational risk should the Company not meet investor expectations in relation to ESG. Investment companies are currently exempt from reporting under the Task Force on Climate-Related Financial Disclosures ("TCFD") and the Company has not voluntarily adopted the requirements, but considers ESG factors that might affect portfolio companies to be an emerging risk area for the Company. The Board and Investment Manager also recognise the potential opportunity afforded by attention to the wider climate change agenda. ESG risk assessment is embedded in the Investment Manager's due diligence and decision-making process when investing in new companies and monitored thereafter.

Financial Risks

The Company is exposed to liquidity risk and credit risk arising from the use of counterparties. If a counterparty were to fail it could adversely affect the Company through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets.

Further details on the Company's financial risks are included in Note 12 to the financial statements starting on page 92.

The Board reviews the services provided by the Depositary and the internal controls report of the Custodian to ensure that the security of the Company's custodial assets is maintained. The Investment Manager is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years to 31 December 2027.

Other Strategic Report Information

Continued

The Board has chosen a five-year horizon in view of the long-term nature and outlook adopted by the Investment Manager when making investment decisions.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least five years to 31 December 2027. A continuation vote, as required by the Company's Articles, was held on 28 June 2022 and passed with overwhelming support from shareholders. The next vote is expected to take place at the Company's AGM in 2025. The Board and the Company's advisers will continue to work closely with shareholders and are confident that the next vote will successfully pass.

In reaching this conclusion, the Directors have considered each of the principal risks and uncertainties set out above as well as the following assumptions in assessing the Company's viability:

- there will continue to be demand for investment trusts;
- the Board and Investment Manager will continue to adopt a long-term view when making investments;
- the Company invests principally in the securities of UK listed companies to which investors will wish to continue to have exposure; and
- regulation will not increase to a level that makes running the Company uneconomical.

Factors including high inflation, the conflict in Ukraine and any tail risks from the COVID-19 pandemic were also incorporated into the key assumptions. As part of this process the Board considered the impact of severe but plausible scenarios, including the impact of significant market movements, on the Company's liquidity and solvency, its income and expenses profile and the non-utilisation of gearing as an instrument as permitted by the Company's investment policy. A significant proportion of the Company's investments comprise readily realisable securities which could, if necessary, be sold to meet the Company's cash requirements.

The Company's plan to expand by the issue of new share capital is kept under close and ongoing review by the Board. Portfolio changes and market developments are also discussed at quarterly Board meetings.

The internal control framework of the Company is subject to formal review on at least an annual basis. The Audit Committee considered the operational resilience of the Company's service providers, and thereby the operational viability of the Company. The Committee is reassured that all key service providers were operating effectively and to their normal high service standards.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 6, and the Investment Manager's Review on pages 17 to 23.

This Strategic Report was approved by the Board on 20 April 2023.

Farah Buckley
Director

Governance

Directors, Investment Manager, Other Service Providers and Advisers

Directors

Lucy Walker

Company Chair

Lucy Walker joined the Board on 2 December 2019 and became Chair of the Company on 28 June 2022. She is a founder, chair, board director and adviser in investment management, technology and not-for-profit organisations. She is founder of AM Insights, a fund data platform that lets financial professionals understand their funds on the go. She is also a director of Henderson International Income Trust plc and the independent member of the audit and risk committee at SportsAid. She is a former fund researcher and fund manager at Sarasin & Partners LLP and HSBC Global Asset Management Limited.

Lady Rachael Robathan

Chair of the Management Engagement Committee and the Nomination & Remuneration Committee

Lady Robathan joined the Board on 2 December 2019 and served as Audit Committee chair from then until 8 September 2022, when she became chair of the Management Engagement Committee and the Nomination & Remuneration Committee.

She was the Leader of Westminster City Council until the elections in May 2022 since when she has been the Leader of the Opposition. First elected in 2010, she held the Finance, Property and Housing Cabinet portfolios before becoming Leader. Prior to this, she worked for 20 years in emerging market investment management at Invesco and AIB Govett before joining Pictet as part of the UK based Family Office team. In addition, she has been a Director of the National Lottery Community Fund since June 2015 and is a member of its Remuneration Committee and its Audit & Risk Committee. She is also a Trustee of Westminster Almshouses Foundation, a sheltered housing charity, a Director of The Knightsbridge Neighbourhood Forum Limited and until May 2022 was a Trustee of The Royal Parks and remains a member of the Investment Committee.

David Stevenson

David Stevenson joined the Board as a non-executive Director on 2 February 2016.

He is a columnist for the Financial Times, Citywire and Money Week and author of a number of books on investment matters. He is the chairman of Secured Income Fund Plc and a non-executive director of Gresham House Energy Storage Fund Plc and Castelnau Group Limited (Guernsey). He is also a director of ETF Stream Limited and Stockmarkets Digest Limited. He was the founding director of Rocket Science Group Holdings Limited and of AltFi Limited, which is now part of ETFStream.com. He has also been a strategy consultant to a number of asset management firms and investment banks.

Directors, Investment Manager, Other Service Providers and Advisers

Continued

Farah Buckley

Chair of the Audit Committee

Farah Buckley joined the Board as a non-executive Director on 8 September 2022 and became chair of the Audit Committee on 27 February 2023.

She has spent over 20 years in financial services across audit, mergers & acquisitions and private equity and brings extensive experience of growth, innovation and strategy with a particular focus on technology and ESG.

She is a non-executive director of Caledonia Investments plc, an independent non-executive director at Lloyds of London managing agent Apollo Syndicate Management Limited, where she is Chair of the Remuneration and Nominations Committee, and is an adviser to technology start-up Grafterr. Previous positions include head of investment solutions at Hermes GPE, a global private equity investor, and head of UK at Adveq, a Swiss private equity investment firm. She also worked at boutique corporate finance house McQueen, where she was involved with numerous deals within the retail, consumer and leisure sectors. She is a chartered accountant, having qualified with Deloitte. Throughout her career she has been a member of committees, including the BVCA (British Private Equity & Venture Capital Association), the Global Thinkers Forum and Arts for India charity.

Alternative Investment Fund Manager (“AIFM”) and Investment Manager

Phoenix Asset Management Partners Limited
64-66 Glenthams Road
London SW13 9JJ
Telephone: 0208 600 0100

The Company's Investment manager is Phoenix Asset Management Partners Limited (“Phoenix”). Phoenix is a specialist fund management company, founded in 1998. It manages the Phoenix UK Fund, which it has managed since 1998, and other segregated accounts following the same strategy. It has been the Company's Investment Manager since 28 January 2016.

Phoenix is a focused and patient investor, aiming to buy a relatively small number of great businesses, with a high return on capital, pricing power and strong prospects, at attractive prices and which it expects to hold for very long periods.

Phoenix defines risk as being the potential for a permanent loss of capital, rather than share price volatility. They see permanent loss of capital as a function of an insufficiently thorough understanding of a business and the potential threats it faces. An ongoing monitoring and research programme for every stock in the portfolio seeks to mitigate this risk.

Although the portfolio is concentrated, Phoenix pay attention to the fundamental business risks across the holdings, ensuring sufficient diversification and avoiding duplication and doubling up.

Directors, Investment Manager, Other Service Providers and Advisers

Continued

Other Service Providers and Advisers

Company Secretary, Administrator, Investor Relations & Marketing Adviser and Registered Office

Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Depository & Custodian

Northern Trust Investor Services Ltd
50 Bank Street
London E14 5NT

Stockbroker

Liberum Capital Limited
25 Ropemaker Street
London EC2Y 9LY

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Website Address: **www.aurorainvestmenttrust.com**

Registered Number – 03300814

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Directors' Report

By Order of the Board
Frostrow Capital LLP
Company Secretary

20 April 2023

The Directors present their report and Financial statements for the year ended 31 December 2022.

Strategic Report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 33, including the Principal Risks and Uncertainties faced by the Company.

Corporate Governance

The Corporate Governance Statement on pages 45 to 52 forms part of this report.

Legal and Taxation Status

The Company was incorporated and registered in England and Wales on 10 January 1997 as a public limited company, registered number 03300814. It is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 (CTA) and the Investment Trusts (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs has approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

The Board and Re-Election of Directors

The Directors of the Company are listed on pages 35 and 36. Lucy Walker, Lady Rachael Robathan and David Stevenson served throughout the year to 31 December 2022. Lord Flight and The Hon. James Nelson served on the Board from the start of the year until their retirement at the Company's AGM on 28 June 2022. Helen Vaughan and Farah Buckley were both appointed on 8 September 2022. Helen Vaughan subsequently resigned from the Board of the Company on 27 February 2023 due to a conflict of interest. All Directors are non-executive. In accordance with the AIC Corporate Governance Code, the entire Board is subject to annual re-election. Accordingly, resolutions will be put to shareholders to re-elect Lucy Walker, Lady Rachael Robathan and David Stevenson and to elect Farah Buckley at the Company's forthcoming AGM.

The report on Corporate Governance starting on page 45 contains a description of the Board's method of operation, its work during the year and that of its Committees and of how its performance has been evaluated.

Director's Indemnities and Insurance

Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company will indemnify each of the Directors against all liabilities which each director may suffer or incur arising out of or in connection with any claim made or proceedings taken against them, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by them, on the grounds of their negligence, default, breach of duty or breach of trust, in relation to the Company or any Associated Company. The indemnities would provide financial support from the Company after the level of cover provided by the Company's Directors' and Officer insurance policy has been fully utilised.

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

Directors' Report

Continued

Disclosure of information to the auditor

The Directors are listed on pages 35 and 36. The Directors confirm that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is 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.

Continuation of the Company

The Company's articles require that a continuation vote is held every three years. A continuation vote was put to shareholders, and passed, on 28 June 2022. Therefore, the next resolution to approve the continuation of the Company as an investment trust will be put to shareholders at the AGM to be held in 2025.

Share Capital

The Company's share capital comprises ordinary shares. There are no other classes of share. Shares contractually issued to the Investment Manager in lieu of the Investment Manager's fees are subject to a three-year lock in period during which the Investment Manager cannot sell the shares awarded to them. Aside from this, no special restrictions or obligations apply to any of the Company's shares. Shareholders have equal rights with regards to distributions of all kinds in proportion to their shareholdings. Final dividends are payable subject to approval by shareholders at general meetings or AGMs; interim dividends can be declared by the Directors and do not require shareholder approval.

Purchases of the Company's own ordinary shares may be carried out if the relevant sanction is given by shareholders. Resolutions at general meetings may be carried by a show of hands or by poll. Each shareholder present in person or by proxy at a shareholder's meeting has one vote, or by poll, each shareholder present in person or by proxy has one vote for every ordinary share held.

During the year the Company issued to the Investment Manager, 69,738 ordinary shares at a price of 254.37 pence per share on 31 January 2022 and 19,358 ordinary shares at a price of 226.40 pence per share on 11 May 2022 (2021: 1,061,130 ordinary shares at a price of 200.43 pence per share and 229,802 ordinary shares at a price of 230.07 pence per share). These issues during the year were to settle performance fees earned by the Investment Manager from the Company's outperformance against its benchmark in the year to 31 December 2021 pursuant to the terms of the Company's Investment Management Agreement with Phoenix Asset Management Partners Limited and as such are subject to a 36-month lock-in following the date of issue and a fixed three-year clawback period. Further details on the Investment Manager's performance fees are disclosed in Note 4, starting on page 88.

The three-year clawback period in relation to the performance fee for the year ended 31 December 2019 ended on 31 December 2022 and this resulted in an entitlement as at 31 December 2022 to claw back 530,311 shares from the Investment Manager. These shares were delivered to the Company and were cancelled on 9 January 2023. Following this cancellation there were 76,078,460 ordinary shares in issue. The number of ordinary shares with voting rights was also 76,078,460 after the claw back.

Directors' Report

Continued

No performance fee has been earned for the year ended 31 December 2022.

The total ordinary shares that have been issued to the Company's Investment Manager since their appointment in 2016 to date, net of the claw back, is 1,380,028.

Discount and Premium Control

The Board aims for the ordinary share price over the long-term to reflect the level and movement of the Net Asset Value per Ordinary Share. Means by which it is hoped this can be achieved are as follows:

- (i) The Company will use clear and transparent communication that seeks to attract new and existing investors to invest and keep investing in the Company.
- (ii) Execution of the investment strategy as communicated and the delivery of excellent long-term investment returns in excess of most peers and the benchmark.
- (iii) The Board intends the Company may buy back its ordinary shares when the discount to Net Asset Value per Ordinary Share is persistent and it considers that a share buyback represents the best use of shareholders' funds.
- (iv) The Board intends to issue ordinary shares when the Company's ordinary shares trade at a premium to the then prevailing Net Asset Value per Ordinary Share at a time when, in the opinion of the Board, a further issue of ordinary shares is in the best interest of shareholders.

Holding Shares in Treasury

The Board monitors on an ongoing basis whether ordinary shares should be repurchased and, if so, whether they should be held in Treasury or whether they can and should be sold from Treasury. Any sales of ordinary shares from Treasury are made at prices not less than the latest available NAV per Ordinary Share at the time of sale. On 31 December 2022, the clawback period on restricted shares issued to the Investment Manager in relation to the performance period ended 31 December 2019 ended. 100% of the 530,311 restricted shares originally issued to the Investment Manager were returned to the Company. These were held in Treasury as at 31 December 2022 (2021: nil), but subsequently cancelled on 9 January 2023.

Investment Management Agreement

The Company entered into an Investment Management Agreement with Phoenix on 28 January 2016.

Phoenix does not earn an ongoing annual management fee. Rather, it is paid an annual performance fee equal to one third of the outperformance of the Company's NAV per Ordinary Share total return (including dividends and adjusted for the impact of share buybacks and the issue of new ordinary shares) over the FTSE All-Share Index (total return) for each financial year. The Company's NAV per Ordinary Share return is based on the weighted number of the ordinary shares in issue and NAV over the relevant period.

The total annual performance fee is capped at 4% per annum of the NAV of the Company at the end of the relevant financial year, in the event that the NAV per Ordinary Share has increased in absolute terms over the period, and 2% in the event that the NAV per Ordinary Share has decreased in absolute terms over the period.

Directors' Report

Continued

Any outperformance that exceeds these caps will be carried forward and only paid if the Company outperforms, and the annual cap is not exceeded, in subsequent years.

The performance fee is subject to a high-water mark so that no performance fee will be payable in any year until all underperformance of the Company's NAV since the last performance fee was payable has been made up. The performance fee will also be subject to a clawback if over a rolling period of three years following the end of the last financial year for which a performance fee was payable the Company underperforms. Specifically, Phoenix must return a number of shares the value of which equals the difference between the calculated Performance Fee and the Performance Fee that would have been earned had the relevant performance period included the lock-in period.

The performance fee will be paid to Phoenix in ordinary shares (issued at the NAV per Ordinary Share on the date of issue) and such ordinary shares must be retained by Phoenix for a minimum period of three years from the date of issue. No performance fee was earned in the year ended 31 December 2022 (2021: £720,000). Further details on the performance fees are disclosed in Note 4, starting on page 88.

Continuing Appointment of the Investment Manager

The Management Engagement Committee has reviewed the position of the Investment Manager and recommended to the Board that the Phoenix Investment Management Agreement should be continued. The process of evaluation is described in the report on Corporate Governance. Having taken into account the long-term performance of Phoenix, the prospects for the Company and the recommendations of the Management Engagement Committee, the Board has concluded that continuing the appointment of Phoenix as Investment Manager on the terms outlined above is in the best long-term interests of shareholders.

Alternative Investment Fund Managers' Regulation ("UK AIFMD")

The Company is classified as an Alternative Investment Fund under UK AIFMD and is therefore required to have an Alternative Investment Fund Manager (AIFM). Because of the scale of its overall funds under management, Phoenix is classed as a full-scope AIFM. This brings the Company into the full scope of UK AIFMD, requiring *inter alia* the appointment of a Depositary. The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period, which is the year ended 31 December 2022. These disclosures are available on the AIFM's website, **www.phoenixassetmanagement.com**, in a document labeled MIFIDPRU Disclosure that can be found in the Information section, or are available on request from the AIFM.

Company Secretary, Administrator and Investor Relations & Marketing Adviser

Frostrow Capital LLP provides the Company with all of the usual and necessary services of an administrator and company secretary and also serves as the Company's investor relations & marketing adviser, under an administration and distribution agreement dated 28 September 2022. Under that agreement, which is terminable on six months notice, Frostrow is entitled to a periodic fee equal to 17.5 basis points per annum of the Company's market capitalisation up to (but not including) £150 million plus 15 basis points per annum on that part of the Company's market capitalisation in excess of £150 million.

Directors' Report

Continued

Prior to Frostrow's appointment, Sanne Fund Services (UK) Limited had been the company secretary and administrator to the Company. It received a fee of one-twelfth of £40,000 plus one-twelfth of 0.075% of the Company's net assets at the end of each calendar month on net assets up to £100 million and one-twelfth of 0.025% of net assets thereafter, subject to a minimum fee of £6,500 per month, plus VAT.

Depository and Custodian

Since 28 September 2022 the positions of Depository and Custodian to the Company has been held by Northern Trust Investor Services Ltd. Prior to this these positions were held by BNP Paribas Securities Services ("BNP").

Banking

The Company cash balances were held with Northern Trust at 31 December 2022 and with BNP at 31 December 2021. At 31 December 2022 the gross external borrowings of the Company were £nil (2021: £nil).

Leverage (under UK AIFMD)

The AIFM is required to set a limit as a percentage of net assets for the Company utilising methods prescribed under UK AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set a maximum limit of leverage for the Company of 15,000%. This equates to 150x leverage.

The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	15,000%	15,000%
Actual leverage at 31 December 2022	94.7%	98.1%

Disclosure Required By Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that, other than the allotment of equity securities (LR 9.8.4(7)) detailed on page 90, there is no information to report under this rule for the year ended 31 December 2022.

Retail Distribution of Investment Company Shares

The Company has concluded that the distribution of its ordinary shares, being ordinary shares in an investment trust, is not restricted as a result of the FCA rules determining which investment products can be promoted to ordinary retail investors. The Company conducts its affairs so that there is no bar to a financial adviser recommending the Company's ordinary shares to ordinary retail investors when the adviser deems it appropriate.

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the *Financial Times*. The NAV per Ordinary Share is calculated daily and released daily to the London Stock Exchange and monthly to the AIC. The Company subscribes to the website www.trustnet.com, which compares the Company's performance to that of its peer group.

Directors' Report

Continued

Substantial Interests in Share Capital

The Company was aware of the following substantial interests of 3% or more in the voting rights of the Company as at 31 December 2022 (percentages adjusted for the claw back of performance fee explained on page 39) and 31 March 2023.

Shareholder	31 March 2023		31 December 2022	
	Number of Ordinary shares	% of issued share capital	Number of Ordinary shares	% of issued share capital
Rothschild Wealth Management				
	11,068,677	14.5	11,321,189	14.9
RBC Brewin Dolphin	5,948,195	7.8	6,390,462	8.4
Phoenix Asset Management Partners	5,418,939	7.1	4,438,628	5.8
Hargreaves Lansdown	4,064,184	5.3	3,995,507	5.3
Raymond James Investment Services	3,749,430	4.9	3,759,507	4.9
Interactive Investor	3,439,266	4.5	3,411,620	4.5
Ravenscroft	2,640,293	3.5	2,681,313	3.5
Pictet & Cie, Luxembourg	2,514,231	3.3	2,259,826	3.0
Canaccord Genuity Wealth Management				
	2,173,000	2.9	2,744,834	3.6
Evelyn Partners	1,304,166	1.7	2,604,166	3.4

Greenhouse Gas Emissions

As an Investment Company with no physical assets, property, employees or operations of its own, the Company does not provide goods or services in the normal course of its business and nor does it have customers. In consequence, the Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 ("SECR"). The Company consumed less than 40,000 kWh of energy during the year and is therefore exempt from having to report against SECR.

Going Concern

The financial statements have been prepared on the going concern basis. The Directors have a reasonable expectation, after making enquiries, that the Company has adequate resources to continue in existence for at least 12 months from the date of approval of this Annual Report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its latest financial position and forecast of income and expenses.

As at 31 December 2022, the Company held £5,348,000 (2021: £7,664,000) in cash, £146,356,000 (2021: £183,237,000) in quoted investments and £2,871,000 (2021: £3,400,000) in an unquoted investment. The total operating expenses for the year ended 31 December 2022 were £777,000 (2021: £862,000). It is estimated that 32.2% of the Company's latest portfolio could be liquidated in a non-market impacting way within 7 days, using 25% of historic three-month average daily volume. This approach is considered conservative as it does not include the Company's ability to access liquidity through block trades.

Directors' Report

Continued

The management has assessed the Company's going concern status under stress scenarios, which incorporated key assumptions such as significant falls in the Company's investment portfolio and investment income. The scenario tests also factored in high inflation, existing and potential further risks arising from the conflict in Ukraine, and any tail risks from the COVID-19 pandemic as well as Brexit. A prolonged and deep market decline could lead to falling investment values or interruptions to cash flow, however the Company currently has more than sufficient liquidity to meet any liabilities when they fall due in the foreseeable future. The Board is keeping the development of external risk factors under close scrutiny and does not believe that these will have any impact on the Company's going concern status.

At the date of approval of this Annual Report, based on the aggregate of investments and cash held, the Board notes that the Company's cash balance and investments held are well in excess of the estimated level of liabilities, and the Company has substantial operating expenses cover.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 25 Southampton Buildings, London WC2A 1AL on 27 June 2023 at 2 p.m.

The business of the meeting is summarised in some detail in the Explanatory Notes to the Resolutions on pages 107 to 109 of this Annual Report.

The AGM resolutions include the following items of special business:

Resolution 10 (ordinary resolution) Authority to allot shares.

Resolution 11 (special resolution) Authority to disapply pre-emption rights.

Resolution 12 (special resolution) Authority to repurchase shares.

Resolution 13 (special resolution) Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice.

The full text of the resolutions can be found in the Notice of AGM beginning on page 101.

The Board considers that the proposed resolutions are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board
Frostrow Capital LLP
Company Secretary
20 April 2023

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report

20 April 2023

Introduction

The Board is committed to maintaining and demonstrating high standards of corporate governance. The Board has considered the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"); the AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the "UK Code") as well as setting out additional provisions on issues that are of specific relevance to investment companies, including the Company.

The Board considers that reporting against the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below. The Board considers that the following provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

- Senior Independent Director – Being small in number, the Board has decided not to nominate a Senior Independent Director.
- Executive Directors – The UK Code includes provisions relating to the role of the chief executive and executive Directors' remuneration, the Board considers these provisions are not relevant to the Company as it does not have any employees and, as such, it does not have any executive board members.
- Internal Audit function – The UK Code includes provisions for an internal audit function. For reasons set out in the AIC Code, the Board considers these provisions are not relevant to the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no internal operations.

Evaluation of Board performance

An externally facilitated Board evaluation exercise was undertaken in 2021, which culminated in the execution of a succession plan during 2022. During the year, Lord Flight and The Hon. James Nelson retired from the Board at the Company's AGM on 28 June 2022. At this juncture Lucy Walker assumed the role of Company Chair and Lady Rachael Robathan became Chair of the Management Engagement and Nomination & Remuneration Committees. Later in the year, on 8 September 2022, two new Directors, Farah Buckley and Helen Vaughan were appointed to the Board. Helen Vaughan subsequently resigned from the Board after the year end on 27 February 2023. Given the quantum of Board changes in the year the Nomination & Remuneration Committee resolved that the next evaluation exercise will be conducted late in 2023 when the new roles had bedded down and the new Director will have been in place for sufficient time to contribute to the evaluation. The 2021 review included an analysis of the Board's effectiveness as a whole, the effectiveness of individual directors and the effectiveness of each Committee, together with strategic issues, management of risk, the quality of meetings and the composition of the Board. The latter incorporated consideration of qualifications, skills and experience, diversity, relationships, engagement with the Investment Manager, governance matters and the performance of the Chair and the chairs of Committees. Notwithstanding that a formal evaluation exercise did not take place in 2022, the overall

Corporate Governance Statement

Continued

effectiveness of the Board and its Committees was considered early in the year and a number of priorities were agreed for the year ahead, including the refreshment of the Board and shareholder engagement initiatives.

Re-election or Election at the forthcoming AGM

Having considered the appointment of each Board member individually, the Board regards each to have invaluable experience, knowledge and commitment both within and outside meetings and strongly recommends that shareholders vote in favour of each Board member's re-election or election at the forthcoming AGM.

Independence

The Board has noted the inference of the provisions in the AIC Code that Non-Executive Directors who sit on the board of other companies managed by the same manager should be presumed not to be independent. The Board have further noted that, Mr Stevenson, as the Company's nominated representative on the Board of Castelnau Group Limited, would fall within this definition. However, it is the Board's assessment that the provisions in place to manage actual or potential situational conflicts of interest are sufficiently robust and all of the Directors undertake to always promote the success of the Company. The Board has concluded that Mr Stevenson continues to demonstrate independence of character and judgement. His skills and experience have added significantly to the strength of the Board and his continued service is invaluable to the long-term success of the Company. The Directors have a broad range of relevant experience to meet the Company's requirements as can be seen from their biographies on pages 35 and 36. In accordance with the Company's Conflicts of Interest policy (see page 50), Mr Stevenson will recuse himself from any decisions relating to Castelnau.

The Board believes that during the period ended 31 December 2022 its composition was appropriate for the Company's nature and size. All of the Directors are considered independent of the Investment Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Balance of Skills and Diversity

As described on the previous page under "Evaluation of Board performance", the Nomination & Remuneration Committee, on behalf of the Board, conducts a review of its strengths and weaknesses with the aim of ensuring that there is available a good balance of attributes that are useful to the direction of the Company, in addition to the skills and commitment of the Investment Manager.

The Company's policy on diversity is that the Board should be comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense.

The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective in promoting the long-term sustainable success of the Company and generating value for its shareholders by ensuring there is a breadth of perspectives among the Directors and the capacity to challenge needed to support good decision-making.

The Board confirms that its members are highly experienced, both generally and in respect of the direction of an investment trust company, and that the backgrounds and seniority of the Directors provide the Board with a high overall level of independence.

Corporate Governance Statement

Continued

The Board has noted the FCA's new Listing Rules which require companies to report against the following diversity targets using prescribed tables:

- (a) At least 40% of individuals on the board are women;
- (b) At least one of the senior board positions is held by a woman; and
- (c) At least one individual on the board is from a minority ethnic background.

The following tables set out the Company's positions against these targets in compliance with the rules. Being an externally managed investment company, the Company does not have the roles of CEO or CFO, nor has the Board appointed a senior independent director, and therefore, as allowed by the rules, it does not need to report against target (b) above as it is not applicable. Accordingly, for both tables, the right hand column, which relates to target (b), is deliberately left blank and other columns related specifically to executive management have been excluded in entirety. Each Director volunteered how they wished to be included in the tables.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods.

(a) Table for reporting on gender identity or sex

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)
As at 31 December 2022			
Men	1	20	
Women	4	80	
Not specified/prefer not to say	–	–	

(b) Table for reporting on ethnic background

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)
As at 31 December 2022			
White British or other White (including minority-white groups)	4	80	
Mixed/Multiple Ethnic Groups	–	–	
Asian/Asian British	1	20	
Black/African/Caribbean/Black British	–	–	
Other ethnic group, including Arab	–	–	
Not specified/prefer not to say	–	–	

As explained on page 38 the number of Directors on the Board has reduced to four since the year end and as at the date of this report the ratios of women to men and of white british to other ethnic backgrounds have each changed to 75:25.

Corporate Governance Statement

Continued

Policy with regard to tenure and reappointment

The Directors recognise that independence is not a function of length of service and that experience is an important attribute within the Board. The Board has noted the implication of the provisions in the UK Corporate Governance Code that Non-executive Directors who have served for more than nine years should be presumed not to be independent. The AIC does not believe that this presumption is appropriate for investment companies and therefore does not recommend that long-serving directors be prevented from forming part of the independent majority of an investment trust board. Accordingly, the Directors may decide to recommend a director with more than nine years' service for re-election. In accordance with the AIC Code of Corporate Governance, Directors stand for re-election annually. The performance of each Director is appraised by the Nomination & Remuneration Committee annually. The Directors have appointment letters which do not state any specific term. Notwithstanding the forgoing, the tenure of each independent non-executive Director, including the Chair, is not ordinarily expected to exceed nine years.

How the Board operates

The Company does not have any employees. The Board has contractually delegated the Company's operations to external agencies, including the Investment Manager for the management of the Company's investment portfolio, the depositary (which includes responsibility for the safeguarding of the Company's assets), the registrar and the administrator and company secretary. Each of these contracts was 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. The Board reviews these contracts annually.

The Board does not undertake any executive function but is responsible to shareholders for the overall strategy and performance of the Company. It reviews and evaluates all aspects of the Company's performance and all functions performed by the service providers. The Board has a culture of open and inclusive debate on all issues and aims to conduct itself responsibly, ethically and fairly in its dealings with shareholders, service providers and other stakeholders.

A formal schedule of matters reserved for the board has been established covering strategy; structure and capital; investment objective, policy and limits; gearing; dividend and corporate governance policy; performance; key contracts; risk; financial reporting and board membership. This is reviewed annually to ensure compliance with latest regulatory requirements and best market practice.

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

Division of Responsibility

The AIC Corporate Governance Code requires the Board to agree the responsibilities of the Chair, Board and Committees and to set them out in writing and make them publicly available.

Role of the Board

- To set the parameters for monitoring the investment strategy and investment policy;
- To review the Company's investment performance;

Corporate Governance Statement

Continued

- To consider all strategic policy matters, including share issuance and buy backs, discount/premium management, corporate governance matters, dividends, gearing and oversight of the Company's activities;
- To promote the long-term success of the Company and generate value for shareholders;
- To establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned;
- To ensure the necessary resources are in place for the Company to meet its objective;
- To establish key performance indicators and to measure performance against them;
- To establish a framework of prudent and effective controls, which enable risk to be assessed and managed; and
- To ensure effective engagement with and encourage participation from shareholders and other stakeholders.

Role of the Chair of the Board

- To provide leadership to the Board;
- To promote high standards of governance;
- To ensure the Board is provided with sufficient information to enable it to discharge its duties;
- To ensure each Board member's views are considered and appropriate action taken;
- To ensure each Committee has the support required to fulfil its duties;
- To ensure the Board assesses and improves its performance, following the advice of the Nomination & Remuneration Committee;
- To oversee the induction of new Directors and the development of existing Directors;
- To remain independent of the Investment Manager, whilst providing effective support, challenge and advice;
- To support other service providers;
- To ensure the Board as a whole has a clear understanding of the views of shareholders;
- To ensure regular engagement with each service provider; and
- To keep up to date with key developments.

Role of Committees

Audit Committee

- To consider the Company's risk management;
- To consider the internal control reports of each of the Company's key service providers;
- To consider the need for an internal audit;
- To review the Half-yearly and the Annual Report and financial statements and recommend them to the Board for approval;
- To agree the scope of the external Auditor's work;
- To approve the remuneration of the external Auditor;
- To consider the external Auditors' appointment/re-appointment and the Auditor's independence and objectivity; and
- To manage the audit tender process.

Management Engagement Committee

- To consider the terms of engagement and continued appointment of the Investment Manager; and
- To consider the terms of appointment of each of the Company's service providers and the continued appointment of each.

Corporate Governance Statement

Continued

Nomination & Remuneration Committee

- To consider succession planning arrangements;
- To oversee the Board's appraisal process;
- To consider the engagement of an external board evaluation agency or recruitment consultant and agree their fees;
- To consider Board appointments/re-appointments;
- To oversee the recruitment process of additional Board members; and
- To consider the Board's remuneration.

Conflicts of Interest

As required by law, a Director must avoid a situation where they have an interest that conflicts with the Company's interests. The Company's Articles of Association permit the Directors to authorise potential conflicts of interest. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The procedure observed by the Board in dealing with conflicted matters is as follows:

- Any Board member so conflicted must recuse themselves from the decisions involving the relevant conflict. As stated earlier, Mr Stevenson will recuse himself from decisions concerning Castelnau Group Limited;
- Only Directors who have no interest in the matter being considered are able to debate the matter and take the relevant decision; and
- In taking decisions the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's long-term success and be in the best interest of the Company's shareholders.

The Directors have declared any potential conflicts of interest to the Company. These are entered into the Company's conflicts of interest register, which is reviewed regularly by the Board. The Directors are obliged to advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

Attendance at Board meetings

The Board holds at least four meetings a year. During the year ended 31 December 2022 there were five regular meetings of the Board. Additional ad hoc Board and committee meetings were held as required for administrative purposes. Directors' attendance of all meetings is set out below.

	Board (scheduled)	Audit Committee	Management Engagement Committee	Nomination & Remuneration	Ad Hoc Board and Committees
Type and number of meetings	5	4	1	3	4
Lucy Walker	5	4	1	3	3
Lady Rachael Robathan	5	4	1	3	3
David Stevenson	5	4	1	3	3
Helen Vaughan ¹	2	2	1	1	1
Farah Buckley ²	2	2	1	1	1
Lord Flight ³	3	2	–	1	1
The Hon. James Nelson ²	3	2	–	1	1

¹ Appointed on 8 September 2022 and resigned from the Board on 27 February 2023.

² Appointed on 8 September 2022.

³ Resigned from the Board on 28 June 2022.

Corporate Governance Statement

Continued

Board Committees

The Board has formed three committees: the Audit Committee, the Management Engagement Committee and the Nomination & Remuneration Committee. The role, responsibilities and activities during the year of the Audit Committee are detailed in its report on pages 60 to 63. Those of the Management Engagement Committee and the Nomination & Remuneration Committee are shown below.

The Board considers that all of the Directors are independent and so may be members of each Committee. The main purpose of the Committees in the context of the Company's structure is that their existence ensures time is set aside on a formal basis to cover certain important issues of governance, without those issues obscuring the flow of general Board business. Each Committee has a separate chair, as detailed under the separate headings below. The Committees have formal terms of reference, which are available to shareholders upon request from the Company's registered office and can be viewed via the Company's website at

www.aurorainvestmenttrust.com.

Management Engagement Committee

The Management Engagement Committee considers issues related to the engagement of the Investment Manager and other service providers, making recommendations as appropriate to the Board. The Committee considers whether amounts paid to service providers are appropriate, with particular reference to those contracted to the Company on a continuing basis, including the Investment Manager, and whether those contracts should be maintained. Lady Rachael Robathan chairs the Management Engagement Committee and all of the Directors are members.

The criteria which are taken into consideration when reviewing the performance of the Investment Manager are as follows:

- The performance of the Company;
- Commitment to the investment trust business generally and to the Company in particular;
- Investment management skills and experience, track record, use of gearing, knowledge of currency issues and other investment-related considerations;
- General management skills – understanding of administrative and financial issues and working relationship with the Administrator/Company Secretary;
- Shareholder relations – consciousness of and commitment to shareholders and share price awareness; and
- Reasonableness of the Investment Management Agreement – fees, notice period and duties.

The Management Engagement Committee is also responsible for reviewing the remuneration and services of the Company's other service providers.

The Committee met once in 2022 and considered the appraisal of the Investment Manager and other key service providers.

The Committee concluded that the continued appointment of each of the service providers, including the Investment Manager, was in the best interest of shareholders.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee has been established to identify and interview candidates for vacancies on the Board, consider the Board's remuneration and undertake Board appraisals. It is established as a principle that this process should be led by independent Directors. Lady Rachael Robathan chairs the Committee and all of the Directors are members. The Committee meets at least annually.

Corporate Governance Statement

Continued

During the year the Committee considered a number of items of business including:

1. Matters arising from the last Board appraisal;
2. Board fees; and
3. The Board recruitment process, which was conducted with assistance from Trust Associates, an independent search consultant.

Internal Controls and Risk Management

The Board has delegated the review of the effectiveness of the Company's risk management and system of internal controls to the Audit Committee, as set out in the Audit Committee Report on pages 60 to 63. The Board recognises its ultimate responsibility for the Company's system of internal controls and accordingly receives and considers reports from the Audit Committee. The system of internal controls is designed to manage rather than eliminate the risk of errors and irregularities, so it can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a robust review of the Company's risk management and internal control framework, which covers financial, operational and compliance controls.

As an externally managed investment company, the Board has contractually delegated to external agencies the services the Company requires to operate. The Board continuously monitors the performance of all the principal service providers with a formal evaluation process being undertaken each year. The Audit Committee, on behalf of the Board, reviews internal controls reports and key policies (including measures taken to mitigate cyber risks and disaster recovery procedures) put in place by its principal service providers.

The Administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures, compliance with investment trust rules and secretarial matters, highlighting any changes that have occurred. 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 applicable rules and regulations are complied with. Contact with the Investment Manager and the Administrator enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved.

The Board believes that the existing arrangements represent an appropriate control framework and has concluded that the Company's risk management and internal control systems are adequate to meet the needs of the Company.

The Directors' statement of responsibilities in respect of the accounts is on pages 58 and 59, a statement of going concern is on pages 43 and 44, and the report of the independent auditor is on pages 64 to 71.

Principal and emerging risks

The Directors confirm that they have carried out a robust assessment of the emerging and 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.

By order of the Board
Frostrow Capital LLP
Company Secretary
20 April 2023

Directors' Remuneration Report

Lady Rachael Robathan
Chair of the Nomination & Remuneration Committee

20 April 2023

This Remuneration Report has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Ordinary resolutions for the approval of the Directors' Remuneration Policy (which must be put to shareholders at least every three years and is binding) and the annual Remuneration Policy Implementation Report (which must be put to shareholders every year and is an advisory vote) will be put to shareholders at this year's Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report to shareholders on pages 64 to 71.

Directors' Remuneration Policy

It is the policy of the Board and the Nomination & Remuneration Committee that the remuneration of non-executive Directors should be fair and should reflect experience, time commitment and work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive Directors' fees are determined within the maximum limit set out in the Company's Articles of Association, which currently stands at £250,000 per year.

The Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits and fees are not linked to Director's individual or collective performance.

There are no arrangements in place with respect to compensation for loss of office (for whatever reason) or recruitment incentive remuneration and Directors have no entitlement to any such payments.

No Director has waived or agreed to waive any emoluments from the Company.

Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board, general and committee meetings.

The Directors' fees are subject to regular review by the Nomination & Remuneration Committee having regard to the above factors, the rate of inflation and fee trends in the investment company sector. Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Board are outside the scope of the ordinary duties of a Director. Any such payment would reflect the Board's assessment of the value to the Company of such services. The above principles also apply to any new appointments.

The above Directors' Remuneration Policy is the same in all material respects as that approved by shareholders in 2020 and it is intended to take effect immediately upon its approval by shareholders. The Company has no employees and consequently has no policy on the remuneration of employees. The Board will consider, where raised, shareholders' views on Directors' remuneration.

The Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. These do not state any specific term. In accordance with the AIC Corporate Governance Code all of the Directors put themselves forward for annual re-election.

Directors' Remuneration Report

Continued

Remuneration Policy Implementation Report

The Nomination & Remuneration Committee considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of the Directors by reference to the activities and particular complexities of the Company and in comparison with other companies of a similar structure and size, also taking into account the inflationary environment. No remuneration consultants were appointed during the year (2021: none). During its latest review, in November 2022, the Committee decided to continue the practice adopted in recent years of incrementing the fees by the annual increase in the Consumer Price Index. Except that, the fee level for the Company Chair (the Chair of the Company absenting herself from the room for this discussion) was considered to be behind that of peers and to not be commensurate with the duties involved. Consequently, the Committee resolved to increase the Company Chair fee by an additional amount.

Accordingly, with effect from 1 January 2023 the Directors' fees increased to: £44,200 per annum for the Company Chair; £33,260 per annum for the Audit Committee Chair; and £28,500 per annum for the other Directors. No additional discretionary payments were made in the year, nor in the previous year.

No payments were made to former Directors.

Performance

The chart below shows the performance of the Company's ordinary shares, with dividends reinvested, compared with that of the FTSE All-Share Index (total return), which is the Company's Benchmark, over the past 10 years.



Directors' Remuneration Report

Continued

Relative importance of spend on pay

The table below shows the proportion of the Company's income spent on pay.

	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000	Change Favourable/ (unfavourable) £'000
Revenue income	3,117	2,305	812
Spend on Directors' fees	136	137	1
Other expenses	630	725	95
Dividends paid to Shareholders	1,409	420	989

The information in the table above is required by the Regulations with the exception of other expenses, which have been included to show the total operating expenses of the Company.

Single Total Figure of Remuneration for The Year (Audited)

The fees and expenses paid to the Directors who served during the years ended 31 December 2022 and 31 December 2021 were as follows:

	31 December 2022			31 December 2021			Percent change in fees %
	Fees £	Taxable expenses ¹ £	Total £	Fees £	Taxable expenses ¹ £	Total £	
Lucy Walker ²	34,133	–	34,133	25,964	–	25,964	31.5
Lady Rachael Robathan ³	28,675	–	28,675	28,700	–	28,700	(0.1)
David Stevenson	25,800	183	25,983	24,600	–	24,600	4.9
Helen Vaughan ⁴	9,479	889	10,368	–	–	–	n/a
Farah Buckley ⁵	8,124	26	8,150	–	–	–	n/a
Lord Flight ⁶	17,264	–	17,264	33,800	–	33,800	(48.9)
The Hon. James Nelson ⁶	12,582	–	12,582	24,600	–	24,600	(48.9)
Total	136,057	1,098	137,155	137,664	–	137,664	

¹ Taxable expenses primarily comprise travel and associated expenses incurred by the Directors in attending Board and Committee meetings in London. These are reimbursed by the Company and, under HMRC Rules, are subject to tax and National Insurance and therefore are treated as a benefit in kind within this table.

² Appointed as Chair of the Company on the retirement of Lord Flight on 28 June 2022.

³ Stepped down from being Chair of the Audit Committee on 8 September 2022.

⁴ Appointed as a non-executive Director and Chair of the Audit Committee on 8 September 2022, and resigned from the Board on 27 February 2023.

⁵ Appointed as a non-executive Director on 8 September 2022 and chair of the Audit Committee on 27 February 2023.

⁶ Resigned from the Board on 28 June 2022.

None of the fees referred to above were paid to any third-party in respect of services provided by the Directors.

Directors' Remuneration Report

Continued

Changes in Directors' Remuneration

Director	2023		2022		2021		2020		2019
	Fee Level (projected)	% Change	Fee Level	% Change	Fee Level	% Change	Fee Level	% Change	Fee Level
Lucy Walker ¹	44,200	29.5	34,133	31.5	25,964	6.0	24,500	1,141.8	1,973
Lady Rachael Robathan ²	28,500	-0.6	28,675	-0.1	28,700	0.7	28,500	1,138.6	2,301
David Stevenson	28,500	10.5	25,800	4.9	24,600	0.4	24,500	2.1	24,000
Helen Vaughan ³	n/a	-	9,479	-	n/a	-	n/a	-	n/a
Farah Buckley ⁴	32,500	300.0	8,124	-	n/a	-	n/a	-	n/a
Lord Flight ⁵	n/a	-	17,264	-48.9	33,800	0.9	33,500	1.5	33,000
The Hon. James Nelson ⁶	n/a	-	12,582	-48.9	24,600	0.4	24,500	2.1	24,000

¹ Appointed as a non-executive Director on 2 December 2019. Appointed Deputy Chair of the Board on 19 October 2021. Succeeded Lord Flight as Chair of the Company on 28 June 2022.

² Appointed as Audit Committee Chair on 2 December 2019. Stepped down from being Chair of the Audit Committee on 8 September 2022.

³ Appointed as Audit Committee Chair on 8 September 2022. Stepped down from the Board on 27 February 2023.

⁴ Appointed as a non-executive Director on 8 September 2022. Appointed as Audit Committee Chair on 27 February 2023.

⁵ Chairman of the Company until his retirement on 28 June 2022.

⁶ Non-executive Director until his retirement on 28 June 2022.

Directors' Shareholdings (audited)

The Directors' shareholdings in the Company were:

	Ordinary shares of 25p each as at 31 December	
	2022	2021
Lucy Walker	12,000	12,000
Lady Rachael Robathan	9,584	-
David Stevenson	18,266	18,266
Helen Vaughan	-	-
Farah Buckley	-	-

No changes have been notified to the date of this report.

There are no requirements or formal guidelines in effect for Directors to hold shares in the Company, although the Board welcomes such holdings. The interests of each Director includes the interests of connected persons of which the Company is aware. Connected persons are persons closely associated as defined in the Market Abuse Regulation.

Statement of shareholder voting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought and any actions in response will be detailed in future Directors' Remuneration Reports.

Directors' Remuneration Report

Continued

The voting on the last occasions at which the Remuneration Policy Implementation Report and the Directors' Remuneration Policy were put to shareholders is set out below.

Resolution	Votes For	%	Votes Against	%	Total Votes Cast	Votes Withheld
Approval on 28 June 2022 of the Remuneration Policy Implementation Report for the year ended 31 December 2021	30,754,032	99.99	3,992	0.01	30,758,024	24,310
Approval on 18 June 2020 of the Directors' Remuneration Policy	18,058,233	99.97	5,127	0.03	18,063,360	4,721

Lady Rachel Robathan
Chair of the Nomination & Remuneration Committee
20 April 2023

Statement of Directors' Responsibilities for the Annual Report

Farah Buckley
Director

20 April 2023

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted International Accounting Standards and in accordance with those parts of the Companies Act 2006 that apply to those companies reporting under UK-adopted International Accounting Standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Under applicable law and regulations, the Directors are responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report which comply with that law and those regulations.

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

The Directors have delegated responsibility to the Investment Manager for the maintenance and integrity of the Company's page of the Investment Manager's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' Responsibilities for the Annual Report

Continued

Directors' confirmations

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 position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 35 and 36 confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with UK-adopted international accounting standards and in accordance with those parts of the Companies Act 2006 that apply to those companies reporting under UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
Farah Buckley
Director
20 April 2023

Audit Committee Report

Farah Buckley
Chair of the
Audit Committee

20 April 2023

I am pleased to present the Audit Committee's report to shareholders for the year ended 31 December 2022.

Composition

All of the Directors are members of the Committee.

In accordance with the UK Code, the Chair of the Board should not be a member. However, the AIC Code permits the Chair to be a member of, but not chair, the Committee if they were independent on appointment – which the Company Chair was and in the Board's view continues to be. In view of the size of the Board, the Directors feel it is appropriate for her to continue as a member, so that the Committee can continue to benefit from her experience and knowledge.

The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. The Committee as a whole has competence relevant to the sector.

Role and Responsibilities

The Committee's principal functions are:

- to monitor the integrity of the Company's annual and half-year financial statements and any announcements relating to the Company's financial performance and to challenge judgements and assumptions made in their construction;
- to review the internal controls and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board regarding the appointment, re-appointment or removal of the external Auditor, and to be responsible for leading an audit tender process at least once every 10 years;
- to have primary responsibility for the Company's relationship with the external Auditor, including reviewing the external Auditor's independence and objectivity as well as the effectiveness of the external audit process;
- to agree the scope of the external Auditor's work and to approve their remuneration; and
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services and to review and approve any non-audit work to be carried out by the external Auditor.

Meetings

The Committee meets formally at least twice a year. There were four Committee meetings during the year ended 31 December 2022. In addition, the Committee Chair met the audit partner for a private discussion on the audit process and was pleased to conclude that the auditors had nothing significant to bring to her attention.

Committee evaluation

The Committee's activities fell within the scope of the review of Board effectiveness performed during the year as mentioned on page 45.

Audit Committee Report

Continued

Work of the Audit Committee

During the year ended 31 December 2022 the Committee:

- Reviewed the Audit Committee terms of reference and the Company's accounting policies;
- Reviewed and recommended to the Board for Approval the Annual Report and financial statements for the year to 31 December 2021;
- reviewed and recommended to the Board for Approval the Half-yearly Report for the six months to 30 June 2022;
- In relation to the financial statements, agreed the valuations of the Company's portfolio of investments and considered significant accounting matters including going concern;
- Considered the Company's exposure to illiquid investments;
- Met with the external auditor without management present;
- Conducted an audit tender exercise, culminating in the appointment of BDO LLP as the Company's external auditor;
- Reviewed and approved the audit plan with respect to the 31 December 2022 year end audit;
- Discussed and approved the audit fee;
- Reviewed the Company's key risks and internal controls, including reviewing the internal control reports of its key service providers; and
- Assessed whether there was a need for an internal audit function.

Internal Controls and Risk Management

The Board has overall responsibility for risk management and for the review of the internal controls of the Company.

The Audit Committee, on behalf of the Board, reviews the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Committee and the Board have considered the Company's operations in light of the following factors:

- the nature of the Company, with all management functions outsourced to third party service providers;
- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall investment objective;
- the likelihood of such risks crystallising; and
- the Company's ability to reduce the likelihood and impact of such risk.

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 30 to 32.

Against this background, a risk matrix has been developed which covers the key risks the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and the mitigating controls in place.

The Board has delegated to the Audit Committee responsibility for the review and maintenance of the risk matrix and it reviews, in detail, the risk matrix each time it meets, bearing in mind emerging risks and any changes to the Company, its environment or service providers since the last review. Any significant changes to the risk matrix are discussed with the whole Board.

There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

Audit Committee Report

Continued

The Committee reviews internal controls reports from its principal service providers on an annual basis. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

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 31 December 2022:

Performance Fee and clawback provisions

The Company awarded shares to the Investment Manager in settlement of performance fees earned over the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and has since clawed back those shares issued in respect of the 2019 performance fee. The claw back has been treated as having occurred as at 31 December 2022. The shares clawed back were delivered to the Company and cancelled shortly after the year end. Performance fees have been accounted for under IFRS 2 Share-based Payment in the Company's financial statements on the basis of accounting advice sought last year. This varies from the treatment used for the purpose of the unaudited net asset values released daily by the Company because the Board believes that for that purpose recognising performance fee charges and subsequent clawback on a liability basis i.e. divergent from IFRS 2, better represents the related economic impacts and is more informative to investors.

Valuation of investments

The Company holds most of its assets in quoted investments. The valuation of these investments is the most material matter in the production of the financial statements. The Audit Committee reviewed the procedures in place for ensuring accurate valuation of investments and discussed the valuation of the Company's investments at the year end with the Investment Manager and the Administrator. The results of the audit in this area were discussed with the external auditor and there were no significant issues arising from this.

The Company holds a small proportion of the portfolio in an unquoted company, Phoenix SG. The valuation of this investment is based on a proportionate share of the investment's NAV. The Investment Manager provided valuation recommendations for the investment in the unquoted company held at the year end and it was discussed and approved by the Audit Committee. The Company's unquoted investment in Phoenix SG Limited is valued by the Investment Manager, but independently reviewed by Kroll Advisory Ltd.

Going concern

The Audit Committee reviewed the Company's financial resources and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report.

Audit Committee Report

Continued

External Auditor

The Audit Committee conducted a competitive audit tender exercise during the course of the year. Presentations were received from two audit firms and following due consideration the Committee recommended to the Board that BDO LLP (“BDO”) be appointed. The Board duly resolved to appoint BDO and Grant Thornton UK LLP resigned as the Company’s auditor. Grant Thornton provided a statement explaining the reasons for its resignation which was posted to shareholders in accordance the Companies Act 2006.

Chris Meyrick was the audit partner for the financial year under review and he has confirmed BDO LLP’s willingness to continue to act as Auditor to the Company for the forthcoming financial year. The appointment of BDO will be put to shareholders at the forthcoming AGM.

Conclusion with respect to the Annual Report and financial statements

The Audit Committee has concluded that the Annual Report for the year ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model, 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.

Provision of non-audit services

The Audit Committee has put in place a non-audit service policy to ensure that the auditor’s independence and objectivity are not impaired. The Company has appointed Ernst & Young to provide tax compliance services. No non-audit work was performed for the Company by the auditor during the year ended 31 December 2022 and the Committee has no current plans to seek any non-audit services from the auditor.

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.

Farah Buckley
Chair of the Audit Committee
20 April 2023

Independent Auditor's Report to the Members of Aurora Investment Trust plc

Chris Meyrick
Senior Statutory Auditor
for and on behalf of
BDO LLP
Statutory Auditor,
Chartered Accountants
London

20 April 2023

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Aurora Investment Trust plc (the 'Company') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 20 September 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods, subject to shareholder approval. 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the ongoing geo-political issues by reviewing the information used by the Directors in completing their assessment;

Independent Auditor's Report

Continued

- Assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash resources relative to forecast expenditure and commitments; and
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2022
Key audit matters	Valuation and Ownership of listed and unlisted investments	✓
Materiality	Company financial statements as a whole: £1.5 million based on 1% of net assets as at 31/12/2022	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Continued

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation and ownership of listed and unlisted investments (Note 1(c) and Note 2 to the financial statements)</p> <p>The investment portfolio at the year-end comprised of listed Equity investments and one unlisted Equity investment held at fair value through profit or loss.</p> <p>There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company.</p> <p>Determining the fair value of unlisted investments (£2.9 million) can involve significant judgement and estimate.</p> <p>Therefore we considered the valuation and ownership of listed investments to be the most significant audit area as the listed investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity.</p> <p>For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.</p>	<p>We responded to this matter by testing the valuation and ownership of the whole portfolio of listed and unlisted investments.</p> <p>In respect of the listed investments, we have:</p> <ul style="list-style-type: none"> • Obtained direct confirmation from the custodian regarding the existence and ownership of all listed investments held at the balance sheet date. • Confirmed the year end bid price used by agreeing to externally quoted prices. • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. • Assessed if there were contra indicators such as liquidity considerations, that would suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings. <p>In respect of the unlisted investment, we have:</p> <ul style="list-style-type: none"> • Obtained direct confirmation from the fund administrator of Phoenix S.G. Ltd. as to the Company's equity holding percentage. • Considered the appropriateness of the approach taken to determine the fair value of Phoenix S.G. Ltd under the applicable accounting standards. • Reviewed unaudited financial statements for Phoenix S.G. and the independent valuation report provided by management's expert, challenged the financial information and valuation reports by stress testing the inputs used in the valuation, and performed our assessment of independence and objectivity of management's expert. <p>Key observations: Based on our procedures performed we did not identify any matters to suggest that the valuation or ownership of listed or unlisted equity investments were materially misstated.</p>

Independent Auditor's Report

Continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company Financial Statements 2022
Materiality	£1.5 million.
Basis for determining materiality	1 % of net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.
Performance materiality	£1.05 million.
Basis for determining performance materiality	70% of materiality
	We also considered the aggregation effect of planned nature of testing and the overall size and complexity of the entity.
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £75,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

Continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none">• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 43 and 44; and• The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 32 and 33.
Other Code provisions	<ul style="list-style-type: none">• Directors' statement on fair, balanced and understandable set out on page 59;• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 30;• The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 52; and• The section describing the work of the audit committee set out on page 61.

Independent Auditor's Report

Continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

In 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 the Directors' report.

Directors' remuneration

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

Matters on which we are required to report by exception

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 Directors' responsibilities statement, 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.

Independent Auditor's Report

Continued

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.
- We considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation; Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be revenue recognition and management override of controls.

Independent Auditor's Report

Continued

Our procedures included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- enquiries of management and those charged with governance regarding known or suspected instances of non-compliance with laws and regulation and fraud within the Company and its operations. We corroborated our enquiries through our review of board minutes for the year, reviewing correspondence with the relevant authorities and other evidence gathered during the course of the audit;
- testing the appropriateness of a sample of journal entries in the general ledger by agreeing to supporting documentation and adjustments made in the preparation of the financial statements, and reviewing and assessing the accounting estimates for potential bias;
- the procedures set out in the Key Audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP Statutory Auditor
55 Baker Street
London
W1U 7EU
20 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Financial Statements

Income Statement

		Year ended 31 December 2022			Year ended 31 December 2021		
		Revenue	Capital	Total	Revenue	Capital	Total
Notes		£'000	£'000	£'000	£'000	£'000	£'000
2	(Losses)/gains on investments	–	(40,410)	(40,410)	–	30,038	30,038
	Losses on currency	–	(17)	(17)	–	(3)	(3)
3	Income	3,117	–	3,117	2,305	–	2,305
	Total (loss)/income	3,117	(40,427)	(37,310)	2,305	30,035	32,340
4	Investment management performance fee clawback/(charge)	–	2,746	2,746	–	(720)	(720)
4	Other expenses	(777)	–	(777)	(862)	–	(862)
	(Loss)/profit before tax	2,340	(37,681)	(35,341)	1,443	29,315	30,758
5	Tax	(77)	–	(77)	(30)	–	(30)
	(Loss)/profit for the year	2,263	(37,681)	(35,418)	1,413	29,315	30,728
7	(Losses)/earnings per share – basic and diluted	2.95p	(49.20)p	(46.25)p	1.85p	38.44p	40.29p

The total column represents the Income Statement of the Company, prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the United Kingdom.

The revenue and capital columns, including the revenue and capital earnings per ordinary share data, are supplementary information prepared under guidance published by the AIC.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The Company does not have any other comprehensive income. Therefore, no separate Statement of Comprehensive Income has been presented.

The notes on pages 78 to 96 form part of these accounts.

Statement of Financial Position

Approved by the Board of Directors on 20 April 2023 and signed on its behalf by:
Farah Buckley
Company no. 03300814

		31 December 2022	31 December 2021
Notes		£'000	£'000
	NON-CURRENT ASSETS		
2	Investments held at fair value through profit or loss	149,227	186,637
	CURRENT ASSETS		
	Trade and other receivables	310	222
	Cash and cash equivalents	5,348	7,664
		5,658	7,886
	TOTAL ASSETS	154,885	194,523
	CURRENT LIABILITIES:		
4	Investment management performance fee payable	–	(174)
	Other payable	(107)	(156)
		(107)	(330)
	NET ASSETS	154,778	194,193
	EQUITY		
8	Called up share capital	19,152	19,130
	Capital redemption reserve	179	179
	Share premium account	111,166	110,984
	Treasury shares	(133)	–
8	Other reserve	(2,877)	(1,271)
8	Capital reserve	24,421	63,155
	Revenue reserve	2,870	2,016
	TOTAL EQUITY	154,778	194,193
8	Number of Ordinary Shares in issue	76,078,460	76,519,675
9	NAV per Ordinary Share	203.45p	253.78p

The notes on pages 78 to 96 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2022

	Called up share capital	Capital redemption reserve	Share premium account	Treasury shares	Other reserve	Capital reserve	Revenue reserve	Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	19,130	179	110,984	–	(1,271)	63,155	2,016	194,193
(Loss)/income for the year	–	–	–	–	–	(37,681)	2,263	(35,418)
4 Performance fee clawback in relation to performance year 2019 (crystalised)	–	–	–	(133)	–	(1,053)	–	(1,186)
4 Performance fee clawback in relation to performance year 2020 and 2021	–	–	–	–	(1,385)	–	–	(1,385)
6 Dividends paid	–	–	–	–	–	–	(1,409)	(1,409)
8 Issue of new Ordinary Shares	22	–	199	–	(221)	–	–	–
Ordinary Share issue costs	–	–	(17)	–	–	–	–	(17)
Closing equity	19,152	179	111,166	(133)	(2,877)	24,421	2,870	154,778

The notes on pages 78 to 96 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2021

	Called up share capital	Capital redemption reserve	Share premium account	Other reserve	Capital reserve	Revenue reserve	Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	18,776	179	108,438	665	33,840	1,023	162,921
Profit for the year	–	–	–	–	29,315	1,413	30,728
4 Performance fee charge for the year	–	–	–	720	–	–	720
6 Dividends paid	–	–	–	–	–	(420)	(420)
8 Issue of new Ordinary Shares	354	–	2,599	(2,656)	–	–	297
Ordinary Share issue costs	–	–	(53)	–	–	–	(53)
Closing equity	19,130	179	110,984	(1,271)	63,155	2,016	194,193

The notes on pages 78 to 96 form part of these accounts.

Cash Flow Statement

	Note	Year to 31 December 2022 £'000	Restated* Year to 31 December 2021 £'000
Net cash inflow from operating activities	10	2,126	1,493
Investing activities			
Payments to acquire non-current asset investments	2	(47,454)	(45,142)
Receipts on disposal of non-current asset investments	2	44,455	46,437
Net cash (outflow)/inflow from investing activities		(2,999)	1,295
Financing activities			
Proceeds from issues of new Ordinary Shares	8	–	297
Ordinary Share issue costs		(17)	(53)
Dividends paid	6	(1,409)	(420)
Net cash outflow from financing activities		(1,426)	(176)
(Decrease)/increase in cash and cash equivalents		(2,299)	2,612
Cash and cash equivalents at beginning of year		7,664	5,055
Losses on currency		(17)	(3)
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,348	7,664

* Restatement of presentation only. Refer to Note 1L for further details.

The notes on pages 78 to 96 form part of these accounts.

Notes to the Financial Statements

1. Reporting entity

Aurora Investment Trust plc is a closed-ended investment company, registered in England and Wales on 10 January 1997 with Company number 03300814. The Company's registered office is 25 Southampton Buildings, London WC2A 1AL.

Details of the Directors, Investment Manager and Advisers can be found on pages 35 to 37.

Basis of Accounting

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and the applicable legal requirements of the Companies Act 2006.

The annual financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement.

The functional currency of the Company is Sterling because this is the currency of the primary economic environment in which the Company operates. The financial statements are presented in Sterling rounded to the nearest thousand, except where otherwise indicated.

Going concern

The financial statements have been prepared on the going concern basis. The Directors have a reasonable expectation, after making enquiries, that the Company has adequate resources to continue in existence for at least 12 months from the date of approval of this Annual Report.

In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its latest financial positions and forecast on income and expenses.

As at 31 December 2022, the Company held £5,348,000 (2021: £7,664,000) in cash, £146,356,000 (2021: £183,237,000) in quoted investments and £2,871,000 (2021: £3,400,000) in an unquoted investment. The total operating expenses for the year ended 31 December 2022 were £777,000 (2021: £862,000). It is estimated that 32.2% of the Company's latest portfolio could be liquidated in a non-market impacting way within 7 days, using 25% of historic three-month average daily volume. This approach is considered conservative as it does not include the Company's ability to access liquidity through block trades.

The management has assessed the Company's going concern status under stress scenarios, which incorporated key assumptions such as significant falls in the Company's investment portfolio and investment income. The scenario tests also factored in high inflation, existing and potential further risks arising from the conflict in Ukraine, and any tail risks from the COVID-19 pandemic as well as Brexit. A prolonged and deep market decline could lead to falling investment values or interruptions to cash flow, however the Company currently has more than sufficient liquidity to meet any liabilities when they fall due in the foreseeable future. The Board is keeping the

Notes to the Financial Statements

Continued

development of external risk factors under close scrutiny and does not believe that these will any impact on the Company's going concern status.

At the date of approval of this Annual Report, based on the aggregate of investments and cash held, the Board notes that the Company's cash balance and investments held are well in excess of the estimated level of liabilities, and the Company has substantial operating expenses cover.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment being an investment business in accordance with its Investment Objective and Policy.

Significant accounting policies

The accounting policies adopted are described below:

a. Accounting Convention

The accounts are prepared under the historical cost basis, except for the measurement at fair value of investments and measurement of performance fees awarded.

b. Adoption of new IFRS standards

New standards, interpretations and amendments adopted from 1 January 2022

A number of new standards and amendments to standards are effective for the annual periods beginning after 1 January 2022. None of these had a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

New standards and amendments issued but not yet effective

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

Notes to the Financial Statements

Continued

1. Reporting entity continued

c. Investments

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given excluding transaction or other dealing costs associated with the investment. After initial recognition, investments are measured at fair value through profit or loss. Gains or losses on investments measured at fair value through profit or loss are included in the Statement of Comprehensive Income as a capital item and transaction costs on acquisition or disposal of investments are also included in the capital column of the Statement of Comprehensive Income. For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date. All purchases and sales of investments are recognised on the trade date, i.e. the date that the Company commits to purchase or sell an asset.

Unquoted investments are measured at fair value, which is determined by the Directors in accordance with the International Private Equity and Venture Capital valuation guidelines and IFRS 9. Valuation reports provided by the Investment Manager of the unquoted investments are used to calculate the fair value where there is evidence that the valuation is derived using fair value principles that are consistent with the Company's accounting policies and valuation methods. Such valuation reports may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value.

d. Income from Investments

Investment income from the Company's investment portfolio is accounted for on the basis of ex-dividend dates. Income from fixed interest shares and securities is accounted for on an accruals basis using the effective interest method. Special Dividends are assessed on their individual merits and are credited to the capital column of the Statement of Comprehensive Income if the substance of the payment is a return of capital; with this exception all investment income is taken to the revenue column of the Statement of Comprehensive Income.

e. Share Capital and Reserves

The share capital represents the nominal value of equity shares.

The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses.

The capital redemption reserve arises when shares are bought back by the Company or returned by the Investment Manager under the performance fee clawback arrangement, and subsequently cancelled, at which point an amount equal to the par value of the shares is transferred from share capital to this reserve. This reserve is not distributable.

Other reserve represents the combination of the share-based payment expenses in relation to performance fees, and the restricted shares issued in settlement of performance fees that are still within the lock-in period.

The capital reserve represents realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items. In addition, performance fee costs are allocated to the capital reserve. The amount within the capital reserve less unrealised gains (those on investments not readily convertible to cash) is available for distribution. The realised gains within the capital reserve amounted to £42,863,000 as at 31 December 2022 (2021: £15,234,000). The Company has no intention to make distributions out of its capital reserve.

Notes to the Financial Statements

Continued

The revenue reserve represents the surplus of accumulated revenue profits being the excess of income derived from holding investments less the costs associated with running the Company. This reserve may be distributed by way of dividends, if positive.

f. Expenses

All expenses are accounted for on an accruals basis and charged through the revenue column of the Income Statement except the following:

- expenses that are incidental to the acquisition or disposal of an investment are charged to the capital column of the Income Statement; and
- expenses are charged to the capital column of the Income Statement where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the performance fees have been charged to the Income Statement in line with the Board's expected long-term returns, in the form of capital gains, from the Company's portfolio.

g. Share-based Payment

The Company's Investment Manager does not receive an on-going investment management fee and instead receives a performance fee if performance criteria are satisfied. The performance fee is settled by issuance of the Company's Ordinary Shares and therefore recognised as an equity settled share-based payment in accordance with IFRS 2.

The cost of share-based payments is recognised as an expense in the capital column of the Income Statement with a corresponding increase in equity reserve (Other Reserve). The share-based payment expenses are recognised over the period in which vesting conditions are fulfilled. No expense is recognised for awards that do not ultimately vest. Awards where vesting is conditional upon a market or non-vesting condition are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

h. Taxation

Current income tax assets and/or liabilities comprise those claims from or obligations to fiscal authorities relating to the current or prior reporting period that are unpaid at the year end date.

Deferred income taxes are calculated using the liability method on temporary timing differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply at their respective period of realisation, provided they are enacted or substantively enacted at the year end date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity.

Notes to the Financial Statements

Continued

1. Reporting entity continued

i. Foreign Currency

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Company.

Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each year end date, monetary items and non-monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates of exchange. Such exchange differences are included in the Income Statement and allocated to capital if of a capital nature or to revenue if of a revenue nature. Exchange differences allocated to capital are taken to gains on disposal or investment holding losses, as appropriate.

j. Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash held at bank and are measured at amortised cost.

k. Dividends Payable

Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they are paid or have been approved by shareholders in the case of a final dividend. Interim dividends payable are recognised in the period in which they are paid.

l. Critical Judgements, Estimations or Assumptions

The Directors have reviewed matters requiring judgements, estimations or assumptions. The preparation of the financial statements requires management to make judgements, estimations or assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenue and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates.

Performance fees

The performance fee is calculated on Company's NAV outperformance against its benchmark. No performance fee is earned by the Investment Manager in the current financial year. The Company issued 89,096 ordinary shares during the year in settlement for fees earned in relation to the year ended 31 December 2021 (2021: 1,290,932 ordinary shares in relation to the year ended 31 December 2020). These issued ordinary shares are subject to a fixed three-year clawback period. If the outperformance versus the index reverses on the third-year anniversary, subject to the Board's discretion, the shares will be returned and cancelled by the Company.

In measuring the performance fee, the Board has made judgements in relation to the service period, which it considers to be four years (being the current year of service plus the further three year period which is the clawback period). The Board has made the judgement that the performance fee contains a non-market based performance condition as the hurdle is based on the outperformance of the Company's NAV against its benchmark.

However, as the performance fee is calculated as a fixed amount which is settled by a variable number of shares. The cumulative charge over the four year period will equate to either the amount calculated at the end of the first year where the

Notes to the Financial Statements

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performance of the Investment Manager remains on target, or a lower amount where it is considered that the clawback will take effect. This is as a result of the performance fee charge being adjusted during the service period, which is a requirement of IFRS 2 where there is a non-market based performance condition.

The performance fee is recognised on a straight line basis in the Income Statement and is based on the outcome of the performance fee calculation as stated in the Investment Management Agreement. This amount excludes the projection of whether the clawback may occur at the end of the performance period. Clawbacks are adjusted based on the management's expectation in terms of the number of restricted shares that will ultimately vest at each reporting date, and if applicable, credited back to the Income Statement.

The Board has considered it necessary to make certain judgements in relation to the recognition and measurement of the performance fee, which it considers are reasonable and supportable. However, it is acknowledged that if alternative judgements were made, for accounting purposes, the measurement of the performance fee charge to the income statement may be significantly different in timing within the four-year service period.

As at 31 December 2022, performance fees earned in financial years 2020 and 2021 are estimated to be in 100% clawback, resulting in reversal of £1,384,700 cumulatively charged in the Company's Income Statements for the years ended 31 December 2021 and 31 December 2020.

Cash Flow Statement (presentation for comparative period restated)

In preparing the Company's Cash Flow Statement for the year ended 31 December 2022, the Directors have made the judgment that purchases and sales of investments form part of the Company's investing activities, on the basis that these activities are intended for the achievement of longer-term shareholder returns, consistent with the Company's investment objective.

The Company has re-assessed the previous classification of purchases and sales of investments as operating activities in the Company's Cash Flow Statement for the year ended 31 December 2021. After careful consideration, the Board has concluded on changing the accounting policy to better reflect the nature of investment activities and classify purchases and sales of investments as investing activities. As a result, the presentation of Cash flow Statement for the year ended 31 December 2021 has been restated with 'Payments to acquire non-current asset investments' and 'Receipts on disposal of non-current asset investments' being presented under investing activities instead of operating activities. This change has no impact on net assets or income in either the current or the prior year.

Valuation of Unquoted Investments

The Company has an investment in Phoenix SG Limited ("Phoenix SG"), which is unquoted and classified as a Level 3 investment under the fair value hierarchy. Its fair value as at 31 December 2022 is £2,871,000 or 1.9% of NAV (2021: £3,400,000 or 1.8% of NAV).

Phoenix SG is valued in accordance with the Company's accounting policy set out in 1c, using the reported NAV provided by the investment's underlying fund manager. In making the judgment that this valuation method is appropriate, the Board has considered additional information, including an independent valuation review report produced by Kroll Advisory Ltd, and published financial statements. Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted

Notes to the Financial Statements

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investments to be supportable, reasonable and robust, because of the inherent uncertainty of valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed.

A 10% reduction of the unquoted valuation would have a negative impact of £287,000 on the Company's NAV as at 31 December 2022 (2021: £340,000) and a 10% increase of the unquoted valuation would have the exact opposite impact.

2. Investments held at Fair Value Through Profit or Loss

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Listed securities	146,356	183,237
Unquoted securities	2,871	3,400
Total non-current investments held at fair value through profit or loss	149,227	186,637
Movements during the year:		
Opening balance of investments, at cost	137,996	137,273
Additions, at cost	47,454	45,142
Disposals – proceeds received or receivable*	(44,454)	(46,437)
– realised profits	29,419	2,018
– at cost	(15,035)	(44,419)
Cost of investments held at fair value through profit or loss at 31 December	170,415	137,996
Revaluation of investments to market value:		
Opening balance	48,641	20,621
Unrealised (losses)/gains	(69,829)	28,020
Balance at 31 December	(21,188)	48,641
Market value of non-current investments held at fair value through profit or loss at 31 December	149,227	186,637

* These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Notes to the Financial Statements

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Gains/(losses) on investments

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Realised gains on disposal of investments	29,419	2,018
Movement in unrealised (losses)/gains on investments held	(69,829)	28,020
Total (losses)/gains on investments	(40,410)	30,038

Realised gains on disposal of investments include £31,433,000 (2021: £nil) gains from the sale of the Company's put options on a short sterling future contract in February 2022. The options were purchased as a hedge against inflation and the details were disclosed in the Investment Management Review and Outlook section of the Company's Annual Report and Financial Statement for the year ended 31 December 2021.

Transaction costs on investment purchases and sales for the year ended 31 December 2022 are disclosed as shown in the following table.

Transaction costs

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Transaction costs on purchases of investments	145	123
Transaction costs on sales of investments	38	21
Total transaction costs included in gains or losses on investments at fair value through profit or loss	183	144

3. Income

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Income from investments:		
UK dividends	2,762	2,196
Overseas dividends	332	109
Other income:		
Deposit interest	23	–
Total income	3,117	2,305

Notes to the Financial Statements

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4. Investment Management Performance Fees and Other Expenses

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue*	Capital	Total	Revenue*	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management performance fee (clawback)/charge	–	(2,746)	(2,746)	–	720	720
Administration fees	187	–	187	161	–	161
Depositary and Custody fees	60	–	60	64	–	64
Registrar's fees	43	–	43	49	–	49
Directors' fees	136	–	136	137	–	137
Audit fees*	64	–	64	109	–	109
Printing	18	–	18	30	–	30
Broker's fees	48	–	48	48	–	48
Professional fees	47	–	47	39	–	39
Public relation fees	71	–	71	90	–	90
Consultancy fees	32	–	32	82	–	82
Miscellaneous expenses	71	–	71	53	–	53
Total other expenses	777	(2,746)	(1,969)	862	720	1,582

* All expenses include any relevant irrecoverable VAT. The amounts excluding VAT paid or accrued for the audit of the Company are £53,000 (2021: £90,000). The year ended 31 December 2021 charge includes prior year's overrun costs of £25,000 excluding VAT.

Investment Management Performance Fees

The Company's Investment Manager does not earn an ongoing annual management fee, but will be paid an annual performance fee equal to one third of any outperformance of the Company's NAV per Ordinary Share total return (including dividends and adjusted for the impact of share buybacks and the issue of new shares) over the FTSE All-Share Index (total return) for each financial year.

The total annual performance fee is capped at 4% per annum of the NAV of the Company at the end of the relevant financial year, in the event that the NAV per Ordinary Share has increased in absolute terms over the period, and 2% in the event that the NAV per Ordinary Share has decreased in absolute terms over the period. Any outperformance that exceeds these caps will be carried forward and only paid if the Company outperforms, and the annual cap is not exceeded, in subsequent years.

The performance fee is subject to a high-water mark so that no fee will be payable in any following year until all underperformance of the Company's NAV since the last performance fee was paid has been made up.

Notes to the Financial Statements

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Performance fees are settled by issuance of the Company's ordinary shares. Such ordinary shares are issued at the NAV per Ordinary Share on the date of issue, so that the then current value of the ordinary shares equates in terms of NAV to the performance fees calculated at the end of the first relevant financial period.

Any part of the performance fee that relates to the performance of Phoenix SG will be accrued but will not be paid until such time as the Company's investment in Phoenix SG has been realised or is capable of realisation. The position will be reviewed at that time by reference to the realised proceeds of sale or the fully realisable value of Phoenix SG as compared to the original cost of acquisition.

Performance fees are calculated annually and if earned, by way of share issuance by the Company, 80% is settled shortly after the year end date and the remaining 20% is settled upon approval of the Company's Annual Report. Shares issued to the Investment Manager are subject to a 3-year clawback period, during which the Investment Manager is not entitled to sell, pledge or transfer the shares, but is entitled to dividends and voting rights. If the Company's NAV underperforms its benchmark index on a total return basis, shares issued to the Investment Manager will be proportionally or entirely clawed back and cancelled by the Company.

Share-based Payment

The performance fee arrangement is recognised as an equity settled share-based payment under IFRS 2, and the related expenses are charged or credited in the Income Statement on a straight-line basis over a vesting period of 4 years (1 year of performance fee calculation period followed by 3 years of clawback period). At the end of each reporting period, the Company reviews cumulative total returns between the Company's NAV and its benchmark index, in relation to each performance year in which a performance fee was earned and adjusts the cumulative charges of share-based payment expenses accordingly.

No performance fee has been earned during the performance year ended 31 December 2022.

The clawback period for the performance fee earned during the year ended 31 December 2019 ended on 31 December 2022. The Company's cumulative NAV total return underperformed that of the benchmark index over the vesting period. As a result, the full £1,361,000 performance fee earned during the year ended 31 December 2019 has been reversed and the 530,311 restricted shares originally issued in settlement of the performance fee earned were returned by the Investment Manager to the Company. These shares were placed in treasury as at 31 December 2022 and subsequently cancelled on 9 January 2023.

The clawback period for fees earned during the year ended 31 December 2020 and 31 December 2021 will end on 21 December 2023 and 31 December 2024, respectively. As at 31 December 2022, the Company's cumulative NAV total returns for both performance periods underperformed that of the benchmark index. As a result, expenses previously recognised in the Company's Income Statement (£720,000 during the year ended 31 December 2021 and £655,000 during the year ended 31 December 2020) have fully been reversed.

A total of £2,746,000 clawback credit has been recognised in the Company's Income Statement for the year ended 31 December 2022.

Notes to the Financial Statements

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4. Investment Management Performance Fees and Other Expenses continued

Share-based Payment Sensitivity Analysis

Performance fee period	31 December 2020	31 December 2021
End date for clawback period	31 December 2023	31 December 2024
As at 31 December 2022	%	%
Company cumulative NAV returns	(8.9)	(5.2)
Cumulative index returns	7.1	18.7
Underperformance	(14.9)	(20.1)

Impact on the Company's loss after tax for the year ended 31 December 2022, if the Company's underperformance improved by:

In relation to performance fee period	31 December 2020	31 December 2021
Percentage	£'000	£'000
5%	nil	nil
10%	nil	nil
15%	(30)	nil
20%	(1,709)	nil

5. Taxation

	Year to 31 December 2022			Year to 31 December 2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporation tax	–	–	–	–	–	–
Overseas withholding tax	77	–	77	30	–	30
Tax charge in respect of the current year	77	–	77	30	–	30

Notes to the Financial Statements

Continued

Current taxation

The taxation charge for the year is different from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Total (loss)/income before tax	(35,341)	30,758
Theoretical tax at UK corporation tax rate of 19.0% (2021: 19.0%)	(6,715)	5,844
Effects of:		
Capital losses/(gains) that are not taxable	7,678	(5,707)
UK dividends which are not taxable	(525)	(417)
Overseas withholding tax	77	30
Overseas dividends that are not taxable	(63)	(21)
Unutilised excess management expenses	(375)	301
Tax charge in respect of the current year	77	30

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

Deferred Tax

The Company has £12,385,000 (2021: £13,015,000) in respect of excess unutilised management expenses, equivalent to a potential tax saving of £3,096,000 (2021: £3,088,000) at the prospective tax rate of 25% (2021: 25%) and £1,491,000 (2021: £1,491,000) in respect of loan interest, equivalent to a potential tax saving of £373,000 (2021: £373,000) at the prospective tax rate of 25% (2021: 25%).

These amounts are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of these expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

6. Ordinary Dividends

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2021 at 1.84p per share (2020: 0.55p)	1,409	420
Dividends not reflected in the financial statements:		
Final dividend recommended by the Board for the year ended 31 December 2022 at 2.97p per share (2021: 1.84p)	2,263	1,409

Notes to the Financial Statements

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7. Earnings Per Share

Earnings per share are based on the loss of £35,418,000 (2021: profit of £30,728,000) attributable to the weighted average of 76,592,940 (2021: 76,253,921) ordinary shares of 25p in issue during the year.

Supplementary information is provided as follows: revenue earnings per share are based on the revenue profit of £2,263,000 (2021: profit of £1,413,000); capital earnings per share are based on the net capital loss of £37,681,000 (2021: profit of £29,315,000), attributable to the weighted average of 76,592,940 (2021: 76,253,921) ordinary voting shares of 25p. There is no difference between the weighted average Ordinary diluted and undiluted number of shares. There is no difference between basic and diluted earnings per share as there are no dilutive instruments.

8. Share Capital and Reserves

	At 31 December 2022	At 31 December 2021
<i>Allotted, called up and fully paid (Number)</i>	76,608,771	76,519,675
Ordinary Shares of 25p (£'000)	19,152	19,130

At 31 December 2022, the Company had 76,608,771 (2021: 76,519,675) ordinary shares in issue. The number of voting shares at 31 December 2022 was 76,078,460, being the number of ordinary shares in issue less the number of shares held in treasury (2021: 76,519,675).

Movement on share capital during the period

On 7 February 2022, in settlement for 80% of the performance fees earned during the year ended 31 December 2021, a total of 69,738 restricted ordinary shares were issued to the Investment Manager at the prevailing NAV of 254.37p per share.

The remaining 20% of the performance fees earned were settled via a further issuance of 19,358 restricted ordinary shares at the prevailing NAV of 226.40p per share on 5 May 2022.

The total value of share issuances in relation to performance fees during the year ended 31 December 2022 was £221,000 (2021: £2,656,000). These issuances were non-cash transactions and therefore excluded from the cash flows from financing activities in the Company's Cash Flow Statement.

The Company did not purchase any of its own shares during the year ended 31 December 2022 or 31 December 2021.

Treasury shares

On 31 December 2022, the clawback period on restricted shares issued to the Investment Manager in relation to the performance period ended 31 December 2019 ended. All of the 530,311 shares originally issued to the Investment Manager were returned to the Company and held in Treasury (2021: no shares were held in Treasury). These shares were subsequently cancelled on 9 January 2023 reducing the shares in issue to 76,078,460.

Notes to the Financial Statements

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Other Reserve

The other reserve balance represents the combination of the cumulative share-based payment expenses in relation to performance fees, and the restricted shares issued in settlement of performance fees that are still within the lock-in period.

As at 31 December 2022, cumulative share-based payment expenses included in this reserve is £nil (2021: £1,385,000).

9. Net Assets Per Ordinary Share

The figure for Net Assets per Ordinary Share is based on £154,778,000 (2021: £194,193,000) divided by 76,078,460 (2021: 76,519,675) voting ordinary shares in issue, being the number of ordinary shares in issue less the number of shares held in treasury (Note 8) at 31 December 2022.

10. Reconciliation of Net Cash Flow from Operating Activities

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
(Loss)/profit after tax	(35,418)	30,728
Losses/(gains) on investments	40,427	(30,035)
(Increase)/decrease in other receivables	(88)	36
(Decrease)/increase in other payables	(49)	41
Investment management fee (clawback)/charge	(2,746)	723
Net cash inflow operating activities	2,126	1,493

11. Transactions with Related Parties and Investment Manager

Details of the management, administration and secretarial contracts can be found in the Directors' Report.

There were no transactions with directors other than disclosed in the Directors' Remuneration Report and no fees payable to the Directors were outstanding as at 31 December 2022.

Phoenix Asset Management Partners Limited ("Phoenix"), the Company's AIFM and Investment Manager, and Castelnau Group Limited ("Castelnau") are considered as related parties under the Listing Rules. Details of transactions with Phoenix can be found in Note 4 beginning on page 86.

As at 31 December 2022, the Company held 13.3% (2021: 13.3%) of the issued share capital in Castelnau, there have been no transactions with Castelnau during the year and there were no other balances outstanding with Castelnau as at 31 December 2022.

Notes to the Financial Statements

Continued

12. Financial Instruments

Investments are carried in the balance sheet at fair value. For other financial assets and financial liabilities, the balance sheet value is considered to be a reasonable approximation of fair value.

Financial assets

The Company's financial assets may include equity investments, fixed interest securities, short-term receivables and cash balances. The currency and cash-flow profile of those financial assets was:

	2022			2021		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current equity investments at fair value through profit or loss:						
£ sterling denominated security holdings	–	128,638	128,638	–	174,726	174,726
€ euro denominated security holdings	–	10,060	10,060	–	11,911	11,911
\$ usd denominated security holdings	–	10,529	10,529	–	–	–
	–	149,227	149,227	–	186,637	186,637
Cash at bank:						
Floating rate – £ sterling	5,250	–	5,250	–	7,561	7,561
Floating rate – € euro	98	–	98	–	103	103
	5,348	–	5,348	–	7,664	7,664
Current assets:						
Receivables	–	310	310	–	222	222
	5,348	149,537	154,885	–	194,523	194,523

Cash at bank of £5,348,000 (2021: £7,663,798) is held by the Company's Depositary, Northern Trust Investor Services Ltd.

Financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. It has discontinued the use of borrowing for such purposes. The Company's financial liabilities comprise short-term trade payables. Foreign currency balances are stated in the accounts in sterling at the exchange rate as at the Balance Sheet date.

There were no short-term trade payables (other than accrued expenses).

Notes to the Financial Statements

Continued

Fair Value Hierarchy

Under IFRS13 investment companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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

Classification	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Level 1	146,356	183,237
Level 2	–	–
Level 3	2,871	3,400
Total non-current investments held at 'FVTPL'	149,227	186,637

There were no transfers between levels during the year.

The movement on the Level 3 unquoted investments during the year is shown below:

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Opening balance	3,400	8,066
Disposals during the year	–	(4,523)
Unrealised (losses)/gains at year end	(529)	(143)
Closing balance	2,871	3,400

The Level 3 unquoted investment balance represents the Company's investment in Phoenix SG Limited ("Phoenix SG"). The fair value estimate is based on the attributable proportion of the reported net asset value of the Level 3 investment derived from the fair value of the underlying investments. Valuation reports provided by the fund manager are used to calculate fair value where there is evidence that the valuation is derived using fair value principles that are consistent with the Company's accounting policies and valuation methods. Such valuation reports may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value such as any issues being highlighted or emphasised in Phoenix SG's audited financial statements.

Notes to the Financial Statements

Continued

12. Financial Instruments continued

Fair Value Hierarchy continued

The total fair value attributable to the Company's investment in Phoenix SG as of 31 December 2022 is £2,871,000 (2021: £3,400,000). The Company held 9.4% (2021: 10.3%) of the share capital of Phoenix SG.

Risk Analysis

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report. Issues associated with portfolio distribution and concentration risk are discussed in the Investment Policy section of the Strategic Report. This note, which is incorporated in accordance with accounting standard IFRS7, examines in greater detail the identification, measurement and management of risks potentially affecting the value of financial instruments and how those risks potentially affect the performance and financial position of the Company. The risks concerned are categorised as follows:

- a. Potential Market Risks, which are principally:
 - i. Currency Risk
 - ii. Interest Rate Risk and
 - iii. Other Price Risk.
- b. Liquidity Risk
- c. Credit Risk

Each is considered in turn below:

A (i) Currency Risk

The portfolio as at 31 December 2022 was invested predominantly in sterling denominated securities and there was no material currency risk arising from the possibility of a fall in the value of sterling impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 31 December 2022 or 31 December 2021.

The Company does not hedge its currency exposures currently, but under its investment policy and restrictions, derivative or similar financial instruments can be employed if considered necessary for the purpose of capital preservation.

Currency sensitivity

The table below shows the impact on the Company's profit after taxation for the year ended and net assets as at 31 December 2022, if sterling had strengthened/weakened by 10% against Euro and USD.

	2022	2021
	£'000	£'000
Euro	(923)/1,129	(1,201)/1,323
USD	(957)/1,170	n/a

Notes to the Financial Statements

Continued

A (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 31 December 2022 or 31 December 2021.

With the exception of cash, no interest rate risks arise in respect of any current asset. All cash held as a current asset is sterling denominated, earning interest at the bank's or custodian's variable interest rates.

The Company had no borrowings at 31 December 2022 or 31 December 2021.

A (iii) Other Price Risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. As described in the Investment Manager's Review, the Company spreads its investments across different sectors and geographies, but as shown by the Portfolio Analysis in the Business Review, the Company may maintain relatively strong concentrations in particular sectors selected by the Investment Manager.

The Board manages these risks through the use of investment limits and guidelines as set out in the Company's investment policy and restrictions, and monitors the risks through regular financial and compliance reports provided by the Company's key service providers.

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £14,923,000 (2021: £18,664,000) in the investments held at fair value through profit or loss at the period end, which is equivalent to 9.6% (2021: 9.6%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

B Liquidity Risk

Liquidity Risk is considered to be small, because most of the portfolio is invested in readily realisable securities. As a consequence, cash flow risks are also considered to be immaterial. The Investment Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, 46.6% of the portfolio could be liquidated in a non-market impacting way within 7 days, based on 25% of average daily volume. This is conservative as it does not include the ability to access liquidity through block trades.

C Credit Risk

The Company invests in quoted and unquoted equities in line with its investment objective and policy. The Company's investments are held by Northern Trust Investor Services Ltd ("the Depositary"), which is a large and reputable international banking institution. The Company's normal practice is to remain fully invested at most times and not to hold large quantities of cash. At 31 December 2022, cash at bank comprised £5,348,000 (2021: £7,664,000) held by the Depositary.

Credit Risk arising on transactions with brokers relates to transactions awaiting settlement. This risk is considered to be very low because transactions are almost always undertaken on a delivery versus payment basis with member firms of the London Stock Exchange.

Notes to the Financial Statements

Continued

12. Financial Instruments continued

D Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pursuing investment policies commensurate with the level of risk.

The Company considers its capital to be issued share capital and reserves, and monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company does not currently intend to use gearing, but as set out in its investment objective and policy, borrowings of up to 30% of the aggregate of the paid-up nominal capital plus the capital and revenue reserves are permitted.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders (within the statutory limits applying to investment trusts), return capital to shareholders, issue new shares, or sell assets.

13. Post Year End Events

On 31 December 2022, the clawback period on restricted shares issued to the Investment Manager in relation to the performance period ended 31 December 2019 ended. All of the 530,311 restricted shares originally issued to the Investment Manager were returned to the Company and held in Treasury. These shares were subsequently cancelled on 9 January 2023.

Alternative Performance Measures ('APMs')

An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Definitions of these APMs together with how these measures have been calculated follow:

Discount (APM)

The amount, expressed as a percentage, by which the share price is less than the NAV per Ordinary Share.

		As at 31 December 2022	As at 31 December 2021
NAV per Ordinary Share	a	203.45	253.78
Share price	b	194.50	234.50
Discount	$(b \div a) - 1$	(4.4)%	(7.6)%

Ongoing charges (APM)

A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets. The measure is calculated by expressing the regular expenses of the year as a percentage of the average net assets during the year.

		As at 31 December 2022	As at 31 December 2021
		£'000	£'000
Average NAV	a	173,184	175,216
Annualised expenses	b	777	862
Ongoing charges figure	$b \div a$	0.45%	0.49%

Total returns (APM)

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 on its ordinary shares on the ex-dividend date.

		31 December 2022		31 December 2021	
Year ended 31 December		NAV	Share price	NAV	Share price
Opening at 1 January	a	253.78p	234.50p	216.93p	207.00p
Closing at 31 December	b	203.45p	194.50p	253.78p	234.50p
Price movement $(b \div a) - 1$	c	(19.8)%	(17.1)%	17.0%	13.3%
Dividend reinvestment	d	0.7%	0.8%	0.1%	0.2%
Total return	$(c + d)$	(19.1)%	(16.3)%	17.1%	13.5%

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under UK AIFMD. (see below) and the Company is classified as an AIF.
Alternative Investment Fund Managers Regulations ("UK AIFMD")	A directive agreed by the European Parliament and the Council of the EU and transposed into UK legislation, the UK AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.
Annual General Meeting or AGM	A meeting held once a year which shareholders can attend and where they can vote on resolutions put forward at the meeting and ask directors questions about the company in which they are invested.
Alternative Performance Measures ('APMs')	See definitions of each APM on page 97.
Articles	The Company's Articles of Association adopted on 10 June 2019.
Company Secretary or Administrator	Frostrow Capital LLP.
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 UK AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under UK 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.
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 Manager	Phoenix Asset Management Partners Limited.

Glossary

Continued

Investment Trust	An investment company based in the UK which meets certain tax conditions that enable it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Leverage	An alternative word for “Gearing”. Under UK 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 UK 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.
Net assets	An investment company’s assets less its liabilities.
Net asset value per Ordinary Share (NAV)	The Company’s daily published unaudited net assets divided by the number of ordinary shares in issue (excluding any shares held in treasury). This takes into account any accrued performance fees.
Ordinary Shares	The Company’s ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
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.
Treasury shares	A company’s own shares which are available to be sold by the company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Notice of Meeting

Frostrow Capital LLP
Company Secretary

Registered Office:
25 Southampton Buildings
London WC2A 1AL

20 April 2023

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any matter referred to in this document or as to the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your ordinary shares, please send this document at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. However, the distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Notice is hereby given that the Annual General Meeting of Aurora Investment Trust plc will be held at 25 Southampton Buildings, London WC2A 1AL on 27 June 2023 at 2 p.m.

The AGM is being called for the following purposes:

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

ORDINARY RESOLUTIONS

1. To receive the Annual Report for the year ended 31 December 2022, including the financial statements and the directors' and auditor's reports thereon.
2. To approve a final dividend of 2.97 pence per share in respect of the year ended 31 December 2022.
3. To approve the Directors' Remuneration Policy.
4. To approve the Remuneration Policy Implementation Report.
5. To re-elect Lucy Walker as a director of the Company.
6. To re-elect Lady Rachael Robathan as a director of the Company.
7. To re-elect David Stevenson as a director of the Company.
8. To elect Farah Buckley as a director of the Company.
9. To re-appoint BDO as auditor to the Company and to authorise the Audit Committee to fix the auditor's remuneration.
10. THAT in addition to any pre-existing power to allot or grant rights to subscribe for or convert any securities into ordinary shares in the Company the directors be and are hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot ordinary shares in the Company up to a maximum of 20% of the issued share capital in the Company as at the date of passing this resolution. This authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever should first occur, save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or enter into an agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

11. THAT, subject to the passing of resolution 10, and in addition to all existing powers, the directors be and are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 10 or by way of a sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power:
- a. shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months from the passing of this resolution, or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot equity securities (including by way of sale of treasury shares) as if such expiry had not occurred; and
 - b. shall be limited to the allotment of equity securities up to a maximum of 20% of the issued share capital of the Company as at the date of passing this resolution.
12. THAT, in substitution for any pre-existing authority that will have expired on the date hereof, but without prejudice to the exercise of such authority prior to the date hereof, 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 ordinary shares of 25p each in the capital of the Company ("ordinary shares") provided that:
- a. the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 14.99% of the issued share capital of the Company at the date of passing this resolution;
 - b. the minimum price which may be paid for an ordinary share is 25p;
 - c. the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the Daily Official List of the UK Listing Authority for the 5 business days immediately preceding the day on which the ordinary share is purchased; and
 - d. unless varied, revoked or renewed the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2023 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 such expiry, enter into a contract or contracts to purchase ordinary shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.
13. THAT the period of notice required for general meetings of the Company (other than Annual General Meetings) shall be not less than 14 days.

By order of the Board
For and on behalf of Frostrow Capital LLP
Company Secretary
25 Southampton Buildings
London WC2A 1AL
20 April 2023

Notes

1. Proxies

Members are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company, but must attend the meeting for your votes to be counted. Appointing the Chair of the AGM as your proxy will ensure that your votes are cast in accordance with your wishes.

2. Voting by proxy

Hard copy forms of proxy have not been included with this notice. Members are strongly urged to vote electronically, by logging onto www.signalshares.com and following the instructions. However, you can request a hard copy proxy form directly from our Registrar, Link Group, via telephone on +44 (0) 371 664 0300 or via email at: shareholderenquiries@linkgroup.co.uk. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL, not later than 2 p.m. on 23 June 2023. In the case of a member that is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.

Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. CREST members may register votes by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2 p.m. on 23 June 2023 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointing a proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy's appointment will automatically be terminated.



3. Revoking instructions

In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL.

In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments then, subject to paragraph 2, the proxy appointment will remain valid.

4. Right to attend and vote

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at close of business on 23 June 2023 or, in the event of any adjournment, at close of business on the date which is two business days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. Corporate members

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

6. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the member by whom he/ she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

7. Total number of shares and voting rights

As at 19 April 2023 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 76,078,460 ordinary shares, carrying one vote each. No shares were held in treasury. The total available voting rights in the Company as at that date are 76,078,460.

8. Website

Further information regarding the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting can be accessed at www.aurorainvestmenttrust.com.

9. Joint Shareholders

In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

10. CREST Shareholders

Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar by not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.

If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Link Group (ID number RA10) not later than 48 hours before the start of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Link Group is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Withheld votes and votes at discretion

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at their discretion. A proxy may vote (or abstain from voting) as they think fit in relation to any other matter that is put before the meeting.

12. Questions

Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Questions may be tendered ahead of the meeting, by email to: ARR@frostron.com, or by writing to the Company Secretary at the Company's Registered address, which is set out on page 37.

13. Website statements from Shareholders

Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

- (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are laid before the meeting; or
- (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

14. Shareholder resolutions

Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:

- (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
- (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless:

- (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
- (b) it is defamatory of any person; or
- (c) it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 16 May 2023, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report

The principal purpose for an annual general meeting is for members to formally receive the Company's annual report and financial statements. The Annual Report for the year ended 31 December 2022, incorporating the financial statements and this Notice of Meeting, will be presented at the AGM and shareholders will have the opportunity to ask questions relating to it.

Resolution 2 – Dividend

The Board has recommended the payment of a final dividend to shareholders in respect of the year ended 31 December 2022 of 2.97 pence per share in accordance with the Company's Dividend Policy and as required for maintaining investment trust status. It is necessary for shareholders to approve a final dividend before it is paid.

Resolution 3 – Directors' Remuneration Policy

It is mandatory for listed companies to put their Directors' Remuneration Policy to a binding shareholder vote at least every three years. The Directors' Remuneration Policy is set out on page 53 of this Annual Report.

Resolution 4 – Remuneration Policy Implementation Report

It is mandatory for listed companies to put their report on the implementation of the remuneration policy to an advisory shareholder vote every year. The Remuneration Policy Implementation Report is set out on page 54 of this Annual Report.

Resolutions 5 to 8 – Re-election and Election of Directors

Resolutions 5 to 8 deal with the re-election and election of the Directors. Biographies of each of the Directors can be found on pages 35 and 36 of this Annual Report.

Specific reasons why (in the Board's opinion) each Directors' contribution is, and continues to be, important to the Company's long-term sustainable success are as follows:

Lucy Walker

Lucy brings deep investment management experience, enabling her to engage with the Investment Manager on portfolio and strategy, as well as a first-hand understanding of the Company's investor base.

Lady Rachael Robathan

Rachael has over 20 years' experience as an investment manager as well as a broad range of skills from her leadership of a major Local Authority and other Board roles.

David Stevenson

David has extensive fintech and financial services experience and as an investment columnist for over 20 years has a deep understanding of the Company's investor base. He spends a vast amount of time talking to investors, both professional and private, about funds and asset allocation. He is additionally a very experienced fund non-executive director and chair.

Farah Buckley

Farah has over 20 years' experience in financial services across audit, mergers and acquisition and private equity. She has a deep understanding of investment performance, ESG and technology which broadens and complements the other Directors in their oversight of the investment activities of the Company, benefitting the activities of the Board and the Company.

Resolution 9 – Re-appointment of Auditor and the determination of their remuneration

Resolution 9 is for the re-appointment of BDO LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services, only the Audit Committee may negotiate and agree the terms of the Auditor's service agreement.

Resolutions 10 and 11 – Issue of Shares

Ordinary Resolution 10 in the Notice of Annual General Meeting is to renew the authority to allot new ordinary shares up to an aggregate of 20% of the Company's existing issued share capital at the date of the Annual General Meeting. This authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting unless previously renewed.

When shares are to be allotted, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 11 will, if passed, give the Directors power to allot (and/or sell from treasury) for cash equity securities up to the equivalent of 20% of the Company's existing share capital, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 10. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 10 and 11 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12 – Share Repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares when they are trading at a discount to net asset value per share should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is considered to be in the best interests of shareholders

generally. Any purchase of shares will be made within guidelines established from time to time by the Board.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 1 penny per share.

Special Resolution 12 in the Notice of Annual General Meeting seeks to renew the authority to purchase in the market a maximum of 14.99% of shares in issue (amounting to 11,952,000 shares at the date of this Annual Report). The authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 13 – General Meetings

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice, which is the minimum notice period permitted by the Companies Act 2006. This is a routine resolution necessitated by the EU Shareholder Rights Directive, which has been transcribed into UK law.

The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

Recommendation

The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions, as the Directors intend to do in respect of their own beneficial holdings totalling 39,850 shares.

