

# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2024



TRUST IN A STYLE TO LAST THROUGH THE AGES

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If you wish to contact members of the Edinburgh Investment Trust Board then please get in touch with the Company Secretary on +44 (0)20 3697 5770. If you have any enquiries for the Manager, please contact them on +44 (0)20 7412 1700. Alternatively, please email the Board via the Company Secretary at [EIT@nsm.group](mailto:EIT@nsm.group)

## OVERVIEW

**£1,135m**

NET ASSETS  
(2023: £1,139m)

**690.00p**

SHARE PRICE  
(2023: 660.00p)

**3.9%**

DIVIDEND YIELD\*  
(2023: 4.0%)

**11.5%**

DISCOUNT\*  
(2023: 7.5%)

**0.53%**

ONGOING CHARGES  
RATIO\* (2023: 0.53%)

**3.1%**

GEARING (NET)\*  
(2023: 4.7%)

\*Alternative Performance  
Measures as defined on  
pages 84 to 87.

## INVESTMENT OBJECTIVES

The Edinburgh Investment Trust plc ('The Company') is an investment trust whose investment objective is to invest primarily in UK securities with the long-term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the portfolio in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and is not structured on the basis of industry weightings.

## NATURE OF THE COMPANY

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange ('LSE'). The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 15), with the aim of spreading investment risk and generating a return for shareholders.

The Company uses borrowing to enhance returns to shareholders. This increases the risk to shareholders should the value of investments fall.

The Company has contracted an external manager, Liontrust Fund Partners LLP, ('LFP' or 'the Manager' as Alternative Investment Fund Manager ('AIFM')) to manage its investments. Other administrative functions are contracted to external services providers. The Company has a Board of non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment objective and policy are adhered to. The Company has no employees.

**The Company's ordinary shares qualify to be considered as mainstream investment products suitable for promotion to retail investors. The Company's ordinary shares are eligible for investment in an ISA.**

## FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

	Year Ended 31 March 2024	Year Ended 31 March 2023
<b>Total Return<sup>(1)(3)(4)</sup> (all with dividends reinvested)</b>		
Net asset value <sup>(1)</sup> (NAV) - debt at fair value	+13.4%	+7.9%
Share price <sup>(2)</sup>	+8.9%	+8.4%
FTSE All-Share Index <sup>(2)</sup>	+8.4%	+2.9%

The Company's benchmark is the FTSE All-Share Index.

Capital Return <sup>(1)(4)</sup>	At 31 March 2024	At 31 March 2023	Change %
Net asset value - debt at fair value	779.97p	713.75p	+9.3
Share price <sup>(2)</sup>	690.00p	660.00p	+4.5
FTSE All-Share Index <sup>(2)</sup>	4,338.05	4,157.88	+4.3
<b>Discount<sup>(1)(3)(4)</sup> - debt at fair value</b>	(11.5)%	(7.5)%	
<b>Gearing</b> (debt at fair value) <sup>(1)(3)(4)</sup>			
- gross gearing	6.2%	6.6%	
- net gearing	3.1%	4.7%	

Revenue and Dividends <sup>(3)</sup>	Year Ended 31 March 2024	Year Ended 31 March 2023	Change %
Revenue return per ordinary share	23.93p	25.99p	-7.9
Dividends			
- first interim	6.70p	6.40p	
- second interim	6.70p	6.40p	
- third interim	6.90p	6.70p	
- proposed final	6.90p	6.70p	
<b>- total dividends</b>	<b>27.20p</b>	<b>26.20p</b>	<b>+3.8</b>
<b>Consumer Price Index<sup>(2)(4)</sup> - annual change</b>	3.2%	10.2%	
<b>Dividend Yield<sup>(1)(3)(4)</sup></b>	3.9%	4.0%	
<b>Ongoing Charges Ratio<sup>(1)(3)(4)</sup></b>	0.53%	0.53%	

### Notes:

- (1) These terms are defined in the Glossary of Terms and Alternative Performance Measures, including reconciliations, on pages 84 to 87. NAV with debt at fair value is widely used by the investment company sector for the reporting of performance, premium or discount, gearing and ongoing charges.
- (2) Source: LSEG Data & Analytics.
- (3) Key Performance Indicator.
- (4) Alternative Performance Measures.



## TEN YEAR HISTORICAL INFORMATION

Year ended 31 March	Ordinary shareholders' funds £m	Shares (bought back)/ issued m	Per ordinary share		Net asset value (debt at fair value) p	Share price p	Discount (debt at fair value) %	Gross gearing (debt at fair value) %	Net gearing (debt at fair value) %
			Revenue return p	Dividend rate p					
2015	1,376	-	24.83	23.85	686.07	662.00	(3.5)	13.9	13.8
2016	1,392	0.55	26.66	24.35	695.30	665.00	(4.4)	15.5	15.3
2017	1,535	-	27.94	25.35	768.81	713.50	(7.2)	15.9	15.7
2018	1,400	-	29.25	26.60	703.34	642.00	(8.7)	12.1	11.8
2019	1,382	(0.19)	28.66	28.00	696.91	644.00	(7.6)	11.0	10.8
2020	872	(20.80)	27.83	28.65	490.40	434.00	(11.5)	13.4	8.3
2021	1,091	(2.50)	16.21	28.65 <sup>(1)</sup>	628.29	600.00	(4.5)	10.1	7.1
2022	1,176	(1.10)	22.41	24.80	686.69	634.00	(7.7)	10.3	4.4
2023	1,139	(5.60)	25.99	26.20	713.75	660.00	(7.5)	6.6	4.7
<b>2024</b>	<b>1,135</b>	<b>(13.99)</b>	<b>23.93</b>	<b>27.20</b>	<b>779.97</b>	<b>690.00</b>	<b>(11.5)</b>	<b>6.2</b>	<b>3.1</b>

(1) including special dividend of 4.65p

### Capital Returns (excluding dividends paid) to 31 March 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	3yr	5yr	10yr
NAV (debt at fair value) (%)	11.9	1.3	10.6	-8.5	-0.9	-29.6	28.1	9.3	3.9	9.3	24.2	11.9	27.2
Share Price (%)	11.4	0.5	7.3	-10.0	0.3	-32.6	38.2	5.7	4.1	4.5	15.0	7.1	16.2
FTSE All-Share Index (%)	3.0	-7.3	17.5	-2.4	2.2	-21.9	23.3	9.3	-0.7	4.3	13.2	9.0	22.0

Source: LSEG Data & Analytics.

### Total Returns (with dividends reinvested) to 31 March 2024

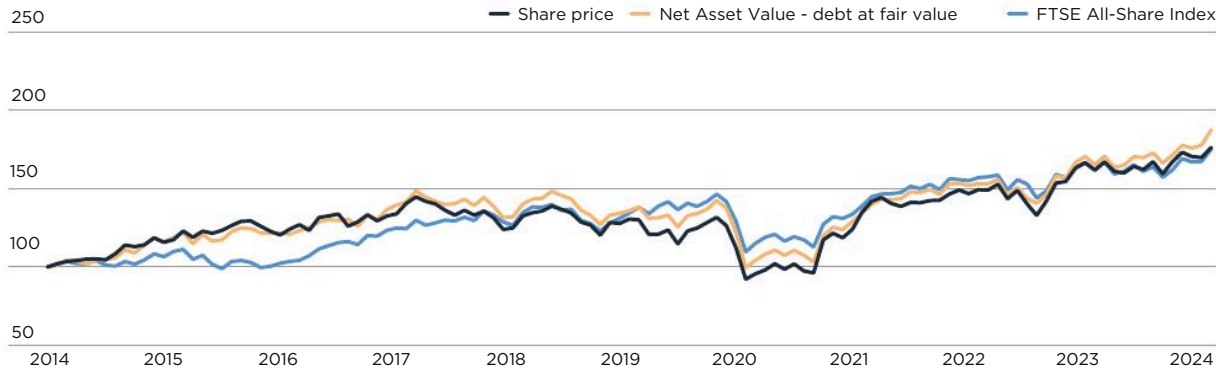
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	3yr	5yr	10yr
NAV (debt at fair value) (%)	16.2	5.0	14.7	-5.9	2.9	-26.7	34.8	14.1	7.9	13.4	39.6	38.0	87.5
Share Price (%)	15.7	4.0	11.2	-6.7	4.6	-29.4	46.4	10.6	8.4	8.9	30.5	34.9	76.2
FTSE All-Share Index (%)	6.6	-3.9	22.0	1.2	6.4	-18.5	26.7	13.0	2.9	8.4	26.1	30.3	75.3

Source: LSEG Data & Analytics.

TEN YEAR HISTORICAL INFORMATION / CONTINUED

Total Returns Over Ten Years

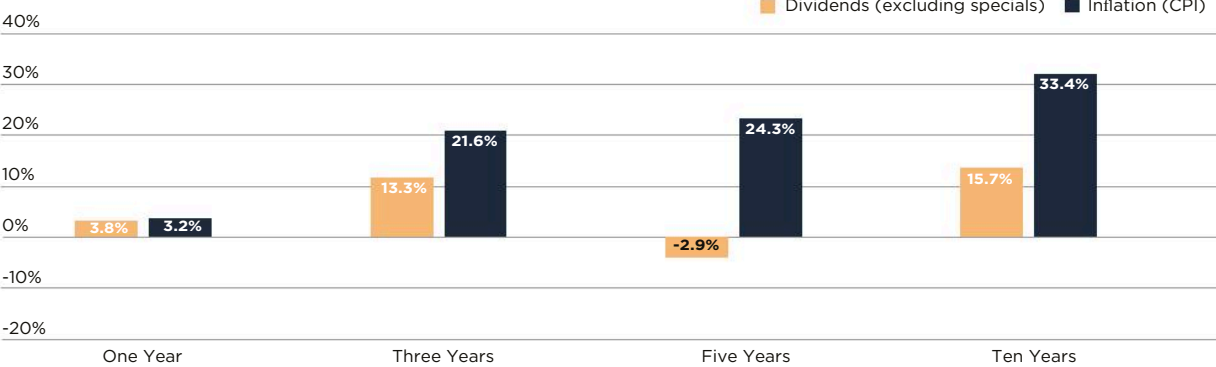
Rebased to 100 at 31 March 2014



Source: LSEG Data & Analytics.

Cumulative Dividend Growth

to 31 March 2024

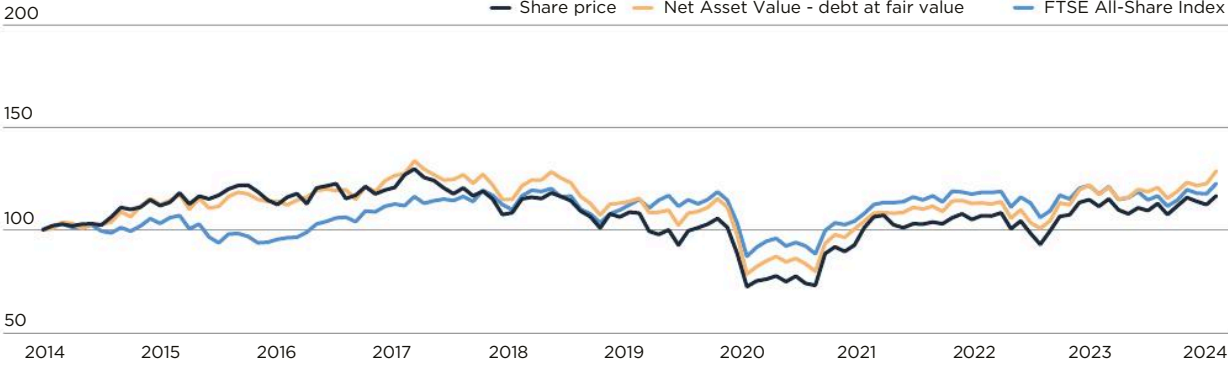


Source: LSEG Data & Analytics.

Source: Consumer Price Inflation - Office for National Statistics.

Capital Returns Over Ten Years

Rebased to 100 at 31 March 2014



Source: LSEG Data & Analytics.

# CHAIR'S STATEMENT



**ELISABETH STEEMAN**  
CHAIR

## DEAR SHAREHOLDERS,

It is a pleasure to write to you again with a summary of the year for Edinburgh Investment Trust plc (the "Company"). My fellow directors and I never lose sight of the fact that the Company exists to generate attractive financial returns for shareholders.

We principally measure the success of this endeavour by comparing the Company's performance against its two key objectives:

1. an increase of the Net Asset Value ("NAV") per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

Over the last year the Company has met both objectives. On the first, the NAV per share has risen by 9.3% while the comparator index rose by 4.3%. This has led to a rise in NAV total return of 13.4% compared to 8.4% for the index. Despite the challenging backdrop for UK equities, especially when compared with some overseas equities, a double digit return for the Company is an excellent outcome. The Portfolio Manager sets out the key stock contributors to returns, and the broader market context, in the report on the following pages. For the Company's second objective, the dividend is set to rise this year by 3.8%, compared with CPI inflation of 3.2%. On both fronts, the year to 31 March 2024 has therefore been a positive one.

One year is just a snapshot, particularly in the context of a Company which passes its 135<sup>th</sup> anniversary this year. Longer periods than a year are much more meaningful, especially when it comes to judging investment skill. In the four years since the Company changed its management arrangements, the NAV per share has risen at an annualised 17.1%, compared with the index at 12.4%. The dividend was cut in 2020/21, in the aftermath of the COVID pandemic. Since then, it has grown by 4.7% per annum. With the dividend now growing again, the longer-term picture for both objectives is improving.

While NAV returns are an appropriate yardstick for measuring investment skill, we are also alert to the share price performance. This does, after all, reflect the realisable value of a holding in the Company. During the last year the share price total return was 8.9% (i.e. ahead of the index) but behind the NAV total return, as the discount widened. Over the last four years, the cumulative share price and NAV total returns have been 91.1% and 88.2% respectively, compared with 59.8% for the index. I comment further on the discount below.

Overall, it is encouraging to record that the Company's NAV and share price returns are ahead of the index over three, five and ten years. Over the three years to 31 March 2024, the Company's NAV return has been 39.6% cumulatively, with the Company's benchmark index returning 26.1% over the same period. Over the past five years, the NAV return has been 38.0% cumulatively, compared with the index returning 30.3%. Over the past ten years, the NAV return has been 87.5% cumulatively, compared with the index returning 75.3%. In all these cases, the NAV is stated after deducting debt at fair value.

## NEW PORTFOLIO MANAGER

This year has also seen an internal change of the Liontrust portfolio management team – from James de Uphaugh and Chris Field, to Imran Sattar and Emily Barnard. The Board would like to express their sincere thanks to James and Chris for steering the Company through the Manager change in 2020 – just as the COVID pandemic took hold – and for overseeing strong investment returns since their appointment. We were fortunate to have them at the helm, and wish them well in their retirement. The Board is equally excited to have Imran and Emily in place as the new management team. As we have been keen to emphasise in previous communications

## CHAIR'S STATEMENT / CONTINUED

about this change, the investment process for the Company – with its focus on total returns from capital and dividends – remains unchanged. There have been modest changes to the portfolio since the formal handover in February and this, along with more colour on the portfolio and outlook, is set out in the Portfolio Manager's report.

**DIVIDENDS**

The Board recommends a final dividend of 6.9p per share: shareholders will be able to vote on this at our Annual General Meeting in July. If approved, this will result in total dividends for the year of 27.2p per share. This figure, divided by the year end share price of 690p, means a dividend yield to shareholders of 3.9% – in-line with the index yield.

Underpinning the Company's dividend payments are the revenues generated by the portfolio. This year this figure is 23.9p per share, which is lower than 2023 primarily because of a reduction in some 'special' dividend payments – particularly from the banking sector. With a dividend of 27.2p due to be paid, it means the dividend is 'uncovered' by 3.3p per share. One of the advantages of an investment trust is the flexibility to draw on 'revenue reserves' to smooth dividend payments and support attractive distributions. We have used these 'revenue reserves' to varying degrees over the last five years, particularly in the immediate aftermath of the pandemic. Revenue reserves remain in a healthy position at 30.7 pence per share. The Portfolio Manager sets out thoughts about dividend generation from the portfolio in his report. In particular, they explore the recent pressures on dividends being paid and the extent to which this is explained by investee companies' preference for buying back shares instead.

**BORROWINGS**

The Company has long-term borrowings via four tranches of debt which mature between 2037 and 2057. This helped boost investment returns over the year, as the table on page 2 illustrates. The face value of the debt (debt at 'par') is £120m, and at the year end the 'fair value' was £73m. The difference between the two numbers is due to changes in reference gilt yields, which are significantly higher than when the debt was arranged in 2021. The fair value of the debt a year ago was £78m. As we always quote investment returns after deducting debt at fair value (not at par), the reduction in the value of the debt has been a small positive performance tailwind. As the Portfolio Manager notes in their report, we are content with the current level of debt and have no immediate plans to borrow more.

**SHARE PRICE DISCOUNT TO NET ASSET VALUE**

In common with many other equity investment trusts, the Company's discount widened over the year. As a Board we have sought to turn this to the Company's advantage, and have authorised the Company's broker to repurchase shares in the open market. The permission of shareholders

for repurchases is sought annually at our Annual General Meeting. The buyback process enhances the NAV per share for remaining shareholders. Over the year, the Company returned £92m to shareholders through buybacks – or 8.5% of shares in circulation at the beginning of the period (2023: £35m and 3.5%). This boosted NAV by 0.8%, as is set out in the table on page 3. This return of capital is significantly more than the £42m that is due to be paid in dividends and is therefore the single largest allocation of capital over the year.

**FEES**

Following discussions with the Manager, we have agreed a new lower fee scale as follows:

- First £500m of market capitalisation at 0.45% per annum
- Next £500m of market capitalisation at 0.40% per annum
- Balance of market capitalisation at 0.35% per annum

This new fee scale applies from the start of the new financial year, i.e. 1 April 2024. Based on the Company's market capitalisation at the year end, it will reduce the pro-forma management fee by 11%. This will position the Company as one of the most competitively priced investment trusts in its sector, and should further support the role of the Company as a natural home for long-term equity investors.

**MARKETING**

We are continuing with a range of promotional activities. These include regular market updates (video and written articles) on the Company's website, events, press advertisements, and digital promotion through avenues such as LinkedIn and X, formerly Twitter. We also take part in various media events on investment platforms. The Board is monitoring the effectiveness of marketing expenditure via a series of Key Performance Indicators and I am pleased to report that the scorecard is in good shape.

**BOARD AND GOVERNANCE**

Since the retirement from the Board of Vicky Hastings at last year's AGM, the membership of the Board has been stable at five Directors including myself. The Board continues to meet the FCA Listing Rules targets on gender diversity, female representation in senior roles and ethnic representation on the Board. All Directors also conform with the UK Corporate Governance Code's guidance on board tenure. I thank all my fellow directors for their hard work on behalf of shareholders over the last year.

During the year we reviewed Directors' fees. After reviewing reports from two remuneration consultants, and taking account of the fact that Directors' remuneration has not been changed since 2021, the Board approved a 7% increase in fees for the year to 31 March 2024.



### ANNUAL GENERAL MEETING ('AGM')

This year's AGM will take place on Wednesday 17 July 2024 at 11.00 a.m. at the Balmoral Hotel in Edinburgh. The Board looks forward to meeting as many shareholders there as possible. As usual there will be votes on resolutions as set out on pages 78 to 81 of this report. I encourage shareholders to vote in person at the AGM or through the proxy facility on the voting card. The holders of shares on investment 'platforms' should be able to vote through their service provider. After the voting, there will be a presentation by the Portfolio Manager. There will also be an informal lunch and a chance to meet a range of colleagues and advisors that manage the Company on a day-to-day basis. For those unable to attend in person, the AGM will be streamed online, with the ability to post questions live into the meeting. The link for electronic access will be displayed prominently on the Company's website.

### ARTICLES OF ASSOCIATION ('ARTICLES')

The Board is recommending that the Company adopt new Articles of Association (the 'New Articles'). A description of the proposed amendments being introduced in the New Articles is set out on page 44. The proposed changes seek to update the Company's approach to share register dormancy in line with modern practice, and, the Board believes, good corporate governance. The amendments seek to achieve this by reducing the periods until unclaimed dividends and shares of untraced shareholders are forfeited. Under the current articles, this period is twelve years of dormancy and the Board proposes to reduce it to eight years.

The New Articles would also permit the Company to engage a professional asset reunification company or other tracing agent to locate untraced shareholders. If the Company's attempts to trace shareholders are unsuccessful after the proposed eight year period, forfeited shares would be sold and, according to the proposed New Articles, the proceeds of sale may be used for investment purposes or for charitable or good causes.

Finally, the New Articles facilitate the removal of cheques as a method to pay dividends. The Board will keep this under consideration, and will only remove this option having given shareholders notice of its intention to do so.

### LONDON RETAIL SHAREHOLDER EVENT

We will host a presentation to shareholders at the Royal Society of Arts on 9 October 2024 at 11am. This will be another chance to meet the Board, Portfolio Manager and other members of the team. Further details will be posted on the Company's website in due course.

### OUTLOOK

As you will see from the Portfolio Manager's report, enthusiasm for the underlying holdings of the Company is supported by strong operational performance and attractive valuations. Many UK equity market constituents in the Company's portfolio continue to stand at a valuation discount to their international peers. These valuation anomalies are being exploited by the companies themselves, through share buybacks, and also from time to time by takeovers by third parties. Whether through these two types of action, or through simply greater demand for UK equities over time, your Company is well placed to continue to meet its two key objectives and generate attractive returns for shareholders.

ELISABETH STHEEMAN / Chair / 24 May 2024

# STRATEGIC REPORT

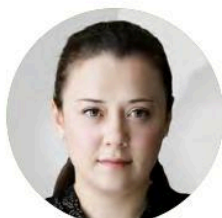


# PORTFOLIO MANAGER'S REPORT

## FOR THE YEAR ENDED 31 MARCH 2024



**IMRAN SATTAR**  
PORTFOLIO MANAGER



**EMILY BARNARD**  
DEPUTY PORTFOLIO  
MANAGER

Dear Shareholders,

It is a great honour for us to take over as the management team of your Company. We were fortunate to work closely with the previous management team, James de Uphaugh and Chris Field, during the four years they managed the Company and we observed first-hand how they transformed the track record and credibility of the Company. We look forward to building on the strong foundations and excellent investment track record that they put in place. The Company's key features and structure mean it is an ideal vehicle for long-term savers to capitalise on the excellent potential returns to come from publicly-listed businesses both in the UK and overseas.

As is clearly set out on the first page of this document, your Company focuses on its home market, the UK equity market, with at least 80% of the portfolio to be listed in London. We start as your Portfolio Managers at a time when UK equities are out of fashion, for a host of well-rehearsed reasons, not least as their returns have been lower than many other markets (especially the US equity market) for a long period of time. Quite what the catalyst for an improvement in fortunes will be is hard to say – there are no shortage of ideas, whether from government or the private sector – but strong businesses generating attractive returns don't go unnoticed for long, regardless of where they are listed. We believe the UK equity market offers a compelling universe of businesses standing at attractive valuations.

Further, some of the very best investment opportunities arise when sentiment is poor. It strikes us that we are in one of those times now. We are very excited about the potential of the portfolio we inherit, as well as the changes that we have made to date, and look forward to reporting to you over the years ahead how the returns develop. We recognise the importance of generating returns from an equity portfolio that can measure up with the best. We think this portfolio will be able to do just that.

As your Board emphasised when they announced our appointment last autumn, there is absolutely no change to the investment process and team approach. We continue to manage the Company's portfolio with a 'bottom-up' stock selection process and an emphasis on generating attractive total returns – the same approach that has underpinned the exceptional results of the last four years. The key features of the portfolio remain:

- 40-50 holdings, typically drawn from the lower reaches of the FTSE100, the higher reaches of the FTSE250 and selected overseas stocks;
- Diversification by both company and economic exposure; and
- Enthusiasm for utilising the Company's attractively priced long-term debt facilities.

We take a pragmatic approach to stock selection, with a focus on exploiting market anomalies that present across the growth-value spectrum. Within this pragmatic approach, we have a focus on identifying growing companies with strong economic moats. Further detail on the investment approach can be found in the section titled 'Portfolio Manager's Core Investment Beliefs' on page 14.

The majority of the portfolio has remained unchanged since we took over management at the start of the calendar year. In the final three months of the Company's financial year we made some modest changes to the portfolio (detailed further below), reflecting the investment opportunities that have arisen and our own views on which stocks will drive future returns. Some 16% of the portfolio has been reorganised in the first three months of the calendar year and we anticipate a similar level of degree of change over the rest of 2024. The core of the portfolio, designed to drive returns through a combination of capital and income growth, remains the same.

## PORTFOLIO MANAGER'S REPORT / CONTINUED

**PORTFOLIO RETURNS AND ATTRIBUTION**

The portfolio that James and Chris had in place this time last year has delivered a fourth consecutive year of NAV outperformance. Over the financial year, a diversified set of stocks – in keeping with the aim of the investment process – has driven the portfolio's excess returns. Key outperformers included Marks & Spencer (Retailers), BAE Systems (Aerospace and Defence) and Centrica (Gas, Water and Multi-Utilities). These three stocks are all excellent examples of businesses that were purchased when out of favour, and which have enjoyed significant share price appreciation as their operating models have been restructured and improved. All remained prominent holdings at the year end. Other significant contributors to excess returns came from avoiding large index constituents whose share prices fell, such as Diageo (Alcoholic Beverages), Reckitt Benckiser (Consumer Goods), Prudential (insurance) and British American Tobacco.

On the negative ledger, the holdings in Anglo American (Industrial Metals and Mining) and RS (Industrial Support Services) were weaker, making them the two largest stock-specific headwinds. We also missed out on two index constituents that performed well, namely Rolls-Royce (Engineering/Aerospace) and RELX (Media).

**TRANSACTIONS**

Over the year, the largest purchases have been Verisk Analytics (a US-listed business focusing on data analysis), Haleon (Pharmaceuticals and Biotechnology), Lloyds (Banks), Rotork (Electronic and Electrical Equipment – see below), Diploma (Industrial Support Services), Rentokil (Industrial Support Services) and Autotrader (Software and Computer Services). All bar Haleon and Lloyds have been new additions to the portfolio since January. The funding for these purchases over the year came from sales or reductions in a wide range of stocks, with the leading sales by value being BAE Systems (Aerospace and Defence), WPP (Advertising), Weir (Industrial Engineering) and Standard Chartered (Banks).

Rotork, a recent purchase, is an excellent example of the features we find appealing in a company. Rotork, is a market leading industrials company in flow control and instrumentation products. It is exposed to attractive long-term growth drivers such as oil and gas upstream electrification, and industrial process automation. Rotork is the market leader in pneumatic actuators and has a strong long term track record of product quality and reliability. Where it has had more challenges historically has been with organic growth, which the new chief executive is addressing through a strategy to focus the business on higher growth business lines, reinforcing and improving the customer value proposition, and improving innovation. If successful, this shift

in the business should lead to mid to high single digit sales growth and gentle margin accretion over the medium term.

**CURRENT SHAPE OF PORTFOLIO**

The portfolio remains well diversified across stocks and sectors with a range of different economic characteristics. The most significant positions in the portfolio (which we define those holdings whose weightings are most different from that of the index) were three different retailers: Dunelm, Marks & Spencer and Tesco, the energy company Centrica, and the banking group NatWest.

The stocks where we have below average (versus the index weight) zero holdings – which as noted in the attribution section above can also be important for relative returns – are AstraZeneca (pharmaceuticals), Diageo, RELX, HSBC (banking) and Rio Tinto (mining).

At the year end we held 5.6% in non-UK stocks. We use this element of the portfolio to gain access to businesses with the kind of characteristics or features that we seek but which are not available in the UK market. The principal non-UK holding was Verisk Analytics, a world-leading data technology business, as flagged above. Other holdings in this category included Novartis (pharmaceuticals), Intel (semiconductors), and Newmont Mining.

**DISTRIBUTIONS TO SHAREHOLDERS**

As the Chair has written in her report, dividends paid to the Company by investee holdings fell compared with the previous financial year. This was a function primarily of lower special dividends from the banks. For your Company, the revenue received from dividends was £42.1m, which is equivalent to 3.6% of the NAV at fair value at the end of the period. Once certain costs are deducted (such as a share of the running costs of the Company and debt interest costs), the dividend paid to Edinburgh's shareholders is 'uncovered' by £3.3m.

However, a growing number of companies choose to return cash to shareholders through share buybacks. We estimate that the 'buyback yield' of the portfolio at the year end was approximately 2.3%. This figure does not form part of your Company's accounts, as the cash spent on buybacks has by definition been returned to ex-shareholders. Nonetheless, the process of buying back shares, as long as it is done at prices that enhance value, benefits the shareholders that remain.

As Portfolio Managers of the Company, we think carefully about the portfolio's balance of returns coming from dividends or share buybacks: we are not trying to maximise short term income performance by investing in high yielding shares, as this could challenge the ability of the Company to generate strong longer-term NAV total returns.



Putting this all this together, we take the view that the dividend paid to Edinburgh's shareholders is supported by the portfolio's underlying economic characteristics, even if the trend continues for management teams to divert more of their cashflows towards buybacks instead of dividends.

## MATERIALITY ASSESSMENT AND ENGAGEMENT

Our investment process seeks to take account of the significant variables that influence a company's prospects. Whether these variables be financial, strategic, reputational or have any other feature, our process tracks the most material ones.

When we consider making an investment for Edinburgh's portfolio, we take a holistic bottom-up approach to assessing the company in question, and combine this with a macroeconomic overlay. From a bottom-up perspective we will examine company specific opportunities (such as new products, margin enhancement activities, M&A opportunities), and company specific risks such as the risk of technological obsolescence, the need to restructure an underperforming division, or poor employee engagement leading to high levels of churn and resultant loss of customers. This bottom-up rigorous assessment is then combined with a macroeconomic overlay to inform position sizing, and the structure of the portfolio. This overlay includes an assessment of the economic and market cycles, and also longer-term risks and opportunities that could impact companies. We focus on materiality – what matters for the companies in the portfolio. These material risks and opportunities are both bottom-up and top-down and may include more ESG oriented risks and opportunities. Top-down risks and opportunities we consider for the portfolio include:

- The evolution in the global geopolitical environment and how this might impact companies with significant operations in China – these are governance and capital allocation topics of consideration, alongside growth and supply chain topics;
- The growing commitments to increased defence spending globally – a social topic of consideration, alongside a new product development and a growth topic;
- The ability for companies to pass through cost inflation – a pricing power topic, as well as mitigate cost inflation particularly in labour intensive businesses (a social consideration).

We then combine our macro-economic overlay alongside our bottom-up holistic assessment to pinpoint where we believe the best medium to long term risk adjusted return opportunities are for the portfolio. These material opportunities and risks may or may not include specific ESG factors for the company in question. For example, on cost inflation, this may be a material social issue for a company which is particularly

labour intensive, and for another company it may be a material pricing power opportunity, or margin risk. The analysis differs for each company: it is nuanced and focuses on the material specific exposures that company faces. To help us incorporate this analysis, we assign a Resiliency score, using a descending 1-5 scale, based on how well a holding is managing its key exposures. We also assign Conviction scores, again on a 1-5 scale, which reflect the team's conviction in owning a stock. Portfolio weightings are also determined to some extent by conviction scores and changes in these over time.

The following three examples illustrate how we engage with companies and track the material issues of each investment case.

## QINETIQ

### Investment Rationale

Qinetiq is strategically well placed as a defence contractor able to work across platforms, systems, and lifecycles. Qinetiq forms strong partnerships with defence buyers, is platform agnostic, and is therefore able to capture growth from multiple areas, which leaves it well placed in a world of growing multipolarity. Following the acquisition of Avantus, Qinetiq needed to demonstrate adequate return on that investment. The key priorities, in our view, are capital discipline and demonstrating future growth potential.

More broadly, the growing commitments to increased defence spending globally are a key factor influencing the conviction score of the company. Further, a key factor influencing the resiliency score is what we have learnt from our engagement with the company about the evolution of the culture of the organization. Whilst there is still work to do, the company has refreshed a significant proportion of its top one hundred executives in the last five years, evolved to have a greater focus on the customer, and is speeding up the response time to customers by enhancing levels of empowerment in the organization. These are both social factors which are material to Qinetiq and realizing the future growth potential, alongside the need to demonstrate capital allocation discipline.

### Areas of engagement and feedback

We engaged with the management team of Qinetiq around capital allocation priorities and the benefits of clear communication around capital requirements for the long term growth plan as described in the company's communications with shareholders. We also discussed the subsequent range of options for use of excess capital over and above that requirement. Demonstration of a returns focused mindset is important as Qinetiq is in the process of proving out the returns from a recent sizeable US acquisition, Avantus, which has initially not gone as well as expected at the time of the acquisition.

## PORTFOLIO MANAGER'S REPORT / CONTINUED

**Escalated issues**

This feedback was followed up and expanded upon through an engagement as part of an externally facilitated Shareholder Perception study, with feedback being passed to the Qinetiq Board of Directors.

**Outcomes**

Our conviction in the medium term outlook for Qinetiq has increased, and we have improved confidence around capital allocation discipline following the announcement of a share buyback.

Conviction and Resiliency scores – both 3.

**MONDI****Investment rationale**

Mondi is a competitively-advantaged, vertically-integrated producer of paper and packaging. It has a structurally lower cost base than peers due to the location of its mills. High barriers to entry exist in the industry as paper mills are expensive to build/retrofit and leaves vertically integrated players at a significant advantage. The company is well positioned to benefit from the plastic to paper switch in packaging. Mondi has historically generated attractive 'through the cycle' returns, provided consistent stewardship of its asset base and overseen a strong balance sheet.

**Areas of engagement and feedback**

We most recently engaged with the management team of Mondi around the proposed deal with DS Smith. We discussed whether a combination with DS Smith would make sense for Mondi shareholders and gave feedback around the importance of maintaining the high-quality nature of Mondi's asset base, strong track record of capital allocation and clean financial model. Further, asset stewardship and management's strong track record of capital allocation are an important 'governance' topic and this feeds into both the resiliency and conviction scores.

**Escalated issues**

None

**Outcomes**

Conviction score and Resiliency score both remain at 3 following the engagement, and the subsequent announcement from Mondi that the Board has decided the transaction would not be in the best interests of its shareholders.

**WEIR****Investment rationale**

Weir predominantly sells equipment to the mining and extraction industries and to a lesser degree the construction industry. A significant proportion of its profits come from the aftermarket sales, products that are consumed by their customers and need replacing on a regular basis as they wear

out. Weir's market shares are strong and it is a global leader in many of its products. The key drivers of Weir's growth are:

1. more rock processing at mines as ore grades are declining globally;
2. mining equipment age and underinvestment; and
3. technological progress and need for mining companies to meet sustainability targets will drive investment cycle.

**Areas of engagement and feedback**

We have engaged with the management team of Weir around the importance of demonstrating continued strong free cash flow conversion, and free cash flow growth. We discussed the link between a more typically used free cash flow definition, and the definition used by Weir in both their published targets, and remuneration targets; and the potential benefits in aligning these.

We have also engaged with Weir around the Environment and Social considerations of extending the time for approval of new greenfield mining sites globally and how this could impact Weir's future growth, the growth opportunity in HGPR (high pressure grinding rolls) which result in energy savings for their customers, and recent M&A which has enabled Weir to build out a platform to collect data from machines to enable condition monitoring and predictive maintenance – a key efficiency, and safety topic.

**Escalated issues**

Upon meeting the new Chief Financial Officer of Weir, we reiterated the importance around continuing to demonstrate strong free cash flow conversion, a continued reduction in exceptional and adjusting items, and discussed shareholder perceptions around the use of off-balance sheet financing.

**Outcomes**

Our Resiliency score for Weir remains at a 3, and our conviction score remains at a 2.

Thus, for each piece of investment research, whatever the issue an investment faces, we take a holistic approach to ensure that we consider the most likely and potentially meaningful exposures for a holding. It is not uncommon for some companies' risks and opportunities to have a longer time horizon than for our investment focus – for example, where physical or transitional risks arise from global warming. We therefore also consider a company's emerging exposures to macroeconomic and other evolving factors. This helps us develop a view of how competitive a group will be in three years and beyond.

Finally, we are sometimes asked about the carbon profile of the portfolio. As a general point, we think that the profile should naturally be below average, as our investment process

often leads us to companies that operate on a comparatively light asset base. The recent purchases of Verisk, Autotrader and Diploma are examples. We tend not to own more capital heavy businesses, although there are some in the portfolio that fall into this category such as Shell and Anglo American.

The data that we use to measure the portfolio's carbon profile supports its below average nature, although the data in this field is changeable, especially for an index like the UK with large companies in the extractive industries which are themselves changing their business structures. The key metric that we use to monitor the portfolio's carbon profile is its weighted average carbon intensity ("WACI") and how it compares with the benchmark's WACI.

The portfolio's WACI is derived from data published by each holding for the amount of carbon emitted for every one million dollars of sales, and compiled by MSCI. Thus for a portfolio composed of high emitting companies (e.g. oil stocks or airlines) we would expect an above index reading, and for a portfolio with companies with lower emissions (perhaps companies with lighter capital intensity, such as media or digital businesses) the reading should be lower. For Edinburgh's portfolio at end March, the WACI was 66.8 tonnes of carbon dioxide equivalent ("tco2e") per million dollars of sales, versus the index figure of 84.6 tco2e/\$m. The portfolio has had a below index level of carbon intensity throughout the year. Note that these data are based on what is disclosed by each holding. Some 95% + of the portfolio and index have published their carbon data, but the sample is incomplete because some companies do not publish a full set of data.

During the year your Company's assets were added to Liontrust's commitment to the Net Zero Asset Managers Initiative. A signatory commits to manage client assets to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degree Celsius. The WACI figure is important in this context as a signatory also commits to achieving interim targets. These are (1) by 2025 a 25% reduction in portfolio Weighted Average Carbon Intensity (WACI) versus the WACI of the relevant benchmark at the end of 2019, and (2) by 2030 a 50% reduction of WACI compared with the 2019 benchmark. The current portfolio comfortably meets the 2025 objective (the 2019 benchmark figure was 125.0) and is very close to complying with the 2030 target. We will keep shareholders appraised of progress against these targets and about the carbon profile of the portfolio more generally.

## OUTLOOK

As always, the focus for us remains on the bottom-up and maintaining the flexible investment style that served James de Upaugh well over the preceding four years. Our pragmatic approach leads, we believe, to the construction of a portfolio of advantaged businesses across the range of growth, value, and recovery opportunities. The end result is a high conviction portfolio that should perform whatever the economic weather.

From a macroeconomic perspective we are mindful of changing expectations for the path of interest rate normalisation, as inflation remains more entrenched than expected. This period of heightened monetary policy uncertainty coincides with a period of elevated geopolitical risks – making a flexible pragmatic approach to managing your portfolio important, in our view. Looking forward we expect risks to remain high, with 2024 seeing a significant number of elections globally – in countries accounting for over 50% of global GDP and over 50% of the global population – mostly notably the US, India, and the UK. China continues to face growth headwinds as the economy seeks to transition from an investment led to a more balanced model with consumption led growth. With consumer confidence in China intimately tied to the property market, this transition is unlikely to be smooth.

With the elevated uncertainty across a range of factors, our focus remains on owning businesses where growth is helped by exposure to structural growth tailwinds, or where there is a change in industry structure or company strategy which will enable future profit growth. Our confidence in Edinburgh's portfolio comes from owning strong businesses, managed by intelligent management teams executing on their business plans to drive total shareholder returns.

**IMRAN SATTAR**  
PORTFOLIO MANAGER

**EMILY BARNARD**  
DEPUTY PORTFOLIO MANAGER

24 MAY 2024

## PORTFOLIO MANAGER'S CORE INVESTMENT BELIEFS

Our competitive edge rests on the combination of our Global Fundamental team's structure within Liontrust and our flexible investment style. Liontrust provides a stable environment in which our Portfolio Manager operates, and our investment approach produces portfolios designed to deliver long-term outperformance on a repeatable basis.

### ACTIVE MANAGEMENT

**Stock-driven.** Share prices follow fundamentals over the long term. Through our proven investment approach, we expect to outperform over the long term, net of fees.

**High conviction portfolio.** We expect the portfolio to contain around 40 to 50 stocks. Holdings sizes reflect the conviction we have in each company and our assessment of the upside and downside potential of its share price.

**Risk.** We think of risk as permanent capital loss. To mitigate this, our analysis of a company's valuation is the first line of defence. Our risk management process combines our depth of knowledge of the stocks in the portfolio, plus separate oversight by Liontrust's Portfolio Risk Committee.

### FLEXIBLE INVESTMENT STYLE

**Open-minded approach.** We do not have dogmatic style biases, such as 'growth' or 'value'. We are also prepared to invest in companies that we identify as having scope for recovery through management change, business transformation or an improving business environment. We expect the profile of the portfolio to evolve depending on our assessment of individual companies and our reading of the economic and market background.

**Disciplined, rigorous, fundamental research.** In keeping with the stock-driven nature of the portfolio, the vast majority of our effort takes the form of in-depth stock research. The remainder is spent on macroeconomic analysis.

**Materiality assessment is a core part of the investment process.** As part of the investment process, we identify and prioritise the key risks and opportunities that each holding (or potential holding) faces over our investment time horizon. These risks and opportunities cover all categories, including ESG related areas. Some of these have financial implications for the portfolio's holdings and, as such, we engage each holding on its key issues or exposures. The outcomes from our in-depth analysis and engagement help form our conviction level and investment decisions.

### TOTAL RETURN STRATEGY

**A focus on both capital growth and income.** We take a total return approach: investor returns should derive over the long term from both capital appreciation and dividend income. We generally prefer companies with organic investment opportunities, but will sometimes hold companies with acquisitive profiles. Either way, companies with growth tailwinds are preferred. We view income as an important component rather than the primary driver of investment return. This aligns with the Company's twin objectives.

### LONG TERM

**Typical holding period of 3-5 years.** This is an appropriate period to ensure that underlying corporate fundamentals drive investment returns. It is therefore also a sensible period over which to measure an active manager.

**Gearing should enhance shareholder returns.** One of the advantages of an investment trust is the ability to borrow to enhance equity returns. We therefore expect gearing to boost investment returns over time.

### CAPACITY MANAGEMENT

**Scale diseconomies.** In our view, investment performance can rapidly suffer if assets under management become too large. We carefully manage capacity to ensure that the interests of existing clients take precedence over new clients. The approach ensures we retain a size advantage. It enables us to reposition the portfolio – and those of all our other clients – quickly and efficiently when required.

### DEEP INVESTMENT RESOURCE WITH GLOBAL PERSPECTIVE

**A close-knit investment team.** Average experience of the investment team is 16 years. The team has been stress-tested across various market cycles.

**Challenge and debate.** This is encouraged within a structured risk control environment, with robust oversight processes. Team members own Liontrust equity and co-invest in the team's investment strategies, which in turn underpins teamwork and collaboration.



# BUSINESS REVIEW

## STRATEGY AND BUSINESS MODEL

The Edinburgh Investment Trust plc is an investment company and its investment objective is set out below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its investment objective has been to contract the services of the Manager to manage and administer the portfolio in accordance with the Board's strategy and under its oversight. The Portfolio Manager with individual responsibility for the day-to-day management of the portfolio is Imran Sattar and the Deputy Portfolio Manager is Emily Barnard. Imran Sattar and Emily Barnard took on these new roles on 6 February 2024, following the retirement of James de Uphauigh, after 36 years in the industry.

In addition, the Company has contractual arrangements with Link Group to act as registrar, The Bank of New York Mellon (International) Limited as depositary and custodian, and NSM Funds (UK) Limited to act as Company Secretary.

## INVESTMENT OBJECTIVE AND POLICY

### Investment Objective

The Company invests primarily in UK securities with the long-term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

### Investment Policy

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the market value of the Company's investment portfolio, measured at the time of any acquisition, in securities listed on stock exchanges outside the UK. The portfolio is selected by the Portfolio Manager on the basis of its assessment of the fundamental value available in individual securities. Whilst the Company's overall exposure to individual securities is monitored carefully by the Board, the portfolio is not primarily structured on the basis of industry weightings. No acquisition may be made which would result in a holding being greater than 10% of the market value of the Company's investment portfolio, nor will the Company invest more than 15% of the market value of its investment portfolio in any other UK-listed investment trusts or investment companies. Further, the Company may not hold more than 5% of the issued share capital (or voting shares) of any one company. Investment in

convertibles is subject to normal security limits. Should these or any other limit be exceeded by subsequent market movement, each resulting position is specifically reviewed by the Board. The Company may borrow money to provide gearing to the equity portfolio of up to 25% of net assets.

Use of derivative instruments is monitored carefully by the Board and permitted within the following constraints: the writing of covered calls against securities which in aggregate amount to no more than 10% of the value of the portfolio and the investment in FTSE 100 futures which when exercised would equate to no more than 15% of the value of the portfolio. Other derivative instruments may be employed, subject to prior Board approval, provided that the cost (and potential liability) of exercise of all outstanding derivative positions at any time should not exceed 25% of the value of the portfolio at that time. The Company may hedge exposure to changes in foreign currency rates in respect of its overseas investments.

### Amendment to the Company's investment policy (November 2023)

The Company, after discussion with the Manager, determined that it would be beneficial to amend the existing Investment Policy. The change provided that it was clear that the Company would not hold more than 15% of its assets in other investment trusts. Shareholder approval was not required for this amendment as these were immaterial changes. HMRC were notified of the change.

## RESULTS AND DIVIDENDS

At the year end the share price was 690.00p per ordinary share (2023: 660.00p). The net asset value (debt at fair value) per ordinary share was 779.97p (2023: 713.75p).

The Directors declared a third interim dividend for the year ended 31 March 2024 of 6.90 pence per ordinary share (2023: 6.70 pence), an increase of 3.0% compared with each of the first two interim dividends. This dividend is payable on 24 May 2024 to ordinary shareholders on the register on 3 May 2024. The shares were quoted ex-dividend on 2 May 2024.

The Board is recommending a final dividend of 6.90 pence per share which is the same as the third interim dividend declared last month, implying a full year payout of 27.20 pence per share. This represents an increase of 3.8% compared with the total underlying ordinary dividends paid for the financial year to 31 March 2023.

Subject to approval at the Company's AGM, the dividend will have an ex-dividend date of 6 June 2024 and will be paid on 26 July 2024, to shareholders on the register at 7 June 2024.

## BUSINESS REVIEW / CONTINUED

**PERFORMANCE**

The Board reviews the Company's performance by reference to a number of key performance indicators (KPIs) which are shown on page 2. Notwithstanding that some KPIs are beyond its control, they are measures of the Company's absolute and relative performance. The KPIs assist in managing performance and compliance and are reviewed by the Board at each meeting.

The Chair's Statement on pages 5 to 7 gives a commentary on the performance of the Company during the year, the gearing and the dividend.

The Board reviews an analysis of expenditure at each Board meeting, and the Audit and Management Engagement Committees formally review the fees payable to the main service providers, including the Manager, on an annual basis.

The ongoing charges figure is calculated in accordance with the AIC methodology and is reviewed by the Board annually in comparison to peers.

The Board also regularly reviews the performance of the Company in relation to the 23 investment trusts in the UK Equity Income sector (including the Company). As at 31 March 2024 the Company was ranked 3rd by NAV performance in this sector over one year, 1st over three years and 4th over five years (source: JP Morgan Cazenove).

**OUTLOOK, INCLUDING THE FUTURE OF THE COMPANY**

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Manager's Report. Details of the principal risks affecting the Company can be found on pages 19 to 22.

**FINANCIAL POSITION AND BORROWINGS**

The Company's balance sheet on page 59 shows the assets and liabilities at the year end. Borrowings at the year end comprised of £120 million of Unsecured Senior Loan Notes (2023: £120 million).

**PERFORMANCE ATTRIBUTION**

The following table illustrates the differing contributions to NAV excess returns, split between underlying stock selection and other factors such as gearing, costs and share buybacks.

	for the year ended 31 March 2024 %	for the year ended 31 March 2023 %
<b>Total Return Basis<sup>(1)</sup></b>		
NAV (debt at fair value)	13.4	7.9
Benchmark	8.4	2.9
Relative performance	5.0	5.0
<b>Analysis of Relative Performance</b>		
Portfolio total return	11.8	4.5

	for the year ended 31 March 2024 %	for the year ended 31 March 2023 %
Benchmark total return <sup>(1)</sup>	8.4	2.9
Portfolio outperformance [A]	3.4	1.6
Borrowings:		
Net gearing effect	1.2	0.4
Interest	-0.3	-0.5
Market value movement	0.4	3.8
Management fee	-0.4	-0.4
Other expenses	-0.1	-0.1
Tax	0.0	-0.1
Share buybacks	0.8	0.3
Subtotal [B]	1.6	5.0
Relative performance [A+B]	5.0	6.6

<sup>(1)</sup> LSEG Data & Analytics.

**Performance Attribution** – analyses the performance of the Company relative to its benchmark index. The Analysis of Relative Performance estimate the quantum of relative performance that is attributable to each of the factors set out in this table. The table is intended to be indicative rather than precise; the accuracy of each estimate is determined by a variety of factors such as the volatility of investment returns over the year and intra-month, and the timing of income receipts and expenditure payments.

**Relative performance** – represents the arithmetic difference between the NAV and benchmark returns.

**Portfolio total return** – represents the return of the holdings in the portfolio including transaction costs, cash and income received, but excluding expenses incurred by the Company.

**Net gearing effect** – measures the impact of the unsecured senior loan notes and cash on the Company's relative performance. This will be positive if the portfolio has positive capital performance and negative if capital performance is negative.

**Interest** – the unsecured senior loan notes and bank facility interest paid has a negative impact on performance.

**Market value movement** – represents the change in market value of the Company's borrowings, measured to the end of the financial year or maturity from the start of the financial year or issuance, each as appropriate.

**Management fee** – the fee reduces the Company's net assets and decreases returns.

**Other expenses and tax** – reduce the level of assets and therefore result in a negative effect on relative performance.

**Share buybacks** – measures the effect of ordinary shares bought back at a discount to net asset value on the Company's relative performance.

# INVESTMENTS IN ORDER OF VALUATION

AT 31 MARCH 2024

## UK LISTED ORDINARY SHARES UNLESS OTHERWISE STATED

Company	Sector	At Market Value £'000	% of Portfolio
Shell	Oil, Gas and Coal	101,519	8.4
Unilever	Personal Care, Drug and Grocery Stores	54,563	4.5
Tesco	Personal Care, Drug and Grocery Stores	49,582	4.1
Centrica	Gas, Water and Multi-Utilities	46,425	3.8
Haleon	Pharmaceuticals and Biotechnology	46,101	3.8
BAE Systems	Aerospace and Defence	45,883	3.8
GSK	Pharmaceuticals and Biotechnology	45,753	3.8
Dunelm	Retailers	45,684	3.8
NatWest	Banks	43,360	3.6
AstraZeneca	Pharmaceuticals and Biotechnology	43,061	3.6
<b>TOP TEN HOLDINGS</b>		<b>521,931</b>	<b>43.2</b>
Marks & Spencer	Retailers	42,287	3.5
Compass	Consumer Services	34,096	2.8
Ashtead	Industrial Transportation	33,330	2.8
HSBC	Banks	33,154	2.7
Admiral	Non-Life Insurance	31,449	2.6
Verisk - US Listed	Industrial Support Services	27,147	2.2
ConvaTec	Medical Equipment and Services	26,441	2.2
Whitbread	Travel and Leisure	24,947	2.1
Lloyds Bank	Banks	23,737	2.0
Greggs	Personal Care, Drug and Grocery Stores	23,665	2.0
<b>TOP TWENTY HOLDINGS</b>		<b>822,184</b>	<b>68.1</b>
Anglo American	Industrial Metals and Mining	23,575	2.0
BP	Oil, Gas and Coal	22,385	1.9
Serco	Industrial Support Services	21,235	1.8
Hays	Industrial Support Services	19,900	1.6
Mondi	General Industrials	17,697	1.5
Diploma	Industrial Support Services	17,363	1.4
Rotork	Electronic and Electrical Equipment	17,321	1.4
Rentokil	Industrial Support Services	17,043	1.4
Weir	Industrial Engineering	16,779	1.4
Howden Joinery	Retailers	15,876	1.3
<b>TOP THIRTY HOLDINGS</b>		<b>1,011,358</b>	<b>83.8</b>
Auto Trader	Software and Computer Services	14,409	1.2
Sainsbury's	Personal Care, Drug and Grocery Stores	13,800	1.1
Spirax-Sarco Engineering	Industrial Engineering	13,773	1.1
Novartis - Swiss Listed	Pharmaceuticals and Biotechnology	13,685	1.1
easyJet	Travel and Leisure	13,472	1.1
Standard Chartered	Banks	13,442	1.1
RS	Industrial Support Services	11,833	1.0
3i	Investment Banking and Brokerage Services	11,589	1.0
London Stock Exchange Group	Finance and Credit Services	10,995	0.9
Baltic Classifieds	Software and Computer Services	10,373	0.9
<b>TOP FORTY HOLDINGS</b>		<b>1,138,729</b>	<b>94.3</b>
QinetiQ	Aerospace and Defence	8,298	0.7
AJ Bell	Investment Banking and Brokerage Services	7,754	0.6
Roche - Swiss Listed	Pharmaceuticals and Biotechnology	7,688	0.6
Newmont - US Listed	Precious Metals and Mining	7,041	0.6
KPN - Dutch Listed	Telecommunications Service Providers	6,806	0.6
LondonMetric Property	Real Estate Investment Trusts	6,664	0.6
Intel - US Listed	Technology Hardware and Equipment	6,478	0.5
Morgan Sindall	Construction and Materials	6,178	0.5
SSE	Electricity	5,479	0.5
Thales - French Listed	Aerospace and Defence	5,448	0.5
<b>TOP FIFTY HOLDINGS</b>		<b>1,206,563</b>	<b>100.0</b>
Eurovestech (UQ)	Investment Banking and Brokerage Services	-	-
Raven Property (S) - Preference shares	Real Estate Investment and Services	-	-
<b>TOTAL HOLDINGS 52 (31 MARCH 2023: 48)</b>		<b>1,206,563</b>	<b>100.0</b>

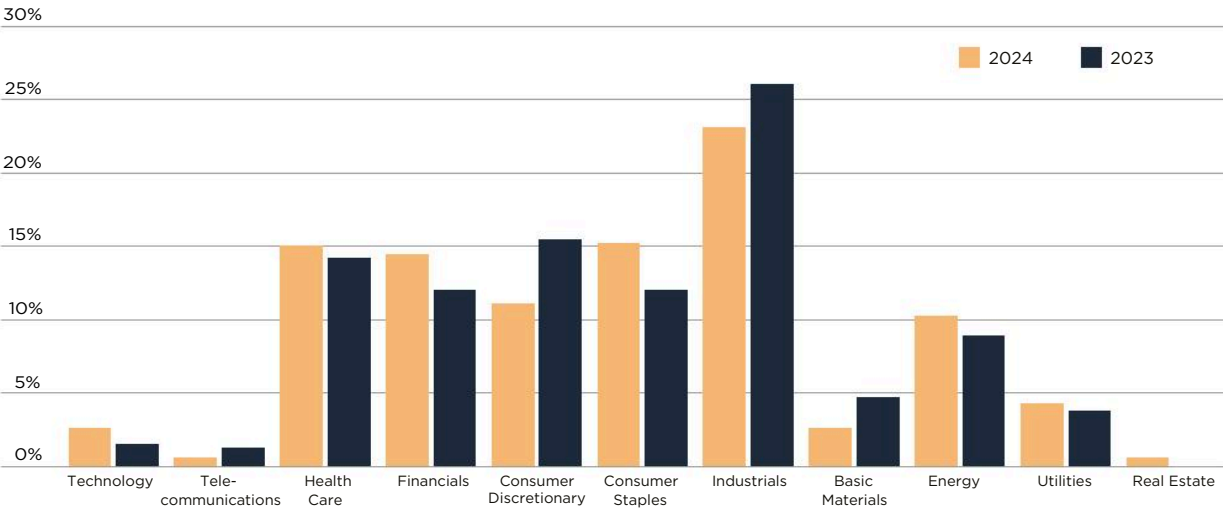
UQ - Unquoted investment

S - Delisted

# PORTFOLIO ANALYSIS

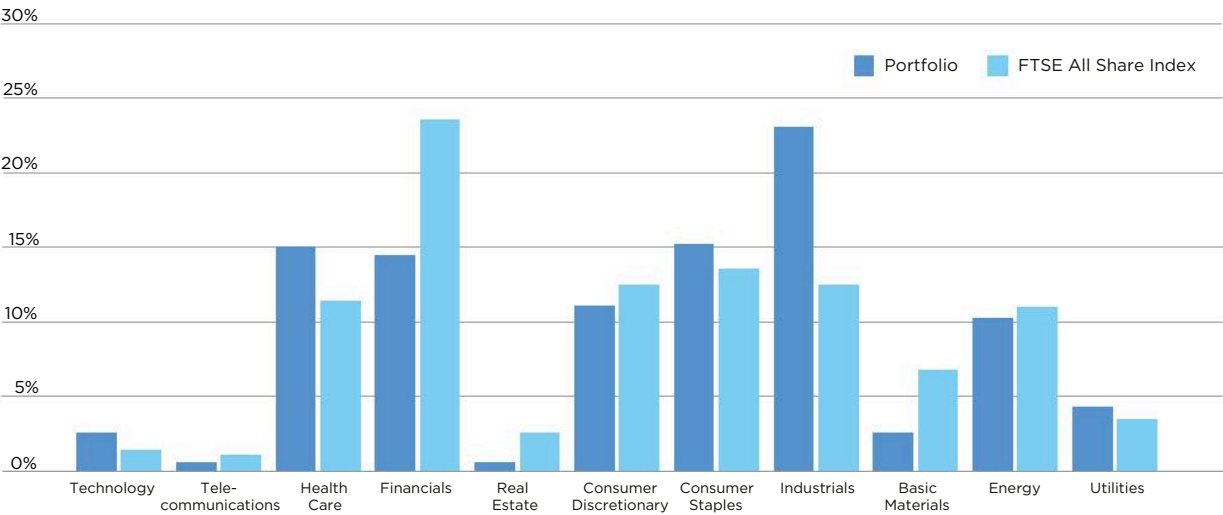
## Analysis of Portfolio by Industry

At 31 March 2024 and 2023



## Comparison of Portfolio to FTSE All-Share Index by Industry

At 31 March 2024





# PRINCIPAL RISKS AND UNCERTAINTIES

## RISK MANAGEMENT AND MITIGATION

The Manager (AIFM) is responsible for the portfolio management of the Company and for exercising the risk management function in respect of the Company. As part of this risk management function, the AIFM maintains a register of identified risks including emerging risks likely to impact the Company. This is updated regularly, following discussions with the Manager and highlighted to the Board.

The Board, through the Audit Committee and with the assistance of the Manager, regularly reviews a report of potential risks to the Company in the form of a risk control summary. The document includes a description of each identified risk, the mitigating action taken, reporting and disclosure to the Board and an impact and probability risk rating. The rating is given both prior to and after the Board's mitigation of each risk. The information is then displayed in matrix form which allows the Board to identify the Company's key risks. As the changing risk environment in which the Company operates has evolved, the total number of risks has fluctuated, with certain risks having been removed and new risks added with emerging risks actively discussed as part of this process and, so far as practicable, mitigated.

The composition of the Board is regularly reviewed to ensure its members offer sufficient knowledge and experience to assess, anticipate and mitigate these risks, as far as possible.

The Company's key long-term investment objectives are an increase in the net asset value per share in excess of the growth in the FTSE All-Share Index (the 'benchmark') and an increase in dividends in excess of the annual rate of UK inflation. The principal risks and uncertainties facing the Company are an integral consideration when assessing the operations in place to meet these objectives, including the performance of the portfolio, share price and dividends. The Board is ultimately responsible for the risk control systems but the day-to-day operation and monitoring are delegated to the Manager. The Board has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The following sets out a description of the principal and emerging risks and how they are being managed or mitigated.

## MARKET RISK

All the Company's investments are traded on recognised stock exchanges, bar a very small number that have delisted/been suspended since purchase. The principal risk for investors in the Company is a significant fall and/or a prolonged period of decline in those markets. The Company's investments and the income derived from them are influenced by many factors such as general economic conditions, interest rates, inflation, a recurrence of a pandemic, geopolitical events, the war in Ukraine and government policies as well as by supply and demand reflecting investor sentiment. Such factors are outside the control of the Board and Manager and may give rise to high levels of volatility in the prices of investments held by the Company. The asset value and price of the Company's shares and its earnings and dividends may consequently also experience volatility and may decline.

Fluctuations in interest rates and exchange rates could reduce returns and lead to depreciation of the Company's net asset value.

Market risk is included in the risk control summary report that is prepared by the Manager and reviewed by the Board at each meeting. Additionally, the Board receives reports on the performance of the portfolio at each meeting. The portfolio is positioned by the Portfolio Manager for medium to long-term returns.

## INVESTMENT PERFORMANCE RISK

The Board sets investment policy and risk guidelines, together with investment limits, and monitors adherence to these at each Board meeting. All individual investment decisions are delegated to the Portfolio Manager. The Portfolio Manager's approach is to construct a portfolio which should benefit from expected future trends in the UK and global economies. The Portfolio Manager is a long-term investor, prepared to take substantial positions in securities across a range of different types of stock. This reflects the Portfolio Manager's high conviction, stock-driven investment process and total return approach. Strategy, asset allocation and stock selection decisions by the Portfolio Manager can lead to underperformance of the portfolio relative to the benchmark and/or income targets.

## PRINCIPAL RISKS AND UNCERTAINTIES / CONTINUED

The Portfolio Manager's style may result in a concentrated portfolio with significant overweight or underweight positions in individual stocks or sectors compared to the index and, consequently, the Company's performance may deviate significantly, possibly for extended periods, from that of the benchmark. In a similar way, the Portfolio Manager manages other portfolios holding many of the same stocks as the Company which reflects the Portfolio Manager's high conviction style of investment management. This could increase the liquidity and price risk of certain stocks under certain scenarios and market conditions. However, the Board and the Portfolio Manager believe that the investment process and policy outlined above should, over the long term, meet the Company's objectives of Net Asset Value per share growth in excess of the benchmark and real growth in the dividend per share. Investment selection is delegated to the Portfolio Manager. The Board does not specify asset allocations. Information on the Company's performance against the benchmark and peer group is provided to the Board at each Board meeting. The Board uses this to review the performance of the Company, taking into account how performance relates to the Company's objectives. The Portfolio Manager is responsible for monitoring the portfolio selected and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

As described in the investment policy, derivatives may be used provided that the market exposure arising is less than 25% of the value of the portfolio.

Investment performance risk is included in the risk control summary report that is prepared by the Manager and reviewed by the Board at each meeting. The Board also receives reports on the performance of the portfolio and on compliance with the Company's investment policy guidelines from the Manager at each meeting. As part of an annual assessment, the Board reviews the performance of the Manager and the management contract at the Management Engagement Committee meeting.

The Board also reviews the annual depository report and report from the compliance department of the Manager and any breaches of the investment policy, limits or guidelines are reported immediately to the Board and Audit Committee Chairs.

Investment risk is increased through the Company's borrowing, namely the £120m Unsecured Senior Loan Notes. This facilitates additional investment exposure than would be the case for an unleveraged portfolio; if the investments fall in value, this will increase the adverse impact on performance. On a routine basis the Board monitors the appropriateness of gross and net gearing levels, and the amount of headroom above minimum NAV levels as agreed with the lenders.

**INCOME/DIVIDEND RISK**

The Company is subject to the risk that income generation from its investments fails to reach the level of income required to meet its objectives.

The Board monitors this risk through the review of detailed income and dividend forecasts and comparison against budget. These are contained within the Board papers and the Board considers the level of income at each meeting. Revenue estimates are presented at each Board meeting and Board committee meeting which determine the three interim dividends and propose the final dividend.

The Board also takes into account the size of the Company's accumulated income and capital reserves which can be used to supplement dividends for a period where income levels alone do not cover the proposed dividend payments.

**DISCOUNT CONTROL RISK**

There is a risk that the Company's prospects and NAV may not be fully reflected in the share price from time-to-time and that the Company's objectives are no longer meeting investors' expectations.

The share price is monitored on a daily basis and, at the request of the Board, the Company is empowered to repurchase shares within agreed parameters which are regularly reviewed with the Company's broker. The discount at which the shares trade to NAV can be influenced by share repurchases. During the year, the Company repurchased 13,985,000 shares for holding in treasury (2023: 5,601,604).

Risk management activity includes systematic reviews of the investment objective and investment strategy and regular dialogue with major shareholders and marketing activities.

Share price and discount control risk is included in the risk control summary report that is prepared by the Manager and reviewed by the Board at each meeting. In addition, the Board monitors the Company's investment performance against its stated objectives and peer group and reviews the marketing report at every Board meeting.

## CORPORATE GOVERNANCE AND INTERNAL CONTROLS RISK

The Board has delegated to third-party service providers the management of the investment portfolio, depositary and custody services (which include the safeguarding of the assets), registration services, accounting and company secretarial services.

The principal risks arising from the above mentioned contracts relate to the performance of the Manager, the performance of administrative, registration, depositary, custodial and banking services, and the failure of information technology systems used by third-party service providers. These risk areas could lead to the loss or impairment of the Company's assets, inadequate returns to shareholders and loss of investment trust status. Consequently, in respect of these activities the Company is dependent on the Manager's control systems and those of its administrator, depositary, custodian and registrar.

An annual review of the control environments of all service providers is carried out by the Company Secretary who provides an assessment of these risks and the operation of the controls for consideration by the Audit Committee and is formally reported to and considered by the Board.

Investment trust status is assessed by the Manager, reviewed at every Board meeting and confirmed by the Audit Committee and HMRC annually. Taxation matters are dealt with by independent accountants.

## RELIANCE ON THE MANAGER AND OTHER THIRD-PARTY PROVIDERS RISK

The Company is reliant upon the performance of third-party service providers for its executive function and other service provisions. The Company's most significant contract is with Liontrust Fund Partners LLP who have been appointed as the Company's AIFM. The Company has other contractual arrangements with third parties to act as administrator, company secretary, registrar, depositary and broker. The Company's operational structure means that all cyber risk (information and physical security) arises at its third-party service providers, including fraud, sabotage or crime against the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to pursue successfully its investment policy and expose the Company to risk of loss or to reputational risk.

In particular, the Manager performs services which are integral to the operation of the Company. The Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy.

The Board seeks to manage these risks in a number of ways:

- The Company Secretary reviews the performance and the service organisation control reports of third-party service providers and reports to the Board on an annual basis at the Audit Committee meeting.
- The Board reviews the performance of the Manager at every Board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.
- The day-to-day management of the portfolio is the responsibility of the named Portfolio Manager, Imran Sattar, who was appointed in February 2024, in line with the Manager's succession plan. Imran has been a member of the Liontrust Global Fundamental Team since 2018, managing UK equity client portfolios jointly alongside the Company's previous Portfolio Manager and Deputy Portfolio Manager, James Uphauigh and Chris Field. Since Chris and James retired Imran is responsible for managing The Edinburgh Investment Trust plc and also continues to be lead manager for two other UK equity strategies.
- The risk that the Portfolio Manager might be incapacitated or otherwise unavailable is mitigated by the fact that he works within, and is supported by, the wider Liontrust team. Moreover, Emily Barnard, as Deputy Portfolio Manager works closely with Imran on a daily basis and would be able to manage the portfolio if Imran Sattar was unable to do so for any reason.
- The Board has set guidelines within which the Portfolio Manager is permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and compliance with the guidelines and the guidelines themselves are reviewed at every Board meeting.

## PRINCIPAL RISKS AND UNCERTAINTIES / CONTINUED

**PHYSICAL AND TRANSITIONAL CLIMATE CHANGE**

Globally, climate change effects are already emerging in the form of changing weather patterns. Extreme weather events could potentially impair the operations of individual investee companies, potential investee companies, their supply chains and their customers. Legislative changes are driving an economic adjustment towards a low-carbon economy. There are considerable risks to the value, business model and operations of investee and potential investee companies due to stranded assets and how investors, financial regulators and policymakers respond to climate concerns. The Portfolio Manager takes such risks into account, along with the downside risk to any company – whether in the form of its business prospects, market valuation or sustainability of dividends – that is perceived to be making a detrimental contribution to climate change. Further details on the Portfolio Manager's process for considering climate risk relating to each portfolio holding are supplied in the s.172 statement on page 26. The Company invests in a broad portfolio of businesses with operations spread geographically, which should limit the impact of location-specific weather events.

Climate change related risks are regularly monitored by the Manager and reviewed by the Board as required, together with any new guidance.

**OTHER RISKS**

The Company is subject to laws and regulations by virtue of its status as an investment trust and is required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. The Company is subject to the continuing obligations imposed by the UK Listing Authority on all companies whose shares are listed on the Official List.

The Manager reviews compliance with investment trust tax conditions and other financial and regulatory requirements on a daily basis with any issues being immediately brought to the attention of the Board.

The Company may be exposed to other business, strategic and political risks in the future, as well as regulatory risks (such as an adverse change in the tax treatment of investment companies), credit, liquidity and concentration risks. The risk control summary report allows the Board to consider all these risks, the measures in place to control them and the possibility of any other risks that could arise.

The Board ensures that satisfactory assurances are received from the service providers. The Manager's compliance officers produce regular reports for review by the Company's Audit Committee.

Additionally, the depositary monitors stock, cash, borrowings and investment restrictions throughout the year. The depositary reports formally once a year and also has access to the Company Chair and the Audit Committee Chair if needed during the year.

Please see Note 16 on page 71 to read more about risk management and financial instruments.

**EMERGING RISKS**

The Board has put in place robust procedures to assist with identifying emerging risks that arise from existing risks or from new situations. Failure to identify emerging risks may cause reactive rather than proactive actions. The experience and knowledge of the Board is invaluable in consideration of emerging risks, as are updates and advice received from the Board's key service providers such as the Company's Manager, Broker, Company Secretary and Auditor. The Association of Investment Companies ("AIC") also provides regular updates and draws members' attention to forthcoming industry and/or regulatory issues.

There are currently a growing number of risks as a result of emerging geopolitical factors that may translate into greater stock market risk, as well as heightened macro-economic changes in inflation, interest rates and energy costs, the ever-evolving global regulatory and trade environments and a risk of re-emergence of a global pandemic. Geopolitical factors include the continuing war in Ukraine, the conflict in Israel and Gaza, political elections this year in many countries and global supply chain issues. Whilst these risks currently exist, their extent and long-term impact are yet to emerge but they are regularly assessed by the Manager and the Board.

## VIABILITY STATEMENT

The Directors' view of the Company's viability has not changed since last year. The Company, as an investment trust, is a collective investment vehicle rather than a commercial business venture and is designed and managed for long-term investment. The Company's investment objective clearly sets this out. 'Long-term' for this purpose is considered by the Directors to be at least five years, a timeframe in which the accuracy of estimates and assumptions is deemed to be reasonable. The Company's viability has thus been assessed over that period. Five years is considered a reasonable time frame for a forecast, however, the life of the Company is not intended to be limited to that or any other period.

There are no current plans to amend the investment strategy, which has delivered long-term good investment performance above or in line with benchmark for shareholders and, the Directors believe, should continue to do so. The investment strategy and its associated risks are kept under constant review by the board.

In assessing the viability of the Company under various scenarios, the Directors undertook a robust assessment of the risks to which it is exposed (including the conflict in Israel and Gaza, the continuation of the war in Ukraine and climate change), as set out on page 22 together with mitigating factors. The risks of failure to meet the Company's investment objective, and contributory market and investment risks, were considered to be of particular importance. The Directors also took into account: the investment capabilities of the Portfolio Manager; the liquidity of the portfolio, with nearly all investments being listed and readily realisable; the Company's borrowings as considered in further detail in the Going Concern Statement on page 42; the ability of the Company to meet its liabilities as they fall due; the Company's annual operating costs and that, as a closed-ended investment trust, the Company is not affected by the liquidity issues of open-ended companies caused by large or unexpected redemptions.

In taking account of these factors and on reviews conducted as part of the detailed internal controls and risk management processes set out on pages 19 to 22, the Directors have undertaken a reverse stress test seeking to identify the financial circumstances that might result in the Company becoming unviable. This concluded that the viability of the Company becomes challenged if the value of Total Shareholders' Funds were to fall permanently by approximately 80% from the level at the year end, a fall that the Board considers to be near implausible having noted that since the inception of the Company's FTSE All-Share Index Total Return benchmark in December 1985, the largest fall over any calendar year has been 29.9%, the largest fall over any rolling five year period was 28.8% and the largest fall over any period was 42.9% (all based on benchmark calendar month end values).

Based on the above, and assuming there is no adverse change to the regulatory environment and tax treatment of UK investment trusts to the extent that would challenge the viability of the UK investment trust industry as a whole, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.



## SECTION 172 STATEMENT, COMPANY SUSTAINABILITY AND STAKEHOLDERS

### BOARD RESPONSIBILITIES

The responsibilities of the Board include setting the Company's strategic aims, providing the leadership to put them into effect, supervising the Manager and reporting to shareholders on their stewardship. The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company.

The Board sets the Company's strategy and objectives, taking into account the interests of all its stakeholders. However, the Company has no employees and no customers in the traditional sense. Consistent with the Company's nature as an investment trust, the Board's principal concern has been, and continues to be, the interests of the Company's shareholders taken as a whole.

### COMPANY SUSTAINABILITY AND STAKEHOLDERS

A good understanding of the Company's stakeholders enables the Board to consider the potential impact of strategic decisions on each stakeholder group during the decision-making process. By considering the Company's purpose, vision and values, together with its strategic priorities, the Board aims for its decisions to be fair and take account of the interests of the key stakeholder groups. As an externally managed investment company, the Company does not have any employees. The Board considers its main stakeholders to be its shareholders, service providers and investee companies.

### SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires the Board to act in the way that it considers would most likely promote the success of the Company for the benefit of all stakeholders, taking into consideration the interests of stakeholders in their decision-making and to share how they have discharged this duty. During the year under review, the Board believes that it has acted in good faith and discharged its duties under Section 172 of the Companies Act 2006. The fulfilment of this duty not only helps the Company achieve its investment objective but ensures decisions are made in a responsible and sustainable way for shareholders.

The following sections include examples of how the Company's stakeholders were considered during the key Board decisions. Key Board decisions include payment of dividends, liquidity management via share issuance and share buy-backs, marketing, performance evaluation, negotiation on debt and re-appointment of the Manager and other key service providers, ESG integration into investment decisions and Board succession planning. Please see the table below for a reference to where this information can be found:

Section 172 statement area	Reference
The likely consequences of any decision in the long-term	See Chair's Statement on page 7, The Portfolio Manager's Report, Core Investment Beliefs and Business Review on pages 9 to 14. Going Concern and Viability Statements on pages 41 and 23 and Stakeholder Engagement section below.
The interests of the Company's employees	As a closed-ended investment company, the Company has no employees. Stewardship section on page 26 refers to how the Company assesses its impact on social issues.
The need to foster the Company's business relationships with suppliers, customers and others	As a closed-ended investment company, the Company has no customers in the traditional sense. See Stakeholder Engagement section below Principal Risks and Uncertainties on page 21 and Stewardship section on page 26 on how the Company assesses its impact on and engages with its key stakeholders.
The impact of the Company's operations on the community and environment	See Principal Risks and Uncertainties on page 22, Stewardship section on page 26 and ESG matters disclosure below on how the Company assesses its impact on the community and environment of its investee companies.
The desirability of the Company maintaining a reputation for high standards of business conduct	See Stakeholder Engagement section on page 25, Anti-Bribery and Corruption and Modern Slavery disclosures on pages 27 and 28.
The need to act fairly as between members of the Company	See Stakeholder Engagement section on page 25 and Corporate Governance Report on pages 30 to 49.

## ENGAGEMENT WITH SHAREHOLDERS

Shareholder relations are given high priority by both the Board and the Manager and the Board welcomes feedback from shareholders throughout the year. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and results. This information is supplemented by the daily publication of the net asset value, monthly factsheets as well as dividend and other announcements.

Feedback from shareholders forms part of the discussion at all Board meetings and at the Board's annual strategy meeting which involves consideration of how the Company is meeting shareholder expectations. In October 2023 James de Uphough, Imran Sattar and Emily Barnard also spoke at the Company's annual retail investor presentation event.

Shareholders can also visit the Company's website [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk) in order to access copies of the annual and half-yearly financial reports, pre-investment information, Key Information Documents (KIDs), proxy voting results, factsheets and stock exchange announcements. The Company's website also hosts videos and other applicable written materials by the Manager to enhance the information available. Shareholders can send their questions using a dedicated section of the Company's website.

Typically, at each AGM, a presentation is made by the Portfolio Manager following the formal business of the meeting and shareholders have the opportunity to attend, vote and most importantly to communicate directly with the Portfolio Manager and Board. Presentations to both institutional shareholders and analysts also follow the publication of the annual results. The Company held a physical AGM on 19 July 2023, with voting on a show of hands. Shareholders also had the opportunity to join the meeting virtually via a live weblink using their smartphone, tablet or computer, with the option to submit questions to the meeting in real time. In addition to the AGM and presentations, the Board and Portfolio Manager hosted a presentation to retail investors in central London in October 2023. The Chair uses these events to lead the Company's engagement with its retail shareholders. Please see page 78 for the notice of 2024 Annual General Meeting and page 82 for details of the 2024 shareholder event.

Regular dialogue is maintained between the Portfolio Manager and a wide range of shareholders throughout the year to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. All meetings between the Portfolio Manager and shareholders

are reported to the Board and the directors receive regular updates on the shareholder register and trading activity.

There is a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary passes to the Chair all correspondence addressed to the Board of the Company.

The strategy of the Company is reviewed regularly and formally by the Board on an annual basis. At the strategy day on 27 September 2023 the Board discussed ESG matters, discount management, share buybacks, marketing and Portfolio Manager succession. Whilst feedback from shareholders is sought regularly, shareholders' feedback provided by the Company's Broker and Manager is a major consideration at this meeting.

## ENGAGEMENT WITH THE MANAGER

The Board maintains a constructive and collaborative working relationship with the Portfolio Manager, encouraging open discussion. The Board has regular dialogue with and receives reports from the Portfolio Manager on the portfolio of investments, including performance against set objectives and risk management. The Portfolio Manager and Deputy Portfolio Manager normally attend each Board meeting to provide updates and answer questions from the Board. The Board has also discussed the AIFM's responsibility under the FCA Consumer Duty with the Manager and received comfort as to how those responsibilities will be met.

As outlined in the Chair's Report on page 6, from 1 April 2024 the Board has agreed a new lower management fee scale, further supporting the role of the Company as a natural home for long-term equity investors.

Following James de Uphough's retirement in February 2024 he was replaced as Portfolio Manager by his colleague Imran Sattar and Deputy Portfolio Manager Emily Barnard. As part of the succession plan, Imran had been appointed as the Company's deputy Portfolio Manager in October 2023, replacing Chris Field who retired from Liontrust in November 2023. The Board met frequently with the Management team throughout the succession planning process to ensure a smooth transition and are confident that Imran and his colleagues are well placed to build on the strong foundations put in place since 2020.

## ENGAGEMENT WITH SERVICE PROVIDERS

As an externally managed investment trust, the Company conducts all its business through its key service providers. The Board believes that maintaining a collaborative relationship with each of the Company's service providers is essential to the Board's decision-making and the ongoing success of the Company. At least annually the Board reviews the performance and services of its key service providers

## SECTION 172 STATEMENT, COMPANY SUSTAINABILITY AND STAKEHOLDERS / CONTINUED

including the Manager and receives and considers their internal control reports on a quarterly basis covering their operations, policies and control environments.

During the year the Board conducted a competitive tender process to review its company secretarial arrangements. As a result, it was agreed to appoint NSM Funds (UK) Limited as the Company Secretary of the Company, effective 1 March 2024. Following a period of handover, Apex Listed Companies Services (UK) Limited (previously Sanne Fund Services (UK) Limited) resigned as Company Secretary on 1 March 2024.

The Board reviews the quarterly reports of the service providers and whether the services meet the requirements of the Company, represent value for money and are therefore in the best interests of shareholders. The Board treats all service providers fairly, to maintain a reputation as a trusted, fair and reliable partner. The Board and/or delegates of the Board engage with key providers on a periodic basis through service review meetings or, by invitation, attendance at Board or committee meetings. Such engagement gives opportunity to both parties to discuss any challenges being experienced and potential solutions thereon, and to identify planned developments at the Company or the service provider. We aim to pay promptly and if in dispute, to engage openly to resolve matters in a timely manner.

The Board continues to ensure that service providers are as prepared as possible for all such eventualities which could disrupt the performance of their respective functions.

#### ENGAGEMENT WITH INVESTEE COMPANIES

The Portfolio Manager is a long-term investor and typically develops strong relationships with both investee and potential investee companies. Both the Board and the Portfolio Manager believe that engagement with investee companies is positive, beneficial and welcomed.

Voting is a key activity in the dialogue with investee companies and these decisions are reported to the Board on a quarterly basis.

The Board supports the Portfolio Manager's approach to ESG in the context of its management of the portfolio, as discussed below.

#### ENVIRONMENTAL SOCIAL AND GOVERNANCE ("ESG") MATTERS

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. Nevertheless, the Board is committed to taking a responsible approach to ESG matters. The Company's compliance with the AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on page 33,

which demonstrates the Company's own responsibilities on matters such as governance.

In respect of the Company's investments, the Portfolio Manager and the other members of the investment team integrate ESG risks and opportunities (including climate change related risks) as part of a material assessment undertaken for all holdings. Consistent with the Portfolio Manager's investment approach, this analysis is undertaken on a bottom-up, stock basis. The risks and opportunities that each holding faces over a three-to-five-year period are then identified and prioritised. Many of these issues can be sub-categorised as "E", "S" and "G" issues. The issues that are identified as the key ones are at the forefront of engagement discussions on holdings with the investee companies. These frequently include issues related to global warming, including those focused on transitional risks, legislation risks, and/or physical risks. The Manager is a signatory to the Principles of Responsible Investment ('PRI') and the Company's assets form part of its commitment to the Net Zero Asset Managers Initiative. Further information is available at [www.liontrust.co.uk](http://www.liontrust.co.uk) and through the investment company ESG disclosures at [www.theaic.co.uk](http://www.theaic.co.uk).

The Board recognises that the most material way in which the Company can have an impact is through responsible ownership of its investments. The Manager discusses below how it engages with the management of investee companies to encourage that high standards of ESG practice are adopted.

The Company made no political donations during the year in review.

#### STEWARDSHIP CODE AND EXERCISE OF VOTING POWERS

The Board considers that the Company has a responsibility as a shareholder to ensure that high ESG standards are maintained in the companies in which it invests. One of the principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company aims to provide investment specific active stewardship and the Company's voting rights are exercised on an informed and independent basis. The Manager has adopted a clear and considered policy towards its stewardship responsibility on behalf of the Company. The Manager takes steps to satisfy itself about the extent to which investee companies protect shareholder value and comply with local recommendations and practices, such as the UK Corporate Governance Code. The Manager's approach to corporate governance and the UK Stewardship Code can be found on the Manager's website at [www.liontrust.co.uk](http://www.liontrust.co.uk) together with a copy of the Manager's Stewardship Policy and the Manager's global proxy voting policy.

Members of the Portfolio Manager's investment team are responsible for overseeing all aspects of the Stewardship process, including voting on all resolutions at all Annual General Meetings and Extraordinary General Meetings in the UK and overseas. The Portfolio Manager assesses corporate governance, remuneration policies and, if deemed necessary, will challenge management where it is felt that the best interests of shareholders are not being met.

The Board reviews the Portfolio Manager's voting record at each meeting. The table below demonstrates how the Portfolio Manager voted during the year in review. The Portfolio Manager voted at all meetings, except for an unlisted legacy holding in Raven Property.

	For	Against	Total Items	% Against
Audit related	89	0	89	0%
Capitalisation	187	3	190	2%
Company articles	6	0	6	0%
Compensation	101	4	105	4%
Director election	462	0	462	0%
Environmental	2	2	4	50%
Misc	41	1	42	2%
Routine business	92	3	95	3%
Social	16	10	26	38%
Strategic transactions	8	0	8	0%
<b>Total</b>	<b>1,004</b>	<b>23</b>	<b>1,027</b>	<b>2%</b>

The Portfolio Manager's policy is to invest in well-managed companies. We therefore expect few contentious votes, but in any given twelve month period there will be a handful. The examples below are drawn from this handful and demonstrate how the Portfolio Manager voted on certain ESG issues and the rationale behind each vote.

**RS Group.** Resolution summary: to approve the company's remuneration policy. As was also the case in 2022, this was a contentious vote, with some third-party advisors recommending their clients to vote against it. Nevertheless, the Portfolio Manager supported the resolution. The Portfolio Manager believes the CEO and Financial Director have done an outstanding job in reversing the fortunes of the company and positioning the business for long term success. It is important for their remuneration to be competitive and for the award targets to be stretching. The resolution was passed, albeit with 38% of votes cast against.

**Shell Group.** Resolution summary: this was a shareholder-filed resolution, which requested Shell to align its greenhouse gas (GHG) targets with those of the Paris Climate Agreement.

The shareholder resolution stated that the Company's existing GHG reduction plan does not comply with the Paris Climate Agreement. However, the Company argues that its overall goals are Paris-aligned. The Portfolio Manager was comfortable with Shell's overall GHG reduction strategy and its Paris alignment. The shareholder resolution would have required a change in strategy which may not be appropriate given that a new strategy is due to be unveiled at the 2024 AGM. As such, the Portfolio Manager voted against the resolution. At the AGM, the resolution attracted 20% of votes in favour and was not therefore carried.

**Unilever.** The Portfolio Manager voted against the remuneration policy. The incoming CEO's base salary was set at c.18.5% higher than his predecessor and is significantly higher than his current salary at Royal Friesland Campina, and UK market peers. The Company did not provide compelling justification for this remuneration package, and as such the Remuneration Report was opposed. At the vote, 58% of shareholders voted against, which meant the Remuneration vote was not carried. Subsequently, the Company engaged with shareholders and amended the CEO's pay structure, stating that his fixed pay structure would be frozen for two years, meaning that he would next be eligible for an increase in his fixed pay terms in 2026.

In addition, the Manager publishes an annual Responsible Capitalism report, providing cumulative voting statistics, full disclosure on voting policy and extracts of engagement for the year. The Manager publishes a quarterly voting record on its website [www.liontrust.co.uk](http://www.liontrust.co.uk).

## MODERN SLAVERY DISCLOSURE

The Company aims to adopt the highest standards of conduct and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is an important part of corporate good governance.

The Company is an investment vehicle and does not provide goods or services in the normal course of its business or have customers or employees. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

SECTION 172 STATEMENT, COMPANY SUSTAINABILITY  
AND STAKEHOLDERS / CONTINUED**ANTI-BRIBERY AND CORRUPTION**

It is the Company's policy to conduct 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 and the appropriate training has been undertaken by the Board and key service providers.

**PREVENTION OF THE FACILITATION OF TAX  
EVASION**

The Board has adopted a zero-tolerance approach to the criminal facilitation of tax evasion.

**GREENHOUSE GAS EMISSIONS AND STREAMLINED  
ENERGY AND CARBON REPORTING ('SECR')**

The Company has no employees, physical assets, property or operations of its own, does not provide goods or services and does not have its own customers. It follows that the Company has little or no direct environmental impact. In consequence, the Company has limited greenhouse gas emissions to report from its operations aside from travel to board meetings, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. As the Company has no material operations and therefore has low energy usage, it has not included an energy and carbon report.

**CONCLUSION**

The Directors believe that they have fulfilled their duties under s172 of the Companies Act 2006 in their deliberations on all matters. The Board takes into account the interests of all the Company's key stakeholders, as outlined above, in its decision-making which reflects the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders. The work of the Board and its Committees is described in the Governance Report on page 32.

This Strategic Report was approved by the Board on 24 May 2024.

Signed by order of the Board of Directors

**NSM FUNDS (UK) LIMITED**

COMPANY SECRETARY 24 MAY 2024



# GOVERNANCE





## THE DIRECTORS

All Directors are non-executive and considered independent. The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:



**ELISABETH STHEEMAN**  
Chair of the Board

Date of appointment:  
23 May 2019, became Chair on  
21 July 2022

Committees:

- M** Management Engagement
- N** Nomination Chair
- A** Audit

Elisabeth is currently an independent member of the board of US REIT W.P. Carey Inc and Deloitte LLP and an External Member of the Audit and Risk Committee of The Asian Infrastructure Investment Bank. She is also Vice President of the Council of the German British Chamber of Industry and Commerce. Previously, she was an External member of the Financial Policy Committee and Financial Market Infrastructure Board and a senior advisor to the Bank of England's Prudential Regulation Authority. She was also a member of the Supervisory Board of Aareal Bank AG, Alstria AG and a member of the Council of the London School of Economics.



**AIDAN LISSER**  
Senior Independent Director

Date of appointment:  
27 May 2022, SID from 19 July 2023

Committees:

- M** Management Engagement
- N** Nomination
- A** Audit

Aidan is the Chair of JPMorgan Emerging Markets Investment Trust plc, a non-executive director of Henderson International Income Trust plc and a board member of Chapter Zero UK, an organisation to assist non-executive directors with the impact of climate change. He is also a marketing ambassador for the Association of Investment Companies. He was formerly chief marketing officer and subsequently head of strategy for Investec Wealth & Investment. Before this he held senior marketing roles at Allianz Global Investors, Standard Chartered Bank and Unilever.



**ANNABEL TAGOE-BANNERMAN**  
Non-Executive Director

Date of appointment:  
7 February 2023

Committees:

- M** Management Engagement
- N** Nomination
- A** Audit

Annabel has considerable experience in senior roles within quoted UK operating companies within the retail, leisure, food and beverage sectors. Annabel is currently Group General Counsel and Company Secretary of Bakkavor Group plc, the FTSE 250 listed producer of freshly prepared food, where she also chairs the Diversity & Inclusion Forum. She was previously at Britvic plc and formerly General Counsel and a member of the Executive Committee of Ladbroke's plc. Prior to this Annabel trained and practised as a solicitor at SJ Berwin LLP (now King & Wood Mallesons).



**PATRICK EDWARDSON**  
Non-Executive Director

Date of appointment:  
11 February 2021

Committees:

- M** Management Engagement Chair
- N** Nomination
- A** Audit

Patrick joined Baillie Gifford in 1993 and became a partner in 2005. In a wide-ranging investment career, he managed bond, equity and multi-asset portfolios, was manager of the Scottish American Investment Company plc between 2004 and 2014 and led Baillie Gifford's multi-asset investment team until his retirement in 2020. He is currently managing director of Atheian Ltd, a family investment office, and of CMH Hope Limited, a property investment company, a non-executive director of another investment trust (North American Income Trust plc) and also a non-executive director at Tillit, the retail investment platform.



**STEVE BALDWIN**  
Non-Executive Director

Date of appointment:  
10 September 2018

Committees:

- M** Management Engagement
- N** Nomination
- A** Audit Chair

Steve is a Chartered Accountant. He is currently Chairman of TruFin plc, a non-executive director at Plus500 Ltd and a Trustee at Howard de Walden Estates Limited. He was formerly a non-executive director of Elegant Hotels Group plc and Panmure Gordon & Co plc. He was the Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until February 2015. Prior to this Steve was a Director at JPMorgan Cazenove for ten years and was a Vice President of Corporate Finance at UBS from 1995-1998.

# THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK

## THE BOARD AND COMMITTEES

The Board is ultimately responsible to shareholders for the direction, governance, management, performance and long-term sustainable success of the Company. The responsibilities of the Board include setting the Company's strategic aims, providing the leadership to put them into effect, supervising the Manager and reporting to shareholders on their stewardship. In doing so, the Directors comply with their duties under Section 172 of the Companies Act 2006.

The Board has established certain principal committees to assist it in fulfilling its oversight responsibilities, providing a dedicated focus on particular areas, as set out below. Terms of reference of the Board Committees are available on the Company's website at [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk)

The Company's corporate governance framework is designed to support a closed-end externally managed investment company, where all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations.

### The Board

**Chair** Elisabeth Stheeman, **Senior Independent Director** Aidan Lisser, **three additional non-executive directors (NEDs)**.

#### Chair

##### Key responsibilities:

- to provide leadership of the Board, ensuring its effectiveness in all aspects of its role;
- to set Board agenda and ensure that adequate time is available for discussion;
- to promote a culture of openness ensuring that each Board member's views are considered;
- to ensure that Directors receive accurate, timely and clear information;
- to ensure the Board as a whole has a clear understanding of the views of shareholders;
- to ensure that the Board complies with its obligations under Section 172 Companies Act 2006, by taking into account the needs of the Company's wider stakeholders;
- to ensure oversight of the Manager and other external service providers; and
- to encourage constructive challenge and scrutiny of the performance of all outsourced activities

#### Senior Independent Director (SID)

##### Key responsibilities:

- to provide a sounding board for the Chair;
- to serve as an intermediary for the other directors and shareholders; and
- to lead annual appraisal of the Chair's performance and recruitment process for the position of the Chair.

Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee Function
All NEDs	All NEDs	All NEDs	The Board as a whole performs this function
<b>Chair:</b> Steve Baldwin	<b>Chair:</b> Patrick Edwardson	<b>Chair:</b> Elisabeth Stheeman	
<b>Key responsibilities:</b> <ul style="list-style-type: none"> <li>- to oversee the control environment and financial reporting;</li> <li>- to make a recommendation for the appointment of the auditor; and</li> <li>- to review the performance of other service providers, including the auditor.</li> </ul>	<b>Key responsibilities:</b> <ul style="list-style-type: none"> <li>- to review regularly the management contract and the performance of the Manager.</li> </ul>	<b>Key responsibilities:</b> <ul style="list-style-type: none"> <li>- to review regularly the Board's structure, composition and performance;</li> <li>- to make recommendations for any changes or new appointments; and</li> <li>- to set the culture and values of the Company.</li> </ul>	<b>Key responsibilities:</b> <ul style="list-style-type: none"> <li>- to set the remuneration policy of the Company.</li> </ul>

# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

## COMPLIANCE WITH THE AIC CODE

This Corporate Governance statement forms part of the Directors' Report. The Board is committed to maintaining high standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

The Board of the Company has considered reporting against the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code adapts the principles and provisions set out in the UK Corporate Governance Code (the "UK Code") to make them relevant for investment companies and includes supplementary guidance on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders. This enables boards to make a statement that, by reporting against the AIC Code, they are meeting their obligations under the UK Code and associated disclosure requirements under paragraph 9.8.6 of the FCA's Listing Rules.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)) and the UK Corporate Governance Code can be found on the Financial Reporting Council's website ([www.frc.org.uk](http://www.frc.org.uk))

The Board recognises that UK Code was updated in January 2024 following a consultation which concentrated on a limited number of changes. The AIC has welcomed the final amendments to the UK Code and confirmed that it is reviewing these changes, and where appropriate, will be updating the AIC Code. The Board will report against the 2024 AIC Code, which is expected to apply to financial years beginning on or after 1 January 2025.

Throughout the year ended 31 March 2024, the Company complied with the principles and provisions of the AIC Code, except for one provision regarding the remuneration committee as explained below.

Provision 37 states that the board should establish a remuneration committee of independent non-executive directors with a minimum membership of three, or in the case of smaller companies, two. The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. The Board as a whole, comprising of independent non-executive directors, performs the function of the remuneration committee with the key responsibility to set the remuneration policy of the Company. Please see Directors Report on page 38 for the Board's responsibilities.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. For reasons set out in the AIC Code, the Board considers these provisions not relevant to the position of the Company, being an externally managed investment company with no executive Directors, employees, or internal operations. It further considers an internal audit function unnecessary as the relevant issues are addressed through the Manager's own control environment which itself is subject to routine external independent review.

Information on how the Company has applied the principles of the AIC Code is provided in the Governance Section, including the Directors' Report as follows:

- the composition and operation of the Board and its committees are summarised on page 32, and page 34 in respect of the Audit Committee;
- the Company's approach to internal control and risk management is summarised on page 21;
- the contractual arrangements with, and assessment of, the Manager are summarised on pages 42 and 43;
- the Company's capital structure and voting rights are summarised on page 42;
- the substantial shareholders in the Company are listed on page 43;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 39. There are no agreements between the Company and its directors concerning compensation for loss of office;
- the annual powers to issue or buy back the Company's shares are explained in the notice of AGM on page 79; and
- any amendments to the Company's Articles of Association require a resolution to be passed by shareholders.

By order of the Board

**NSM FUNDS (UK) LIMITED**  
COMPANY SECRETARY

24 MAY 2024



# AUDIT COMMITTEE REPORT

## FOR THE YEAR ENDED 31 MARCH 2024

### COMMITTEE COMPOSITION AND ROLE

The Audit Committee comprises all the Directors and the Committee has written terms of reference which clearly define its objective, authority, composition, roles, duties and responsibilities, including reporting. The terms of reference were reviewed during the year, to ensure good practice and compliance with the AIC Code. They can be inspected at the registered office of the Company or viewed on the Company's website.

### AUDIT COMMITTEE RESPONSIBILITIES

The responsibilities of the Audit Committee include:

- consideration of the integrity of the annual and half-yearly financial reports prepared by the Manager, the appropriateness of the accounting policies applied and any financial judgements and key assumptions, together with ensuring compliance with relevant statutory and listing requirements;
- at the Board's request, advising it on whether the Committee believes the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy;
- evaluation of the effectiveness of the internal control systems and risk management systems, including reports received on the operational controls of the Company's service providers and the Manager's whistleblowing arrangements;
- consideration of the scope of work undertaken by the Manager's compliance department, monitoring and reviewing the effectiveness of the Manager's and the Company's procedures for detecting fraud;
- management of the relationship with the external auditor, including evaluation of their reports and the scope, effectiveness, independence and objectivity of their audit, as well as making recommendations to the Board in respect of their appointment, re-appointment and removal and for the terms of their audit engagement;

- developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
- considering annually whether there is a need for the Company to have its own internal audit function.

### AUDIT COMMITTEE ACTIVITIES

The Committee meets formally at least three times a year to review the internal financial and non-financial controls and the contents of the half-yearly and annual financial reports, including accounting policies and financial judgements. In addition, the Committee reviews the auditor's independence, objectivity and effectiveness, the quality of the services provided to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes. Representatives of the Manager's Compliance Department attend at least two meetings each year. Representatives of the auditor attend the Committee meetings at which the draft half-yearly and annual financial reports are reviewed and are given the opportunity to speak to Committee members in the absence of representatives of the Manager.

The external audit programme and timetable are drawn up and agreed with the auditor in advance of the end of the financial year and matters for audit focus are discussed and agreed. The auditor ensures that these matters are given particular attention during the audit process and reports on them, and other matters as required, in its report to the Committee. In addition, the Committee reviews any material issues raised by the auditor. There have been no such issues raised during the year. The auditor's report, together with reports from the Manager, the Manager's Compliance Department and the depositary, form the basis of the Committee's consideration and discussions with the various parties and any recommendations to the Board, including the Committee's recommendation to sign the 2024 financial statements.

## ACCOUNTING MATTERS AND SIGNIFICANT AREAS

For the year-end, the following accounting matters were identified for specific consideration by the Committee:

Significant areas	How they were addressed
Accuracy of the portfolio valuation and controls related to the valuation process.	Actively traded listed investments are valued using stock exchange prices provided by third-party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value. This is set out in accounting policies note 1C(v). Any such valuations are carefully considered by the Manager's pricing committee and the Committee.
Proof of the existence of portfolio holdings.	The Manager and the depositary confirmed that the holdings shown in the accounting records agreed with the custodian records.
Recognition of investment income and the treatment of special dividends	Investment income is recognised in accordance with accounting policies note 1F. The Manager provides detailed revenue estimates for the Board's review, and income is assessed to ensure it is complete and accounted for correctly. Careful consideration is given to special dividends. These are allocated to revenue or capital according to the nature of the payment by the underlying company and the allocation is also reviewed by the auditor.
The allocation of management fees and finance costs between revenue and capital	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio both historic and projected, yield, the objectives of the Company, and the latest market practice of peers. The Committee last reviewed the allocation at its meeting in May 2024.

These matters were discussed with the Manager and the auditor in pre-year-end audit planning and were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor at the conclusion of the audit process. As detailed below, the Company operates within a robust control environment and the Committee oversees the effectiveness of the controls of the Manager, custodian and administrator.

Consequently, and following a thorough review process of the 2024 annual financial report, the Audit Committee advised the Board that the report 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.

### REVIEW OF THE EXTERNAL AUDITOR, INCLUDING NON-AUDIT SERVICES

The Committee evaluated the performance and effectiveness of the external auditor and their audit process. This included a review of the audit planning, execution and reporting and the quality of the audit work, results and audit team. This review sought the view of the Manager in their dealings with the auditor. The Committee also considered the independence of PricewaterhouseCoopers LLP (PwC) and the objectivity of the audit process. No significant modifications were required to the external audit approach. Combining the output of all the above, and the Audit Committee Chair's and the Committee's direct interaction with PwC, the Committee concluded that it continued to be satisfied with the performance of PwC and that the auditor continued to display the necessary attributes of objectivity and independence.

Prior to any engagement for non-audit services, the Audit Committee considers whether the skills and experience of the auditor make them a suitable supplier of such services and ensures there is no threat to objectivity and independence in the conduct of the audit as a result. Excluding VAT and any expenses, the annual audit fee was £50,700 (2023: £48,000) and the non-audit fee was £nil (2023: £nil), see Note 4 on page 65. Non-audit services up to £5,000 do not require approval in advance of the Audit Committee; amounts in excess of this require the approval of the Audit Committee.

### AUDITOR

PwC were appointed as the Company's Auditors at the AGM on 25 July 2019 and were re-appointed on 19 July 2023. After due consideration, the Committee recommends the re-appointment of PwC and their re-appointment will be put forward to the Company's shareholders at the 2024 AGM.

### INTERNAL CONTROLS AND RISK MANAGEMENT

The Committee undertakes a robust assessment of the risks to which the Company is exposed by reference to a risk control summary, which maps the risks, mitigating controls in place and relevant information reported to the Directors, throughout the year. The resultant ratings of the mitigated risks allow the Directors to concentrate on those risks that are most significant and also form the basis of the list of principal risks and uncertainties set out in the Strategic Report on pages 19 to 22.

The Committee, on behalf of the Board, is responsible for ensuring that the Company maintains a sound system of internal control to mitigate risk and safeguard the Company's

## AUDIT COMMITTEE REPORT / CONTINUED

assets. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems, is reviewed at least annually. Appropriate action is taken to remedy any significant failings or weaknesses identified from these reviews. No significant items were identified in the year. As part of this, the Committee receives and considers, together with representatives of the Manager, reports in relation to the operational controls of the Manager, accounting administrator, custodian, company secretary and registrar. These reviews identified no issues of significance during the year.

**INTERNAL AUDIT**

The Company, being an externally managed investment company with no employees, does not require its own specific internal audit function. Instead, it relies on the control environment of the Manager. An external firm, Grant Thornton, is engaged by the Manager to provide an independent review of its control environment. The Manager has been transparent with the Board in sharing the results of the review.

**INDEPENDENCE**

The Chair of the Company was a member of the Audit Committee during the year in review. The Board and the Audit Committee believe that this was appropriate as the Chair has recent and relevant financial experience and remains independent.

**COMMITTEE EVALUATION**

The Committee's activities fell within the scope of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on page 40.

Signed on behalf of the Board of Directors

**STEVE BALDWIN**

CHAIR OF THE AUDIT COMMITTEE

24 MAY 2024

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2024

### BUSINESS AND STATUS

The Company was incorporated and registered in Scotland on 1 March 1889 as a public limited company, registered number SC1836. 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 and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have 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.

### CORPORATE GOVERNANCE

The Corporate Governance Statement set out on page 33 is included in this Directors' Report by reference.

### THE BOARD

At the year end the Board comprised five independent non-executive Directors. The Company's Corporate Governance Framework is set out on page 32. This shows the key objectives of the Board and also the membership and key objectives of the Board's committees which deal with specific aspects of the Company's affairs: the Audit, Management Engagement and Nomination Committees.

The Board regards all the Directors to be wholly independent of the Company's Manager.

#### Chair

The Chair of the Company is Elisabeth Stehman. She has been a member of the Board since 2019 and was appointed Chair on 21 July 2022.

#### Senior Independent Director

The Company's Senior Independent Director is Aidan Lisser who was appointed to the role on 19 July 2023, following the retirement of Vicky Hastings at the Company's AGM on the same day.

### Board Balance and Diversity

The Board's policy for the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity. The Board has considered the recommendations of the FTSE Women Leaders review as well as the Parker review but does not consider it appropriate to establish targets or quotas in these regards. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of a combination of people with a range of business, financial or asset management skills and experience relevant to the direction and control of the Company for ensuring effective oversight of the Company and constructive support and challenge to the Manager.

The Board comprises five non-executive directors of which, at present, two are female. Summary biographical details of the Directors are set out on pages 30 and 31.

### Statement on Board Diversity – Gender and Ethnic Background

According to new requirements of the Listing Rules LR 9.8.6R(9) and (11) (applicable for periods from 1 April 2022), the Company is required to include a statement in the annual financial report setting out whether it has met the following targets on board diversity as at 31 March 2024:

- 1) At least 40% of individuals on its board are women;
- 2) At least one of the senior board positions\* is held by a woman; and
- 3) At least one individual on its board is from a minority ethnic background.

The following tables set out the gender and ethnic diversity composition of the Board, in accordance with the requirements of LR 9 Annex 2.

(a) Table for reporting on gender identity or sex

	Number of board members	Percentage of the board	Number of senior positions on the board (SID and Chair)
Men	3	60%	1
Women	2	40%	1
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 (SID and Chair)
White British or other White (including minority white groups)	4	80%	2
Mixed Multiple Ethnic Groups	-	-	-
Asian/Asian British	-	-	-
Black/African/Caribbean/Black British	1	20%	-
Other ethnic group, including Arab	-	-	-
Not specified/ prefer not to say	-	-	-

\* The Company considers the positions of the Chair and Senior Independent Director (SID) to be senior positions of the Board.

## DIRECTORS' REPORT / CONTINUED

The prescribed format includes provisions relating to the role of the chief executive officer (CEO), chief financial officer (CFO) and executive management. 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 CEO, CFO or executive management.

The Listing Rules require an explanation of the Company's approach to collecting the data used for the purposes of making the disclosures in LR 9.8.6 R(9) and (10). The Company Secretary circulated the above tables to each director to complete individually and collated the responses for inclusion in the annual financial report.

The Company has met the targets on board diversity as required by the Listing Rules as at 31 March 2024.

#### BOARD RESPONSIBILITIES

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under UK law for promoting the success of the Company and for the proper conduct of the Company's affairs taking into consideration:

- the likely consequences of any decision in the long-term;
- the need to foster business relationships with its Manager, other service providers and advisors;
- 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 between shareholders of the Company.

This is reported in the Section 172 Statement in the Strategic Report on page 24. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures for and on behalf of the Company that the Board considers adequate to prevent persons associated with it from engaging in bribery. It has a zero tolerance approach towards the criminal facilitation of tax evasion. In addition, the Directors are responsible for ensuring that their policies and operations are in the interest of all of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered.

The Board has established a schedule of matters reserved for its consideration, which clearly define the Directors' responsibilities. The main responsibilities include:

- setting long-term strategy;
- setting the Company's objectives, policies and standards;
- ensuring that the Company's obligations to shareholders and others are understood and met;
- selecting an appropriate Manager;

- approving accounting policies and dividend policy;
- determining dividends payable;
- managing the capital structure;
- reviewing investment performance;
- assessing risk;
- approving borrowing;
- and reviewing, and, if agreed, approving recommendations made by the Board's committees.

The schedule of matters reserved for the Board will be available for inspection at the AGM and is otherwise available at the registered office of the Company and on the Company's website.

The Board ensures that shareholders are provided with sufficient information in order to understand the risk-reward balance to which they are exposed by holding their shares, through the portfolio details given in the half-yearly and annual financial reports, factsheets and daily NAV disclosures.

The Board meets at least five times each year. Additional meetings are arranged as necessary. Regular contact is maintained by the Manager with the Board between formal meetings. Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Portfolio Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, investment policy guidelines, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

To enable the Directors of the Board to fulfil their roles, the Manager and Company Secretary ensure that all Directors have timely access to all relevant management, financial and regulatory information. All directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

There is an agreed procedure for the Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted with the Chair.

Finally, the Board as a whole undertakes the responsibilities which would otherwise be assumed by a remuneration committee, determining the Company's remuneration policy. The Board takes into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report.



## AUDIT INFORMATION

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken steps that he or she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's 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.

## THE COMMITTEES

The Board has three committees: the Audit Committee, the Management Engagement Committee, and the Nomination Committee. Each committee has written terms of reference, which clearly define each committee's responsibilities and duties. The terms of reference of each committee are available for inspection at the AGM, at the registered office of the Company and also available on the Company's website.

### The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on page 34, which is included in this Directors' Report by reference.

### The Management Engagement Committee

The Management Engagement Committee comprises all directors and is chaired by Patrick Edwardson. The Committee meets at least annually to review the investment management agreement and to review the services provided by the Manager and other key service providers. Additional meetings are arranged as necessary.

The Committee carries out a thorough review of the performance of the Manager including key metrics such as overall investment performance, investment process, risk management, individual stock performance, team resources, notice period, the Managers fees level, marketing strategy and relative fees.

During the year the Committee met twice to review and consider the performance and continued appointment of the Manager and other key service providers. The Committee scrutinised both the Manager's fee rate and all admin fees in comparison with similar income-generating UK equity products, in both the closed and open-ended sectors. A detailed analysis of the Manager's fee was performed during the year and following successful discussions with Liontrust the Board agreed a new lower fee scale.

This year sees the introduction of the Financial Conduct Authority's Consumer Duty regulation, which seeks to improve the quality of products and services to retail investors. Whilst the Company is not directly within the scope of the regulation, the Manager is through its roles as AIFM and distributor. The Committee has routinely liaised with the Manager during the year on its preparedness and developments with regards to consumer outcomes that cover products and services, price and value, consumer understanding, and consumer support, and will continue to do so into the future.

### The Nomination Committee

All Directors are members of the Nomination Committee which is chaired by Elisabeth Stheeman. The Committee meets at least annually to review the composition of the Board and its committees and evaluate whether they have the appropriate balance of skills, experience, independence, and knowledge of the Company and make recommendations to the Board for the re-election of directors at AGMs. Additional meetings are arranged as necessary.

The Committee is also responsible for succession planning and identifying and nominating to the Board suitable candidates, taking into consideration the balance of skills, knowledge, experience and independence of the Board and having regard for the benefits of diversity and the ability of any new director to devote sufficient time to the Company to carry out his or her duties effectively. See page 37 for Board's statement on ethnic and gender diversity.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will also be available at the AGM. A Director can be removed from office without notice or compensation upon being served with a written notice signed by all the other Directors.

## APPOINTMENT, RE-ELECTION AND TENURE

New Directors are appointed by the Board following recommendation by the Nominations Committee. The Articles of Association require that a Director shall be subject to election at the first AGM after their appointment and re-election at least every three years thereafter. However, in accordance with the UK Code of Corporate Governance, the Board has resolved that all Directors shall stand for annual re-election at the AGM.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Company Secretary and the Board have formulated a programme of induction training for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors which include briefings from the Company Secretary and the Company's auditors which ensure that Directors are well briefed on new legislation and the changing risk environment.

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. It is the Board's policy that all Directors, including the Chair, shall normally have tenure limited to nine years from their first appointment to the Board, except that the Board may determine otherwise if it is

## DIRECTORS' REPORT / CONTINUED

considered that the continued participation on the Board of an individual Director, or the Chair, is in the best interests of the Company and its shareholders. This is also subject to the Director's re-election annually by shareholders. The Board considers that this policy encourages regular refreshment and is conducive to fostering diversity.

### BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE APPRAISAL

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees of the Board and individual Directors.

In 2024 an internal review of the Board, its Committees and individual Directors was conducted. The process involved the use of online evaluation forms to assess the balance of skills, experience, knowledge, independence and effectiveness of the Directors. In carrying out these evaluations, each Director is assessed on their relevant experience, their strengths and weaknesses in relation to the overall requirements of the Board and their commitment to the Company in terms of time by regular attendance and participation at Board meetings. The process is constructed to assess the contribution of individual Directors to the overall operation of the Board and its Committees.

As part of the evaluation, key enablers of Board and Committee performance were reviewed, with a particular focus on the Company's strategic priorities, succession planning, and engagement with the Manager. The review was positive, and no critical issues were identified. The recommendations from the report were agreed by the Board. Key priorities identified for the year ahead include executing the agreed marketing strategy, discount management, ESG matters and broadening relationships with the Portfolio Manager's wider team.

In addition to a self-assessment, the Chair conducted in person or telephone meetings with each Director individually to discuss their performance and development needs. The Chair evaluated the skills and performance of each Director and concluded to take appropriate action when development needs arise and that each Director is making a positive contribution. The review of the Chair's performance was conducted by the Board and led by the SID, who relayed very positive feedback to the Chair privately and shared a summary with the Board.

The Board, through the work of the Nomination Committee, has determined that each Director standing for re-election continues to offer relevant experience, effectively contributes to the operation of the Board and has demonstrated independent views on a range of subjects. The Committee is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.

In 2023 the Board appointed Lintstock Limited, an external consultant, to undertake a review of the Board, its Committees and individual Directors, with a further external evaluation to be conducted for the year ending 31 March 2026.

### ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

All Directors are considered to have an excellent attendance record at Board and Committee meetings of the Company. The table below sets out the number of scheduled Directors' meetings held during the year and the number of meetings attended by each Director. In addition, Directors attended a number of ad hoc meetings during the year.

The number of scheduled meetings held during the year to 31 March 2024 and the attendance of individual Directors are shown in the table below:

	Board	Audit Committee	Management Engagement Committee	Nominations Committee
Number of meetings (total possible/individual attendance)	6	4	2	2
Elisabeth Stheeman	6	4	2	2
Steve Baldwin	6	4	2	2
Patrick Edwardson	6	4	2	2
Aidan Lisser	6	4	2	2
Annabel Tagoe-Bannerman	6	4	2	2
Vicky Hastings <sup>1</sup>	2/2	1/1	1/1	1/1

<sup>1</sup> Vicky Hastings retired from the Board with effect from 19 July 2023.

During the year in review, the individual Directors attended 100% of possible meetings of the Board and Committees.

## DIRECTORS

### Directors' Interests in Shares

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 49.

### Disclosable Interests

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end.

### Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, individual deeds of indemnity have been executed on behalf of the Company for each of the Directors under the Company's Articles of Association. Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

## CONFLICTS OF INTEREST

A Director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or has the potential to conflict with the Company's interests. The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards which apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered are able to take the relevant decision, and second, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors can impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. The register of potential conflicts of interests is kept at the registered office of the Company. It is reviewed regularly by the Board and Directors know to advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

## STREAMLINED ENERGY & CARBON REPORTING 'SECR'

The Company's disclosure with respect to SECR reporting is given in the Strategic Report on page 28.

## PROPOSED DIVIDENDS

The Directors propose payment of a final dividend to shareholders, the details of this are given on page 15 of the Strategic Report.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The AIC Code requires the Board to oversee the effectiveness of the Company's system of internal controls. The Board assumes its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The Company's system of internal controls is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/ or adhere to the Company's investment policy and/or investment limits. This system can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports.

The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

The Company's internal controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Board reviews a risk control summary at its quarterly Board meetings and an annual formal review of the risk procedures and controls in place at the Manager and other key service providers is performed.

The Audit Committee reviews and makes recommendations to the Board, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Board confirms that necessary actions would be taken to remedy any significant failings or weaknesses identified from their review and that no significant failings or weaknesses occurred throughout the year ended 31 March 2024 and up to the date of this annual financial report.

The Board reviews financial reports and performance against forecasts, relevant stock market criteria and the Company's peer group. In addition, the Manager and custodian maintain their own systems of internal controls and risk management and the Board and Audit Committee receive regular reports from the Compliance Department of the Manager. Formal reports are also produced annually on the internal controls and procedures in place for the operation of secretarial, administrative, custodial, investment management and accounting activities.

## GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as at least

## DIRECTORS' REPORT / CONTINUED

twelve months after the signing of the balance sheet, for the same reasons as set out in the Viability Statement on page 23. In considering this, the Directors took into account both ongoing expenses and any obligations under the Company's borrowing (Unsecured Senior Loan Notes). In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 March 2024, the Company held £36.3m (2023: £22.4m) in cash and cash equivalents and £1,206.6m (2023: £1,226.6m) in quoted investments. The Company's audited net assets as at 31 March 2024 were £1,135.0m (2023: £1,139.3m).

In anticipation of potential market volatility, the Manager has performed stress tests on the Company's portfolio of investments under various scenarios (for example, a jump up in interest rates, further escalation of the Ukraine war, and a crash in technology stocks). Separately, the Board remains comfortable with the liquidity of the portfolio. It is estimated that some 99% by value of the quoted investments held at the year-end could be realised in thirty working days under normal market conditions.

The Board also considered the Company's obligations with respect to the Company's borrowing. The Company has issued £120m of Unsecured Senior Loan Notes with a weighted average cost of 2.44% of which £20m was drawn in October 2021 and £100m in September 2022. These notes, which are long-term in nature, do not require repayment until 2037, 2047, 2051 and 2057 as detailed in Note 12. A requirement of this borrowing is that the Net Assets of the Company must remain not less than £300m. The Board, which routinely monitors borrowing restrictions, does not anticipate difficulties in meeting this. The Company has no other borrowing.

The total ongoing charges (excluding taxation, non-recurring legal and professional fees and finance costs) for the year ended 31 March 2024 were £6.2 million (2023: £6.1 million) or 0.53% of Net Assets (2023: 0.53%).

### THE MANAGER

The Alternative Investment Fund Manager is Liontrust Fund Partners LLP, with responsibility for the day-to-day investment management activities of the Company delegated to Liontrust Investment Partners LLP. Liontrust Fund Partners LLP was appointed the Manager on 1 April 2022, following completion of the acquisition of Majedie by Liontrust Asset Management Plc.

### Investment Management Agreement ('IMA')

The Manager provides investment and administration services to the Company under an investment management agreement dated May 2024, which replaced the original agreement dated 3 March 2020. The agreement is terminable by either party by giving not less than three months' notice in writing.

The monthly management fee was calculated on 0.04000% on the first £500 million and 0.03875% on the remainder of

the market capitalisation of the Company's ordinary shares at each month end and paid monthly in arrears (equivalent to an annualised fee of 0.480% on the first £500m and 0.465% on the remainder).

From 1 April 2024, following discussions with Liontrust, the Board has agreed a new lower fee scale. The new monthly management fee is calculated on 0.03750% per month on the first £500 million, falling to 0.03333% on the next £500 million and 0.02917% on the remainder of the market capitalisation of the Company's ordinary shares at each month end and paid monthly in arrears (equivalent to an annualised fee of 0.45% on the first £500m, 0.40% on the next £500m and 0.35% on the remainder).

There is no performance fee. In 2024 the Ongoing Charges Ratio (OCR) was 0.53%. A pro-forma OCR under the new fee arrangement is 0.48%.

### Assessment of the Manager

The Management Engagement Committee has carried out a review of the Manager and following recommendation from the Committee, the Board considers that the continuing appointment of Liontrust Fund Partners LLP as Manager is in the best interests of the Company and its shareholders.

### COMPANY SECRETARY

During the year the Board conducted a competitive tender process to review its company secretarial arrangements. As a result, it was agreed to appoint NSM Funds (UK) Limited as the Company Secretary of the Company, effective 1 March 2024. Following a period of handover, Apex Listed Companies Services (UK) Limited (previously Sanne Fund Services (UK) Limited) resigned as Company Secretary on 1 March 2024.

The Board has continuous direct access to the advice and services of the corporate Company Secretary, who are responsible for ensuring that the Board and Committee procedures are followed, and that applicable rules and regulations are complied with. The Company Secretary provides full company secretarial services to the Company, ensuring that the Company complies with all legal, regulatory and corporate governance requirements and officiating at Board meetings and shareholders' meetings. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board through the Chair on all governance matters.

### SHARE CAPITAL

#### Capital Structure

At the year end, the Company's allotted and fully paid share capital consisted of 195,666,734 ordinary shares of 25p each, of which 44,175,209 shares were held in treasury. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders every year to buy back and sell shares. No shares were issued in the year. During the year 13,985,000 ordinary

shares were repurchased for holding in treasury at an average price of 664.84p per share (including costs). Since the year end up until 22 May 2024, being the latest practicable date before the printing of this report, 640,000 ordinary shares have been bought back for holding in treasury.

### SUBSTANTIAL HOLDINGS IN THE COMPANY

The Company has received notifications, or has otherwise been made aware, in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests (% as at the date of notification):

	Shares	%
Rathbones Investment Management	11,260,418	7.45

The Company relies on investors complying with these regulations and certain investors may be exempted. As such, this table should not be relied on as an exhaustive list of shareholders holding above 5% of the Company's voting rights.

### RESTRICTIONS

There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company, no restrictions on the distribution of dividends and the repayment of capital, and no agreements to which the Company is party that might affect its control following a successful takeover bid.

### Voting

At a general meeting of the Company, every shareholder has one vote on a show of hands and, on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

### Repurchase Powers

The Board's current powers to repurchase shares and proposals for their renewal are disclosed on page 44.

### DISCLOSURES REQUIRED BY UKLA 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. None of the prescribed information is applicable to the Company for the year under review.

### INDIVIDUAL SAVINGS ACCOUNT (ISA)

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

### BUSINESS OF THE ANNUAL GENERAL MEETING (AGM)

The following summarises the business of the forthcoming AGM of the Company, which is to be held on 17 July 2024 at 11.00am. The notice of the AGM and related notes can

be found on pages 78 to 81. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive and consider this Annual Financial Report (AFR), including the financial statements and auditor's report.

Resolution 2 is for members to approve the Annual Statement and Report on Remuneration for the year ended 31 March 2024.

Resolution 3 is to declare a final dividend for the year.

Resolutions 4 to 8 are to re-elect the Directors. Biographies of the Directors can be found on pages 30 and 31.

All Directors will stand for re-election by shareholders at the AGM. The Board has determined that each of the Directors is independent, continues to perform effectively and demonstrates commitment to their role. Their balance of knowledge and skills combined with their diversity and business experience makes a major contribution to the functions of the Board and its Committees.

Elisabeth Stheeman has extensive executive and non-executive experience in financial services, real estate and governance that bring highly relevant and valuable skills to the Board. Steven Baldwin is a Chartered Accountant and his experience in a range of industries brings a breadth of experience to the meetings. Patrick Edwardson has many years of investment experience as a fund manager and deep knowledge of the UK equity market and investment companies. Aidan Lisser has considerable experience as an investment trust non-executive director and is also a member of the Association of Investment Companies' Marketing Committee. Annabel Tagoe-Bannerman has considerable experience in senior roles in commercial operations, law, governance as well as in diversity, equity and inclusion within quoted UK operating companies within the retail, leisure, food and beverage sectors.

Resolutions 9 and 10 are to re-appoint PricewaterhouseCoopers LLP as auditor and to authorise the Audit Committee to determine their remuneration.

### Special Business

Resolution 11: Authority to Allot Shares is an Ordinary Resolution seeking renewal of the current authority for the Directors to allot up to 10% of the issued ordinary share capital, this being an aggregate nominal amount of £4,891,668 as at 22 May 2024, (being the last practicable day prior to the publication of this Notice).

Special Resolution 12: Authority to Allot Shares is a Special Resolution which seeks renewal of the current authority to allot equity securities pursuant to a rights issue or to issue up to 10% of the issued ordinary share capital otherwise than in connection with a rights issue, dis-applying pre-emption rights. This will allow shares to be issued to new shareholders, within the prescribed limits, without having to be offered to existing shareholders first, thus broadening the shareholder



## DIRECTORS' REPORT / CONTINUED

base of the Company. The Directors will not dilute the interests of existing shareholders by using the authority to issue shares at a price which is less than the Net Asset Value (calculated with debt at fair value) of the existing shares in issue at that time. These authorities will expire at the next AGM of the Company or fifteen months after the passing of the resolutions, whichever is the earlier.

**Special Resolution 13: Authority to Buy Back Shares.** This resolution seeks to renew the Directors' authority to purchase up to 14.99% of the Company's issued share capital, this being 29,330,443 ordinary shares as at 22 May 2024, (being the last practicable day prior to the publication of this Notice). The authority will expire at the Company's next AGM or 15 months following the passing of this resolution, if earlier. The principal purpose of share buy-backs is to enhance the net asset value for remaining shareholders and purchases will only be made if they do so.

In accordance with the UK Listing Rules, the maximum price which may be paid for a share must not be more than the higher of:

- (i) 5% above the average of the mid-market values of the shares for the five business days before the purchase is made; and
- (ii) the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price which may be paid will be 25p per share, this being the nominal value of a share. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The Company will finance the purchase of ordinary shares by using its existing cash balance or borrowing facilities or by selling securities in the Company's portfolio.

The Directors hold repurchased shares in treasury with a view to possible resale.

**Special Resolution 14: Shareholder approval to adopt new Articles of Association (the 'New Articles')** in order to update the Company's current Articles of Association ('the Existing Articles').

The proposed amendments being introduced in the New Articles are driven by a desire to modernise the Company's approach to shareholder dormancy and are summarised below:

- reducing the period during which dividends must be unclaimed before they are forfeited from twelve (12) years to eight (8) years;
- reducing the period before which shareholders who have not claimed or cashed dividends forfeit their shares from twelve (12) years to eight (8) years;
- removing the requirement to advertise in leading newspapers when dealing with untraced shareholders,

and permit the Company to engage a professional asset reunification company or other tracing agent to locate untraced shareholders;

- permit the Company to apply the proceeds of sale of shares of untraced shareholders that have been forfeited to charitable or good causes that the Board may decide;
- updating the provisions dealing with how dividends are paid, which will facilitate the removal of cheque as a method to pay dividends over time; and
- minor updating changes, including to execution of documents electronically and explicitly providing for directors' meetings by video or similar form of communication.

A copy of the New Articles, together with a blackline showing amendments from the Existing Articles, will be available for inspection on the Company's website at [www.edinburgh-investment-trust.co.uk/results-news-and-documents](http://www.edinburgh-investment-trust.co.uk/results-news-and-documents) and on the national storage mechanism, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM, being the Balmoral Hotel in Edinburgh, from 15 minutes before and up until the close of the AGM.

**Special Resolution 15: Notice Period for General Meetings.** The Shareholder Rights Directive increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice.

A shareholders' resolution is required to ensure that the Company's general meetings (other than Annual General Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 15 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice. It is intended that this flexibility will be used only where the Board believes it is in the best interests of shareholders as a whole, and an explanation will be provided.

The Directors have carefully considered all the resolutions proposed in the Notice of the AGM and, in their opinion, consider them all to be in the best interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution as they intend to do in respect of their own beneficial holdings.

By order of the Board

**NSM FUNDS (UK) LIMITED**

COMPANY SECRETARY / 24 MAY 2024

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE PREPARATION OF THE ANNUAL FINANCIAL REPORT

The Directors are responsible for preparing the annual financial report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, which is maintained by the Company's Manager. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or 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.

We consider the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board of Directors

**ELISABETH STHEEMAN**

CHAIR

24 MAY 2024

# DIRECTORS' REMUNERATION REPORT

## FOR THE YEAR ENDED 31 MARCH 2024

This report has been prepared under the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 51 to 57.

### REMUNERATION RESPONSIBILITIES

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and they all participate in meetings of the Board at which Directors' remuneration is considered.

### DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy (the 'Policy') is put before shareholders for approval every three years and was approved by shareholders at the AGM on 21 July 2022 and became effective on that date.

The policy is that the remuneration of Directors should be fair and reasonable in relation to that of other investment trusts and to the time commitment and responsibilities undertaken. It should also be reviewed relative to movements in the Consumer Price Index and be sufficient and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board but not be more than necessary for the purpose; and take into consideration any committee memberships and chairing duties.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association ('Articles'). The maximum currently is £250,000 in aggregate per annum. The remuneration of the Directors is approved by the Board under The Matters Reserved for the Board document, which can be found, together with the Company's Articles or Association, in section Insights and Literature on the Company's website at [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk)

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. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in the performance of their duties. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director.

The level of Directors' remuneration is reviewed annually, although such review will not automatically result in any changes. This Directors' Remuneration Policy will apply to any new directors, who will be paid the appropriate fee based on the Directors' fees level in place at the date of appointment. The Board will consider, where raised, shareholders' views on Directors' remuneration.

The Board may amend the level of remuneration paid to Directors within the parameters of the Directors' Remuneration Policy. This Directors' Remuneration Policy is the same as that currently followed by the Board as disclosed in last year's Directors' Remuneration Report.

The Company has no employees and consequently has no policy on the remuneration of employees.

### ANNUAL STATEMENT ON DIRECTORS' REMUNERATION

For the year ended 31 March 2024, fees paid to the Directors per annum were:

Role	Current fee from 1 April 2023 £	Previous fee before 1 April 2023 £	Percentage increase during the year %
Chair	47,100	44,000	7.05%
Senior Independent Director	33,800	31,500	7.30%
Audit Committee Chair	37,500	35,000	7.14%
Director	30,500	28,500	7.02%

The Board carried out a review of Directors' annual fees during the year with regard to the latest inflation rates, measured by the increase in the Consumer Prices Index, and taking into account peer group comparisons by sector and market capitalisation. Following this review and taking into consideration that remuneration had not been increased for a period of two years, it was agreed that annual fees would be increased by 7% (rounded up to the next £100). The Board believes that the level of increase and resulting fees appropriately reflects prevailing market rates for an investment trust of the Company's size, the increasing complexity of regulation and resultant time spent by the Directors on Company matters, and will also enable the Company to attract appropriately experienced additional Directors in the future. Due to the size and nature of the Company, it was not deemed necessary to use a remuneration consultant although the Board did review independent peer group information on Directors' fees and took this into account in its deliberations.

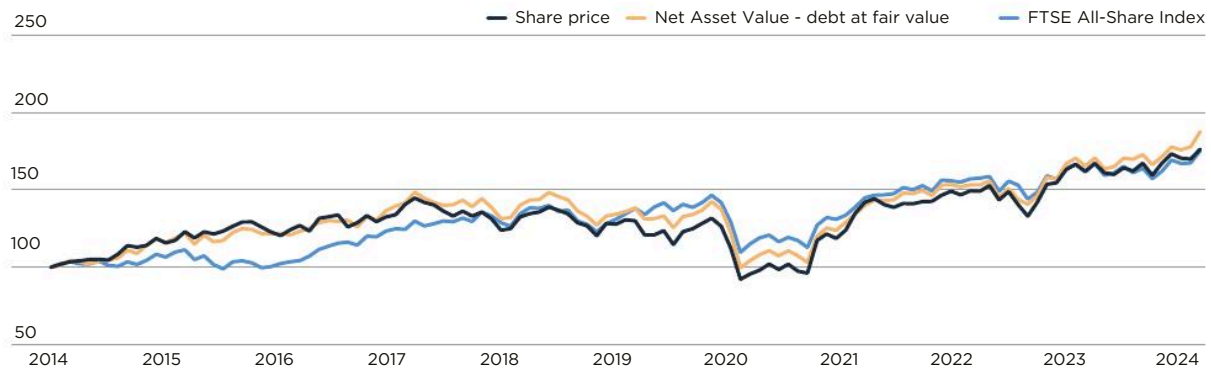
## REMUNERATION FOR THE YEAR ENDED 31 MARCH 2024

### THE COMPANY'S PERFORMANCE

The following graph plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the ten years to 31 March 2024. This index is the benchmark adopted by the Company for comparison purposes.

#### Total Returns Over Ten Years

Rebased to 100 at 31 March 2014



Source: LSEG Data & Analytics.

Figures have been rebased to 100 at 31 March 2014

#### SINGLE TOTAL FIGURE OF REMUNERATION FOR THE YEAR (AUDITED)

The single total figure of remuneration for each Director is detailed below, together with the prior year comparative:

	Year ended 31 March 2024			Year ended 31 March 2023		
	Fees £	Taxable Benefits <sup>(1)</sup> £	Total £	Fees £	Taxable Benefits <sup>(1)</sup> £	Total £
Elisabeth Stheeman	47,100	1,448	48,548	40,063	901	40,964
Steve Baldwin	37,500	240	37,740	35,000	785	35,785
Patrick Edwardson	30,500	1,039	31,539	28,500	1,620	30,120
Aidan Lisser	32,867	740	33,607	24,140	741	24,881
Annabel Tagoe-Bannerman (Appointed 7 February 2023)	30,500	255	30,755	4,421	-	4,421
Vicky Hastings (retired 19 July 2023)	9,493	-	9,493	31,500	465	31,965
<b>Total</b>	<b>187,960</b>	<b>3,722</b>	<b>191,682</b>	<b>163,624</b>	<b>4,512</b>	<b>168,136</b>

<sup>(1)</sup> Taxable benefits relate to grossed up costs of travel.

## DIRECTORS' REMUNERATION REPORT / CONTINUED

In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, this table has been included to show the annual percentage change over the preceding financial year by comparison to the current financial year in respect of each Director. The Board will publish this annual percentage change cumulatively each year going forward until there is an annual percentage change over the five financial years preceding the relevant financial year in accordance with the new regulation. These fees exclude taxable benefits which could vary substantially as they reflect expenses incurred whilst carrying out the Board's duties.

The single total figure of remuneration for each Director is detailed below, with year on year changes since year ended 31 March 2021

			Year ended 31 March 2024		Year ended 31 March 2023		Year ended 31 March 2022		Year ended 31 March 2021
Non-executive directors		Fees £	Benefits £	Fees £	Benefits £	Fees £	Benefits £	Fees £	Benefits £
Elisabeth Stheeman (Chair from 21 July 2022)	Total	47,100	1,448	40,063	901	27,167	228	24,967	0
	% change	18%	60%	47%	295%	9%	-%	20%	-%
Steve Baldwin	Total	37,500	240	35,000	785	31,720	0	24,967	0
	% change	7%	(69)%	10%	-%	27%	-%	3%	-%
Patrick Edwardson	Total	30,500	1,039	28,500	1,620	27,167	1,226	3,515	-
	% change	7%	(35)%	5%	32%	673%	-%	-%	-%
Aidan Lisser (appointed 27 May 2022)	Total	32,867	740	24,140	741	-	-	-	-
	% change	36%	0%	-%	-%	-%	-%	-%	-%
Annabel Tagoe- Bannerman (appointed 7 February 2023)	Total	30,500	255	4,421	-	-	-	-	-
	% change	590%	-%	-%	-%	-%	-%	-%	-%
Vicky Hastings <sup>(1)</sup> (retired 19 July 2023)	Total	9,493	-	31,500	465	30,667	320	33,416	0
	% change	-%	-%	3%	45%	(8)%	-%	26%	-%
Former directors									
Glen Suarez (retired 21 July 2022)	Total	-	-	14,307	6,819	44,000	4,887	44,000	0
	% change	-%	-%	(67)%	40%	0%	-%	0%	(100)%
Gordon McQueen (retired 22 July 2021)	Total	-	-	-	-	10,239	289	31,000	0
	% change	-%	-%	-%	-%	(67)%	-%	3%	(100)%
Maxwell Ward (retired 22 July 2021)	Total	-	-	-	-	8,222	0	24,967	0
	% change	-%	-%	-%	-%	(67)%	-%	3%	(100)%
Total		187,960	3,722	177,931	11,331	179,182	6,950	186,832	-
Total % change		5%	(204)%	(1)%	63%	(4)%	-%	5%	-%

## Notes

(1) In 2021 Vicky Hastings received a one-off discretionary payment of £5,000 in recognition of her work on the change of manager in the previous year.



**DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)**

Save as here stated, no Director had any interests, beneficial or otherwise, in the ordinary shares of the Company during the year. No changes to these holdings have been notified since the year end. No connected person interests have been notified.

Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set. The beneficial interests of the Directors in the ordinary share capital of the Company are set out below:

	31 March 2024	31 March 2023
Elisabeth Stheeman	14,163	8,950
Vicky Hastings <sup>2</sup>	9,000	9,000
Steve Baldwin	-	-
Patrick Edwardson <sup>1</sup>	60,000	60,000
Aidan Lisser	5,440	3,900
Annabel Tagoe-Bannerman	732	-

<sup>1</sup> Patrick Edwardson's holding includes 13,000 shares which are being held by a connected person.

<sup>2</sup> Retired 19 July 2023

**RELATIVE IMPORTANCE OF SPEND ON PAY**

The following table compares the remuneration paid to the non-executive Directors with aggregate distributions to shareholders in respect of the year to 31 March 2024 and the prior year:

	2024 £'000	2023 £'000	Change £'000
Aggregate Directors' Remuneration	168*	189	(21)
Aggregate Shareholder Distributions	41,797	43,626	(1,829)

\* This is different from the remuneration table on page 47 by £20,000 (2023: (£26,000) due to over/(under) accruals brought forward.

**VOTING AT LAST ANNUAL GENERAL MEETING**

At the Annual General Meeting of the Company held on 19 July 2023 a resolution approving the Chair's Annual Statement and Report on Remuneration was passed. The votes cast (including votes cast at the Chair's discretion) were as follows.

	Number of Votes For	%	Number of Votes Against	%	Number of Votes Withheld
Annual Statement and Report on Remuneration	47,343,454	99.59%	194,020	0.41%	119,752

**APPROVAL**

This Directors' Remuneration Report was approved by the Board of Directors on 24 May 2024.

**ELISABETH STHEEMAN**

CHAIR

24 MAY 2024

Signed on behalf of the Board of Directors



# FINANCIAL REVIEW





# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF THE EDINBURGH INVESTMENT TRUST PLC

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

In our opinion, The Edinburgh Investment Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Financial Report (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2024; the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

#### BASIS FOR OPINION

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

#### Independence

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

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

We have provided no non-audit services to the Company in the period under audit.

#### OUR AUDIT APPROACH

##### Context

The Company is a standalone Investment Trust Company and engages Liontrust Fund Partners LLP (the "Manager") to manage its assets.

##### Overview

##### Audit scope

- We conducted our audit of the financial statements using information from The Bank of New York Mellon (International) Limited (the "Administrator" and the "Custodian") and NSM Funds (UK) Limited (the "Company Secretary") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.

##### Key audit matters

- Valuation and existence of investments.
- Accuracy, completeness and occurrence of income.

##### Materiality

- Overall materiality: £11,350,470 (2023: £11,392,000) based on 1% of Net Assets.
- Performance materiality: £8,512,853 (2023: £8,544,000).

## INDEPENDENT AUDITOR'S REPORT / CONTINUED

**The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

**Key audit matters**

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of investments</b>  <i>Refer to the Audit Committee Report, Accounting policies and Notes to the Financial Statements.</i></p> <p>The investment portfolio at the year end comprised quoted equity investments valued at £1,207 million.</p> <p>We focused on the valuation and existence of listed investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet (Note 9).</p>	<p>We tested the valuation of all of the investments by agreeing the valuation to independent third party sources; and</p> <p>We tested the existence all of the quoted equity investment portfolio by agreeing investment holdings to an independent custodian confirmation.</p> <p>No material misstatements were identified from this testing.</p>
<p><b>Accuracy, completeness and occurrence of income</b>  <i>Refer to the Report of the Audit Committee, Accounting policies and Notes to the Financial Statements (Note 2).</i></p> <p>We focused on the accuracy, completeness and occurrence of investment income as incomplete or inaccurate income could have a material impact on the Company's net asset value.</p> <p>We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Income Statement for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"), as incorrect application could indicate a misstatement in income recognition.</p>	<p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy.</p> <p>We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data.</p> <p>To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market for investment holdings had been recorded.</p> <p>We tested occurrence by tracing a sample of dividends received to bank statements.</p> <p>For special dividends, we assessed the appropriateness of the classification of special dividends as revenue or capital by the Directors with reference to publicly available information.</p> <p>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions.</p> <p>No material misstatements were identified from this testing.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records. We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant controls reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

### The impact of climate risk on our audit

In conducting our audit, we made enquiries of the Directors and the Portfolio Manager to understand the extent of the potential impact of climate change risk on the Company's financial statements. The Directors and Portfolio Manager concluded that the impact on the measurement and disclosures within the financial statements is not material because the majority of the Company's investment portfolio is made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities. We also considered the consistency of the climate change disclosures included in the Strategic Report and Portfolio Manager's Report with the financial statements and our knowledge from our audit.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

<b>Overall Company materiality</b>	£11,350,470 (2023: £11,392,000).
<b>How we determined it</b>	1% of Net Assets
<b>Rationale for benchmark applied</b>	We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £8,512,853 (2023: £8,544,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £567,524 (2023: £569,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



## INDEPENDENT AUDITOR'S REPORT / CONTINUED

**CONCLUSIONS RELATING TO GOING CONCERN**

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats,
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers;
- assessing the premium/discount the Company's share price trades as compared to the net asset value per share; and
- assessing the implication of significant reductions in NAV as a result of market performance on the ongoing ability of the Company to operate.

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 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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have 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.

**REPORTING ON OTHER INFORMATION**

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report 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 Directors' Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statements 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. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

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 and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, 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 and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## INDEPENDENT AUDITOR'S REPORT / CONTINUED

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT****Responsibilities of the Directors for the financial statements**

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

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

**Auditors' responsibilities for the audit of the financial statements**

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

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Chapter 4 of Part 24 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding the controls implemented by Liontrust Fund Partners LLP (the "Manager") and The Bank of New York Mellon (International) Limited (the "Administrator" and "Custodian") designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of Chapter 4 of Part 24 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- Identifying and testing journal entries, in particular year end journal entries posted by the Administrator during the preparation of the financial statements;
- Reviewing relevant meeting minutes, including those of the Audit Committee; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

**Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**OTHER REQUIRED REPORTING****Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

**Appointment**

Following the recommendation of the Audit Committee, we were appointed by the Directors on 25 July 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2020 to 31 March 2024.

Jeremy Jensen (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

24 May 2024

# INCOME STATEMENT

## FOR THE YEAR ENDED 31 MARCH

	Notes	Revenue £'000	2024 Capital £'000	Total £'000	Revenue £'000	2023 Capital £'000	Total £'000
Gains on investments held at fair value	9(b)	-	99,095	99,095	-	6,023	6,023
Losses on foreign exchange		-	(41)	(41)	-	(191)	(191)
Income	2	42,095	-	42,095	48,998	-	48,998
Investment management fee	3	(1,493)	(3,483)	(4,976)	(1,492)	(3,482)	(4,974)
Other expenses	4	(1,179)	(14)	(1,193)	(1,092)	(7)	(1,099)
<b>Net return before finance costs and taxation</b>		39,423	95,557	134,980	46,414	2,343	48,757
Finance costs	5	(888)	(2,071)	(2,959)	(1,718)	(4,015)	(5,733)
<b>Return/(loss) on ordinary activities before taxation</b>		38,535	93,486	132,021	44,696	(1,672)	43,024
Tax on ordinary activities	6	(316)	-	(316)	(781)	-	(781)
<b>Return/(loss) on ordinary activities after taxation for the financial year</b>		38,219	93,486	131,705	43,915	(1,672)	42,243
<b>Return/(loss) per ordinary share:</b>							
Basic and diluted	7	23.93p	58.55p	82.48p	25.99p	(0.99)p	25.00p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return after taxation is the total comprehensive income and therefore no additional statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

The accompanying notes are an integral part of these financial statements.



## BALANCE SHEET

AT 31 MARCH

	Notes	2024 £'000	2023 £'000
<b>Non current assets</b>			
Investments held at fair value	9(a)	1,206,563	1,226,649
<b>Current assets</b>			
Debtors	10	19,878	12,392
Cash and cash equivalents		36,314	22,362
<b>Total assets</b>		1,262,755	1,261,403
<b>Non current liabilities</b>			
Unsecured Senior Loan Notes	12	(120,000)	(120,000)
<b>Current liabilities</b>			
Other payables	11	(7,708)	(2,059)
<b>Total assets less current liabilities</b>		1,255,047	1,259,344
<b>Total liabilities</b>		(127,708)	(122,059)
<b>Net assets</b>		1,135,047	1,139,344
<b>Equity</b>			
Called up share capital	13	48,917	48,917
Share premium account	14	10,394	10,394
Capital redemption reserve	14	24,676	24,676
Capital reserve	14	1,004,498	1,003,989
Revenue reserve	14	46,562	51,368
<b>Total equity</b>		1,135,047	1,139,344
Net asset value per ordinary share:			
Basic and diluted - debt at par value	15	749.25p	688.52p
Basic and diluted - debt at fair value	15	779.97p	713.75p

The financial statements on pages 58 to 76 were approved and authorised for issue by the Board of Directors on 24 May 2024.

**ELISABETH STHEEMAN**

CHAIR

Signed on behalf of the Board of Directors

Company Number SC001836

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 MARCH

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve <sup>1</sup> £'000	Revenue Reserve <sup>1</sup> £'000	Total £'000
At 1 April 2022		48,917	10,394	24,676	1,041,086	50,764	1,175,837
(Loss)/return on ordinary activities		-	-	-	(1,672)	43,915	42,243
Dividends paid	8	-	-	-	-	(43,311)	(43,311)
Shares bought back and held in treasury <sup>2</sup>	13	-	-	-	(35,425)	-	(35,425)
At 31 March 2023		48,917	10,394	24,676	1,003,989	51,368	1,139,344
Return on ordinary activities		-	-	-	93,486	38,219	131,705
Dividends paid	8	-	-	-	-	(43,025)	(43,025)
Shares bought back and held in treasury <sup>2</sup>	13	-	-	-	(92,977)	-	(92,977)
At 31 March 2024		48,917	10,394	24,676	1,004,498	46,562	1,135,047

<sup>1</sup> The revenue reserve and certain amounts of the capital reserve are distributable by way of dividend.

<sup>2</sup> Shares bought back and held in treasury includes transaction costs.

The accompanying notes are an integral part of these financial statements.

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH

	Notes	2024 £'000	2023 £'000
<b>Cash flow from operating activities</b>			
Net return before finance costs and taxation		134,980	48,757
Tax on overseas income	6	(316)	(781)
Adjustments for:			
Purchase of investments		(329,331)	(254,040)
Sale of investments		444,660	251,961
Gains on investments held at fair value		(99,095)	(6,023)
Decrease/(increase) in debtors		2,280	(2,706)
(Decrease)/increase in creditors		(2,211)	37
<b>Net cash inflow from operating activities</b>		<b>150,967</b>	<b>37,205</b>
<b>Cash flow from financing activities</b>			
Interest paid on overdraft		(9)	(3)
Interest and commitment fees paid on bank facility		-	(12)
Interest paid on Unsecured Senior Loan Notes/debenture stocks		(2,093)	(4,372)
Issue of Unsecured Senior Loan Notes		-	100,000
Redemption of debenture loan stock		-	(100,000)
Shares bought back and held in treasury		(91,888)	(35,873)
Dividends paid	8	(43,025)	(43,311)
<b>Net cash outflow from financing activities</b>		<b>(137,015)</b>	<b>(83,571)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,952</b>	<b>(46,366)</b>
Cash and cash equivalents at start of the year		22,362	68,728
<b>Cash and cash equivalents at the end of the year</b>		<b>36,314</b>	<b>22,362</b>
<b>Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:</b>			
Cash held at custodian		2,768	1,093
Goldman Sachs Liquidity Reserve International Fund - Money Market Fund		33,546	21,269
<b>Cash and cash equivalents</b>		<b>36,314</b>	<b>22,362</b>
<b>Cash flow from operating activities includes:</b>			
Dividends received		43,681	45,820
Interest received		11	6

	At 1 April 2023 £'000	Cash flow £'000	Non-cash movement £'000	At 31 March 2024 £'000
<b>Reconciliation of net debt</b>				
Cash and cash equivalents	22,362	13,952	-	36,314
Unsecured Senior Loan Notes	(120,000)	-	-	(120,000)
<b>Total</b>	<b>(97,638)</b>	<b>13,952</b>	<b>-</b>	<b>(83,686)</b>

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. PRINCIPAL ACCOUNTING POLICIES

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year and the preceding year.

### A. Basis of Preparation

#### Accounting Standards Applied

The financial statements have been prepared in accordance with the Companies Act 2006, applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice (UK GAAP)) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies (SORP) in April 2021 (as amended in July 2022).

The financial statements are issued on a going concern basis. Details of the Directors' assessment of the going concern status of the Company, which considered the adequacy of the Company's resources are given on page 42.

As an investment fund the Company has the option not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all investments are highly liquid and are carried at market value, and where a Statement of Changes in Equity is provided: all of which are satisfied.

However the Directors' have elected to present a cash flow statement in the annual financial report to present additional relevant information to readers of the financial statements.

#### Significant Accounting Estimates, Assumptions and Judgements

The preparation of the financial statements may require the use of estimates, assumptions and judgements which may affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available the actual outcome may differ from these estimates. The Directors have applied their judgement for the allocation of the investment management fee and finance costs between capital and revenue in the income statement as set out in Note 1G and the treatment of special dividend income between capital and income, as set out in Note 1J. The Directors do not believe that these judgements nor any accounting estimates, assumptions or judgements that have been applied to the financial statements have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

### B. Foreign Currency and Segmental Reporting

#### (i) Functional and presentational currency

The financial statements are presented in sterling, which is the Company's functional and presentational currency and the currency in which the Company's share capital and expenses, as well as its assets and liabilities, are denominated.

#### (ii) Transactions and balances

Transactions in foreign currency, whether of a revenue or capital nature, are translated to sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses, whether realised or unrealised, are taken to the capital reserve or to the revenue account, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

#### (iii) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies quoted mainly on the UK or other recognised stock exchanges.

### C. Financial Instruments

The Company has chosen to apply Section 11 and 12 of FRS102 in full in respect of the financial instruments.

#### (i) Recognition of financial assets and financial liabilities

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

#### (ii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as an asset.

**(iii) Derecognition of financial liabilities**

The Company derecognises financial liabilities when its obligations are discharged, cancelled or have expired.

**(iv) Trade date accounting**

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

**(v) Classification and measurement of financial assets and financial liabilities****- Financial assets**

The Company's investments are classified as held at fair value through profit or loss.

Financial assets held at fair value through profit or loss are initially recognized as fair value, which is taken to be their acquisition price, with transaction costs expensed in the income statement. These are subsequently valued at fair value.

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. Fair value for investments that are actively traded but where active stock exchange quoted bid prices are not available is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Unquoted, unlisted or illiquid investments are valued by the Directors at fair value using a variety of valuation techniques including earnings multiples, recent transactions and other market indicators, cash flows and net assets.

**- Financial liabilities**

Financial liabilities, including borrowings, are initially measured at transaction price, being the fair value. For liabilities issued at a discount or with significant associated transaction costs, such discount and costs are subsequently measured at amortised cost using the effective interest method.

**D. Cash and Cash Equivalents**

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: short term in duration (typically three months or less from the date of acquisition), highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond.

**E. Hedging**

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are recognised in the income statement and taken to capital reserves.

**F. Income**

Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital in the income statement.

Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

**G. Expenses and Finance Costs**

Expenses are recognised on an accruals basis and finance costs are recognised using the effective interest method in the income statement.

The investment management fee and finance costs are allocated 70% to capital and 30% to revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the portfolio. Transaction costs are recognised as capital in the income statement. All other expenses are allocated to revenue in the income statement.

**H. Taxation**

The liability to corporation tax is based on net revenue for the year, excluding non-taxable dividends. The tax charge is allocated between the revenue and capital account on the marginal basis whereby revenue expenses are matched first against taxable income in the revenue account.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have



## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the Directors, it is more likely than not that these amounts will be realised in future periods.

A deferred tax asset is only recognised in respect of surplus management expenses, losses on loan relationships and eligible unrelieved foreign tax to the extent that it is probable that the Company will be able to recover them from future taxable revenue.

#### I. Dividends payable

Dividends are not recognised in the financial statements unless there is an obligation to pay at the balance sheet date. Proposed dividends are recognised in the year in which they are paid to shareholders.

#### J. Critical accounting estimates and judgements

No critical accounting judgements or estimates were made during the year.

#### K. Accounting for reserves

The share premium comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 25 pence and any applicable issue costs. The capital redemption reserve maintains the equity share capital of the Company and arose from the nominal value of any shares bought back and cancelled; both are non-distributable.

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date. It also includes cumulative realised gains/(losses) and costs related to share buybacks. Capital investment gains and losses are shown in note 9(b) and form part of the capital reserve.

The revenue reserve shows the net revenue retained after payment of any dividends. The revenue reserve and certain amounts of the capital reserve are distributable by way of dividend.

#### L. Shares repurchased and held in treasury

The cost of repurchasing ordinary shares (for cancellation or to hold in treasury) including the related stamp duty and transaction cost is charged to the capital reserve and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares are cancelled (or are subsequently cancelled having previously been held in treasury), the nominal value of those shares is transferred out of Called up share capital and into the Capital redemption reserve. Should shares held in treasury be reissued, the sales proceeds will be treated as a realised capital profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to Share premium.

## 2. INCOME

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

	2024 £'000	2023 £'000
<b>Income from investments:</b>		
UK zero coupon bond income	-	148
UK dividends	35,857	35,807
UK special dividends	2,095	6,999
Overseas dividends	2,789	5,287
Overseas special dividends	318	358
Interest from money market funds	1,025	393
	42,084	48,992
<b>Other income:</b>		
Deposit interest	11	6
	11	6
<b>Total income</b>	<b>42,095</b>	<b>48,998</b>

Special dividends of £2,251,000 were recognised in capital during the year (2023: nil).

### 3. INVESTMENT MANAGEMENT FEE

This note shows the fee due to the Manager. This is calculated and paid monthly.

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,493	3,483	4,976	1,492	3,482	4,974

Details of the investment management and secretarial agreement is disclosed on page 42 in the Directors' Report.

At 31 March 2024, investment management fees of £411,000 (2023: £429,000) were accrued.

### 4. OTHER EXPENSES

The other expenses<sup>(i)</sup> of the Company are presented below, those paid to the Directors and the auditors are separately identified.

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Other expenses</b>	1,182	14	1,196	1,092	7	1,099
Other expenses include the following:						
Directors' remuneration <sup>(ii)</sup>	168	-	168	189	-	189
Auditors' fees <sup>(iii)</sup> :						
- for audit of the Company's annual financial statements	51	-	51	48	-	48

The maximum Directors' fees authorised by the Articles of Association are £250,000 per annum.

I. Other expenses include:

- £300 (2023: £18,000) of employer's National Insurance payable on Directors' remuneration. This has been reduced from the previous year due to the release of prior years' accruals in the current period. As at 31 March 2024, the amounts outstanding on Directors' remuneration and employer's National Insurance was £nil (2023: £64,000); and
- custodian transaction charges of £14,000 (2023: £7,000). These are charged to capital.

II. There were six directors for a period during the year and the Directors' Remuneration Report on page 46 provides further information on Directors' fees

III. Auditors' fees include expenses but exclude VAT.

## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

**5. FINANCE COSTS**

Finance costs arise on any borrowing facilities the Company has used. Borrowing facilities are the £120m (2023 £120m notes). Please see Note 12 for additional details of the terms.

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on borrowings repayable not by instalment:						
- Commitment fees due on loan facility	-	-	-	4	8	12
- Interest on overdraft facility	3	6	9	1	2	3
- Debenture stock repayable within 1 year	-	-	-	1,235	2,883	4,118
- Unsecured Senior Loan Notes repayable after 5 years	885	2,065	2,950	442	1,032	1,474
Amortised debenture stock discount and issue costs	-	-	-	36	90	126
	888	2,071	2,959	1,718	4,015	5,733

**6. TAXATION**

As an investment trust the Company pays no tax on capital gains. As the Company invests principally in UK equities, it has little overseas tax and the overseas tax charge is the result of withholding tax deducted at source. This note also clarifies the basis for the Company having no deferred tax asset or liability.

**(a) Tax charge**

	2024 £'000	2023 £'000
Overseas taxation	316	781

**(b) Reconciliation of tax charge**

	2024 £'000	2023 £'000
Return before taxation	132,021	43,024
Theoretical tax at the current UK Corporation Tax rate of 25% (2023: 19%)	33,005	8,175
Effects of:		
- Non-taxable UK dividends	(8,929)	(6,803)
- Non-taxable UK special dividends	(603)	(1,398)
- Non-taxable overseas dividends	(706)	(982)
- Non-taxable gains on investments	(24,773)	(1,145)
- Non-taxable losses on foreign exchange	10	36
- Excess of allowable expenses over taxable income	1,993	2,116
- Disallowable expenses	3	1
- Overseas taxation	316	781
<b>Tax charge for the year</b>	<b>316</b>	<b>781</b>

**(c) Deferred tax**

Owing to the Company's status as an investment company, and the Directors' intention that it continues to meet the conditions required to maintain that approval in the foreseeable future, no deferred tax has been provided on any capital gains and losses arising on the revaluation or disposal of investments.

**(d) Factors that may affect future tax changes**

The Company has cumulative excess management expenses of £510,654,000 (2023: £502,750,000 ) that are available to offset future taxable revenue. A deferred tax asset of £127,663,574 (2023: £125,687,483) at 25% (2023: 25%) has not been recognised in respect of these expenses since the Directors believe that there will be no taxable profits in the future against which deferred tax assets can be offset.

**7. RETURN PER ORDINARY SHARE**

Return per share is the amount of gain generated for the financial year divided by the weighted average number of ordinary shares in issue.

The basic revenue, capital and total return per ordinary share is based on each of the returns/loss after taxation and on 159,690,463 (2023: 168,985,796) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

**8. DIVIDENDS ON ORDINARY SHARES**

Dividends represent the distribution of income to shareholders. The Company pays four dividends a year – three interim and one final dividend.

	2024		2023	
	pence	£'000	pence	£'000
Dividends paid and recognised in the year:				
- third interim paid in respect of previous year	6.70	11,050	6.40	10,934
- final paid in respect of previous year	6.70	11,036	6.40	10,925
- first interim paid	6.70	10,622	6.40	10,783
- second interim paid	6.70	10,317	6.40	10,669
	26.80	43,025	25.60	43,311
	2024		2023	
	pence	£'000	pence	£'000
Dividends payable in respect of the year:				
- first interim	6.70	10,622	6.40	10,783
- second interim	6.70	10,317	6.40	10,669
- third interim	6.90	10,429	6.70	11,087
- proposed final	6.90	10,429	6.70	11,087
	27.20	41,797	26.20	43,626

The proposed final dividend is subject to approval by ordinary shareholders at the AGM.

## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

**9. INVESTMENTS HELD AT FAIR VALUE**

The portfolio comprises investments which are principally listed on a regulated stock exchange or traded on AIM. A very small proportion of investments are valued by the Directors as they are unlisted.

**Gains or losses are either:**

- realised, usually arising when investments are sold; or
- unrealised, being the difference from cost on those investments still held at the year end.

**(a) Analysis of investments by listing status**

	<b>2024 £'000</b>	<b>2023 £'000</b>
Investments listed on a recognised investment exchange	1,206,563	1,226,649

**(b) Analysis of investment gains:**

	<b>2024 £'000</b>	<b>2023 £'000</b>
Opening book cost	1,040,163	1,048,510
Opening investment holding gains	186,486	170,215
Opening fair value	1,226,649	1,218,725
Movements in year:		
Purchases at cost	335,245	252,724
Sales - proceeds	(454,426)	(250,823)
Gains on investments in the year	99,095	6,023
<b>Closing fair value</b>	<b>1,206,563</b>	<b>1,226,649</b>
Closing book cost	976,923	1,040,163
Closing investment holding gains	229,640	186,486
<b>Closing fair value</b>	<b>1,206,563</b>	<b>1,226,649</b>

The Company received £454,426,000 (2023: £250,823,000) from investments sold in the year. The book cost of these investments when they were purchased was £398,434,000 (2023: £261,072,000) realising a gain of £55,992,000 (2023: loss of £10,249,000). These investments have been revalued over time and until they were sold any unrealised profits/losses were included in the fair value of the investments.

The transaction costs included in gains on investments amount to £1,642,000 (2023: £1,162,000) on purchases and £222,000 (2023: £99,000) for sales.

**10. DEBTORS**

Debtors are amounts which are due to the Company, such as monies due from brokers for investments sold and income which has been earned (accrued) but not yet received.

	<b>2024 £'000</b>	<b>2023 £'000</b>
Amounts due from brokers	9,766	-
Overseas withholding tax recoverable	2,229	2,316
Income tax recoverable	28	-
Prepayments and accrued income	7,855	10,076
	<b>19,878</b>	<b>12,392</b>



## 11. OTHER PAYABLES

Creditors are amounts which must be paid by the Company and are split between those payable within 12 months of the balance sheet date and those payable after that time. The main creditors have historically been the long term debt and bank borrowings. The other creditors include any amounts due to brokers for the purchase of investments, amounts owing on share buy backs awaiting settlement or amounts owed to suppliers (accruals) such as the Manager and auditors.

	2024 £'000	2023 £'000
Amounts due to brokers	5,914	-
Share buybacks awaiting settlement	1,098	-
Accruals and deferred income	696	2,059
	7,708	2,059

## 12. UNSECURED SENIOR LOAN NOTES

These creditors are amounts that must be paid, as shown by note 11, but are due more than one year after the balance sheet date.

	2024 £'000	2023 £'000
Unsecured Senior Loan Notes – 2.26% interest rate, maturity 30 September 2037	35,000	35,000
Unsecured Senior Loan Notes – 2.49% interest rate, maturity 30 September 2047	35,000	35,000
Unsecured Senior Loan Notes – 2.53% interest rate, maturity 30 September 2051	20,000	20,000
Unsecured Senior Loan Notes – 2.53% interest rate, maturity 30 September 2057	30,000	30,000
	120,000	120,000

The Unsecured Senior Loan Notes comprise four separate notes. As shown above, each has a fixed interest rate and contracted maturity date when the par value must be repaid. Interest is payable on a semi-annual basis, with equal amounts payable on each of 31 March and 30 September each year. These notes require the net assets of the Company to remain not less than £300m and net debt to remain less than 35% of net assets. This requirement was met throughout the year.

## 13. CALLED UP SHARE CAPITAL

Share capital represents the total number of shares in issue, including treasury shares.

	2024 £'000	2023 £'000
Share capital:		
Ordinary shares of 25 pence each	37,873	41,369
Treasury shares of 25 pence each	11,044	7,548
	48,917	48,917

## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

	2024	2023
Number of ordinary shares in issue:		
Brought forward	165,476,525	171,078,129
Shares bought back and held in treasury	(13,985,000)	(5,601,604)
Carried forward	151,491,525	165,476,525
Number of shares held in treasury:		
Brought forward	30,190,209	24,588,605
Shares bought back into treasury	13,985,000	5,601,604
Carried forward	44,175,209	30,190,209
<b>Total ordinary shares</b>	<b>195,666,734</b>	<b>195,666,734</b>

During the year the Company bought back, into treasury 13,985,000 (2023: 5,601,604) ordinary shares at an average price of 664.84p (2023: 632.40p) (including costs).

Since the year end to 22 May 2024, (being the last practicable day prior to the publication of this report), 640,000 shares have been bought back into treasury. Note 1L on page 64 explains the policy on the transaction costs related to the shares repurchased and held in treasury.

The Directors' Report on pages 42 and 43 sets out the Company's share capital structure, restrictions and voting rights.

#### 14. RESERVES

This note explains the different reserves attributable to shareholders. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The share premium comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 25 pence and any applicable issue costs. The capital redemption reserve maintains the equity share capital of the Company and arose from the nominal value of any shares bought back and cancelled; both are non-distributable.

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date. It also includes cumulative realised gains/(losses) and costs related to share buybacks. Capital investment gains and losses are shown in note 9(b) and form part of the capital reserve.

The revenue reserve and certain amounts of the capital reserve are distributable by way of dividend.

#### 15. NET ASSET VALUE PER ORDINARY SHARE

The Company's total net assets (total assets less total liabilities) are often termed shareholders' funds and are converted into NAV per ordinary share by dividing by the number of shares in issue (excluding treasury shares).

#### NAV - debt at par value

The shareholders' funds in the balance sheet are accounted for in accordance with accounting standards.

	2024		2023	
	NAV per share pence	Shareholders' funds £'000	NAV per share pence	Shareholders' funds £'000
Shareholders' funds	749.25	1,135,047	688.52	1,139,344
<b>NAV - debt at par</b>	<b>749.25</b>	<b>1,135,047</b>	<b>688.52</b>	<b>1,139,344</b>

A reconciliation showing the NAV per share and Shareholders' funds using debt at fair value is shown in the Alternative Performance Measures on page 86.

## 16. RISK MANAGEMENT, FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise the Company's investment portfolio, derivative instruments (if any) as well as cash, and any borrowings, debtors and creditors. This note sets out the Company's financial instruments and the risks related to them.

### Financial instruments

The Company's financial instruments mainly comprise its investment portfolio (as shown on page 17), Unsecured Senior Loan Notes, a bank facility as well as its cash, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. For the purpose of this note 'cash' should be taken to comprise cash and cash equivalents as defined in note 1D. The accounting policies in note 1C include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The main financial risks that the Company faces from its financial instruments are market risk, liquidity risk, and credit risk. These are set out below:

**Market risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

- **Currency risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
- **Interest rate risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
- **Other price risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

**Liquidity risk** – arising from any difficulty in meeting obligations associated with financial liabilities.

**Credit risk** – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

### Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities and management of gearing of the Company as more fully described in the Directors' Report.

The Company invests in equities and other investments for the long-term so as to fulfil its investment policy (incorporating the Company's investment objective). In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. The associated risk management policies are summarised below and have remained substantially unchanged for the two years under review

#### 16.1 Market Risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk for the whole of the investment portfolio on an ongoing basis. The Board has meetings in each calendar quarter to assess risk and review investment performance, as disclosed in the Board Responsibilities on page 38. Any borrowing to gear the investment portfolio is used to enhance returns but also increases the Company's exposure to market risk and volatility. The Company has the ability to gear using its £120 million Unsecured Senior Loan Notes.

##### 16.1.1 Currency risk

The majority of the Company's assets and liabilities are denominated in sterling. There is some exposure to US dollar, Swiss franc and the Euro.

##### 16.1.2 Inflation risk

The Company has no assets or liabilities that have direct inflation link properties.

### Management of the currency risk

The Manager monitors the Company's direct exposure to foreign currencies on a daily basis and reports to the board on a regular basis. Forward currency contracts can be used to reduce the Company's exposure to foreign currencies arising naturally from the Manager's choice of securities. All contracts are limited to currencies and amounts commensurate with the assets denominated in currencies. No Forward currency contracts were used during the year (2023: none).

## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

The Company may invest up to 20% of the portfolio in securities listed on non-UK stock exchanges. At the year end holdings of non-UK securities total £74.3 million (2023: £93.8 million) representing 6.2% (2023: 7.7%) of the portfolio.

### Currency exposure

The fair values of the Company's monetary items that had a material currency exposure at 31 March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

Currency exposure	2024				2023			
	USD £'000	DKK £'000	CHF £'000	EUR £'000	USD £'000	DKK £'000	CHF £'000	EUR £'000
Foreign currency exposure on net monetary items	2,730	38	2,183	584	3,137	40	1,420	1,495
Investments at fair value through profit or loss that are equities	40,666	–	21,373	12,254	22,356	–	32,549	52,668
<b>Total net foreign currency exposure</b>	<b>43,396</b>	<b>38</b>	<b>23,556</b>	<b>12,838</b>	<b>25,493</b>	<b>40</b>	<b>33,969</b>	<b>54,163</b>

The above may not be representative of the exposure to risk during the year, because the levels of foreign currency exposure may change significantly throughout the year.

### Currency sensitivity

In respect of the Company's material direct foreign currency exposure to investments denominated in currencies, if sterling had weakened by 1.7% (2023: 3.9%) against the US dollar, 1.4% (2023: 3.5%) for the Swiss franc, 1.0% (2023: 2.0%) for the Euro, and for the Danish Krone, 1.0% (2023: 2.0%) during the year, the capital return and net assets of the Company would have increased for all currency exposures by £1.2 million (2023: £3.2 million). Conversely, if sterling had strengthened to the same extent for the currencies mentioned above, the capital return and net assets of the Company would have decreased by the same amount. The exchange rate variances noted above have been based on market volatility in the year, using the standard deviation of sterling's fluctuation to the applicable currency. This sensitivity takes no account of any impact on the market values of the Company's investments arising from the foreign currency mix of their respective revenues, expenses, assets and liabilities.

#### 16.1.3 Interest rate risk

Interest rate movements will affect the level of income receivable on cash deposits and money market funds, and the interest payable on variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate determined by the custodian, The Bank of New York Mellon (International) Limited.

The Company has Unsecured Senior Loan Notes of £120 million (2023: £120 million). The Unsecured Senior Loan Notes have a fixed interest rate which only exposes the Company to changes in market value in the event that the debt is repaid before maturity. Specifics of the Unsecured Senior Loan Notes are shown in Note 12. The details of their fair value and the affect on net asset value within the Net Asset Value (NAV) – Debt at Fair Value reconciliation within the Alternative Performance Measures on page 86.

The Company held no fixed income securities during the year (2023: two short-term zero coupon government bonds which matured during the financial year). As at 31 March 2024 no government bonds (2023: none) were recognised as a Cash and Cash Equivalent on the Balance Sheet.

### Interest rate exposure

At 31 March the exposure of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates (giving cash flow interest rate risk) – when the interest rate is due to be re-set; and
- fixed interest rates (giving fair value interest rate risk) – when the financial instrument is due for repayment.

	2024				2023			
	Within one year £'000	Between one and five years £'000	After five years £'000	Total £'000	Within one year £'000	Between one and five years £'000	After five years £'000	Total £'000
Exposure to floating interest rates:								
Cash and cash equivalents	36,314	-		36,314	22,488	-		22,488
Unsecured Senior Loan Notes - debt at par value	-	-	(120,000)	(120,000)	-	-	(120,000)	(120,000)
<b>Total exposure to interest rates</b>	<b>36,314</b>	<b>-</b>	<b>(120,000)</b>	<b>(83,686)</b>	<b>22,488</b>	<b>-</b>	<b>(120,000)</b>	<b>(97,512)</b>

#### 16.1.4 Other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, but it is the business of the Manager to manage the portfolio to achieve the best return that he can.

#### Management of the other price risks

The Directors manage the market price risks inherent in the investment portfolio by meeting regularly to monitor on a formal basis the Manager's compliance with the Company's stated objectives and policies, and to review investment performance.

The Company's portfolio is the result of the Manager's investment process and need not be highly correlated with the Company's benchmark or the market in which the Company invests. The value of the portfolio will not move in line with the market but will move as a result of the performance of the company shares within the portfolio.

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year and the net assets of the Company would decrease by £120.7 million (2023: £122.7 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax and the net assets of the Company would increase by the same amounts.

#### 16.2 Liquidity risk

Liquidity risk is minimised as the majority of the Company's investments constitute a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary.



## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

**Liquidity risk exposure**

The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
<b>2024</b>				
Unsecured Senior Loan Notes - debt at par value	-	-	120,000	120,000
Interest on Unsecured Senior Loan Notes	-	2,928	67,573	70,501
Amounts due to brokers	5,914	-	-	5,914
Share buybacks awaiting settlement	1,098	-	-	1,098
Accruals	696	-	-	696
	7,708	2,928	187,573	198,209

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
<b>2023</b>				
Unsecured Senior Loan Notes - debt at par value	-	-	120,000	120,000
Interest on Unsecured Senior Loan Notes	-	2,928	70,500	73,428
Accruals	2,059	-	-	2,059
	2,059	2,928	190,500	195,487

**16.3 Credit risk**

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. However, with the support of the depositary's restitution obligation the risk of outright credit loss on the investment portfolio is remote. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of 1% of net assets with any one deposit taker, with only approved deposit takers being used, and a maximum deposit of 6% of net assets in aggregate in liquidity funds with credit ratings of AAAm (or equivalent). These limits are at the discretion of the Board and are reviewed on a regular basis. The investment policy also allows for UK Government Treasuries to be held. Such holdings are recorded as cash equivalents if they meet the criteria set out in Note 1D on page 63.

**16.4 Custody risk**

All investment assets are held in custody by The Bank of New York Mellon (International) Limited in accounts segregated from the bank's own assets.

## 17. Classification Under Fair Value Hierarchy

The values of the financial assets and financial liabilities are carried either at their fair value (investments), or at a reasonable approximation of fair value (amounts due from brokers, dividends receivable, accrued income, amounts due to brokers, accruals, cash and any drawings on the bank facility).

### Fair Value Hierarchy Disclosures

All except two of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102 as amended for fair value hierarchy disclosures (March 16). The three levels set out in this follow.

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

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

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

The valuation techniques used by the Company are explained in the accounting policies note.

	2024			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments:				
Equities and preference shares	1,206,563	-	-	1,206,563
<b>Total for financial assets</b>	1,206,563	-	-	1,206,563

	2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments:				
Equities and preference shares	1,226,649	-	-	1,226,649
<b>Total for financial assets</b>	1,226,649	-	-	1,226,649

The valuation techniques used by the Company are explained in the accounting policies note. At the end of the financial year there were no Level 2 investments (2023: no Level 2 investments). There were two Level 3 investments at the year end totaling £nil (2023: two investments totalling: £nil).

The holding in Eurovestech did not change during the year and the fair value was unchanged at £nil (2023: £nil).

Raven Property is the other unquoted investment. Their issued preference shares were suspended in March 2022 due to sanctions on the company's Russian businesses. At the balance sheet date the shares remain de-listed and recorded a fair value of £nil (2023: £nil).

## NOTES TO THE FINANCIAL STATEMENTS / CONTINUED

The book cost and fair value of the Unsecured Senior Loan Notes, are as follows:

	2024		2023	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Unsecured Senior Loan Notes	120,000	73,461	120,000	78,253
	120,000	73,461	120,000	78,253

Incorporating the fair value of the Unsecured Senior Loan Notes, results in the increase of the net asset value per ordinary share to 779.97p (2023: 713.75p).

## 18. CAPITAL MANAGEMENT

The Company's total capital employed at 31 March 2024 was £1,255,047,000 (2023: £1,259,276,000) comprising borrowings of £120,000,000 (2023: £120,000,000) and equity share capital and other reserves of £1,135,047,000 (2023: £1,139,344,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on page 15, including that borrowings may be used to provide gearing of the equity portfolio up to the maximum authorised by shareholders, currently 25% of net assets. Net gearing was 3.1% (2023: 4.7%) at the balance sheet date. The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 19 to 22. These also explain that the Company is able to use borrowings to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

The Board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy-back shares and it also determines dividend payments.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by section 1158 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the bank facility by the terms imposed by the lender. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year. As detailed in note 11 and note 12, current borrowings comprise the Unsecured Senior Loan Notes.

## 19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

There were no contingencies, guarantees or other financial commitments of the Company as at 31 March 2024 (2023: nil).

## 20. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH MANAGER

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. Under accounting standards, the Manager is not a related party.

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed in pages 46 to 49 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 42, and in note 3.

## 21. POST BALANCE SHEET EVENTS

There are no significant events after the end of the reporting period requiring amendment to financial amounts.

# OTHER INFORMATION FOR SHAREHOLDERS





# NOTICE OF ANNUAL GENERAL MEETING

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

**If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in The Edinburgh Investment Trust plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.**

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and thirty fourth Annual General Meeting of The Edinburgh Investment Trust plc will be held at The Balmoral Hotel, Edinburgh, EH2 2EQ, at 11am on 17 July 2024.

The 2024 AGM will be held in person and voting will be on a show of hands. In addition, shareholders may follow the proceedings virtually using a smartphone, tablet or computer. Shareholders will be able to view and listen to a webcast of the 2024 AGM and submit questions to the Directors in writing. Those following proceedings virtually will not be able to vote on-line and are encouraged to vote ahead of the meeting. To join the 2024 AGM virtually, please visit [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk) from your device. The recording of the 2024 AGM will be available on the Company's website as soon as practicable after the conclusion of the AGM.

Virtual access to the Annual General Meeting will be available from 10.30 a.m. on 17 July 2024 although you will not be able to submit questions until the Annual General Meeting is declared open. If you wish to appoint a proxy and for them to attend the Annual General Meeting on your behalf, please contact Link Group on telephone number +44 (0) 371 277 1020\*.

\*Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

### AGM VOTING

Shareholders are encouraged to vote by proxy and to appoint the "Chair of the Meeting" as their proxy. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 80 and 81.

The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, as soon as practicable after the conclusion of the AGM.

### ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions all of which will be proposed as Ordinary Resolutions.

1. To receive and consider the Annual Financial Report for the year ended 31 March 2024;
2. To approve the Annual Statement and Report on Remuneration for the year ended 31 March 2024;
3. To declare a final dividend on the ordinary shares;
4. To re-elect Steven Baldwin as a Director of the Company;
5. To re-elect Elisabeth Stehman as a Director of the Company;
6. To re-elect Patrick Edwardson as a Director of the Company;
7. To re-elect Aidan Lissner as a Director of the Company;
8. To re-elect Annabel Tagoe-Bannerman as a Director of the Company;
9. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company; and
10. To authorise the Audit Committee to determine the remuneration of the auditors.

### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which resolution 11 will be proposed as an Ordinary Resolution and resolutions 12 to 15 as Special Resolutions:

11. That:

in substitution for any existing authority under section 551 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Act as amended from time to time prior to the date of the passing of this resolution, to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount within the meaning of sections 551(3) and (6) of the Act) of £4,891,668 this being 10% of the Company's issued ordinary share capital as at 22 May 2024, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.



## 12. That:

subject to the passing of resolution number 11 set out in the notice of this meeting (the 'Section 551 Resolution') and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby empowered, in accordance with sections 570 and 573 of the Act as amended from time to time prior to the date of the passing of this resolution to allot equity securities (within the meaning of section 560(1), (2) and (3) of the Act) for cash, either pursuant to the authority given by the Section 551 Resolution or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal, regulatory or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and
- (b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £4,891,668 this being 10% of the Company's issued ordinary share capital as at 22 May 2024.

and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, unless the authority is renewed or revoked at any other general meeting prior to such time, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

## 13. That:

the Company be generally and subject as hereinafter appears 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 the issued ordinary shares of 25p each in the capital of the Company ('Shares')

Provided always that:

- (a) the maximum number of Shares hereby authorised to be purchased shall be 29,330,443 ordinary shares (being 14.99% of the issued ordinary share capital of the Company as at 22 May 2024);
- (b) the minimum price which may be paid for a Share shall be 25p;
- (c) the maximum price which may be paid for a Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Shares for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade in the Shares and the highest then current independent bid for the Shares on the London Stock Exchange;
- (d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, unless the authority is renewed or revoked at any other general meeting prior to such time;
- (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
- (g) any shares so purchased shall be cancelled, or, if the Directors so determine and subject to the provisions of section 724 to 731 of the Companies Act 2006 and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with section 727 or 729 of the Companies Act 2006) as treasury shares.

## 14. That:

with effect from the conclusion of the meeting the draft articles of association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

## 15. That:

the period of notice required for general meetings of the Company (other than AGMs) shall be not less than 14 days.

The resolutions are explained further in the Directors' Report on pages 43 and 44.

## NOTICE OF ANNUAL GENERAL MEETING / CONTINUED

## Notes

1. The 2024 AGM will be held in person and voting will be on a show of hands, however, shareholders may follow the proceedings virtually using a smartphone, tablet or computer. Shareholders should continue to monitor the Company's website at [www.edinburgh-investment-trust.co.uk/](http://www.edinburgh-investment-trust.co.uk/) and our announcements for any updates in relation to the meeting.
2. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
  - via The Link Group website [www.signalshares.com](http://www.signalshares.com); or
  - in hard copy form by post, by courier or by hand to the Company's Registrars, Link Group, PXS 1, Central Square, 29, Wellington Street, Leeds, LS1 4DL; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case, to be received by the Company not less than 48 hours before the time of the meeting. Any amended proxy appointment must be received by this time.

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](http://www.proxymity.io). Your proxy must be lodged by 11.00 am on 19 July 2024 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.

3. CREST members who wish to appoint a proxy by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy

must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any changes of instructions to proxies through CREST should be communicated to the appointee through other means.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST).

4. A form of appointment of proxy is enclosed.

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's Registrars, Link Group, PXS 1, Central Square, 29, Wellington Street, Leeds, LS1 4DL by no later than 11am on 15 July 2024.

5. A person entered on the Register of Members at close of business on 15 July 2024 (a 'member') is entitled to vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to vote at the Meeting. If the Meeting is adjourned, entitlement to vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

6. The Terms of Reference of the Audit, Management Engagement and Nominations Committees and the Letters of Appointment for Directors will be available for inspection at the website of the Company at [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk).

7. A copy of the Company's Articles of Association is available for inspection at the website of the Company at [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk)

8. 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 shareholder 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 shareholder as to the exercise of voting rights.

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

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

10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

11. As at 22 May 2024 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 195,666,734 ordinary shares of 25p each carrying one vote each. 44,815,209 ordinary shares held in treasury, therefore, the total voting rights in the Company as at that date are 150,851,525.

12. A copy of this notice (which is at the back of the annual financial report), and other information required by section 311A of the Companies Act 2006, can be found at [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk)

13. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2023; or (ii) any circumstance connected with an auditors of the Company appointed for the financial year beginning on 1 April 2023 ceasing to hold office since the previous meeting at which the annual financial report was laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant AGM.

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 auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

# SHAREHOLDER INFORMATION

## HOW TO INVEST IN THE EDINBURGH INVESTMENT TRUST PLC (THE COMPANY)

The Company's shares are quoted on the London Stock Exchange. There are a variety of ways by which investors can buy the shares. Shares may be purchased through discretionary wealth managers, banks, independent financial advisors and via a large number of execution-only trading platforms. The Manager's website contains a list of some of the larger dealing platforms as well as a link to unbiased.co.uk, for those seeking financial advice, and to the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk) for detailed information on investment companies.

## SHARE PRICE

The price of your ordinary shares can be found in the Financial Times, Daily Telegraph, The Scotsman and The Times.

In addition, share price information can be found at the London Stock Exchange website using the EDIN ticker code, on the website of most share dealing platforms and on the Company's own website [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk)

## NAV PUBLICATION

The NAV of the Company's ordinary shares is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. It is published daily in the newspapers detailed above.

## COMPANY'S WEBSITE

Information relating to the Company including investment objective, supporting philosophy and investment performance along with news, opinions, disclosures, results and key information documents can be found on the Company's website [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk).

The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated in to, nor do they form part of this annual financial report.

## FINANCIAL CALENDAR

In addition, the Company publishes information according to the following calendar:

## ANNOUNCEMENTS

Annual financial report	May
Half-yearly financial report	November

## LONDON RETAIL SHAREHOLDER EVENT

The Company invites shareholders to a retail presentation by the Portfolio Managers, Imran Sattar and Emily Barnard, and to meet with the Directors. The event will be held at the Royal Society of Arts, 8 John Adam Street, WC2N 6EZ on 9 October 2024 at 11am.

Please note this is a non-voting meeting.

## DIVIDEND PAYABLE TIMETABLE

1st interim	November
2nd interim	February
3rd interim	May
Final	July

## ANNUAL GENERAL MEETING

July

## YEAR END

31 March

## LOCATION OF AGM

The one hundred and thirty fourth Annual General Meeting of the Company will be held at The Balmoral Hotel, Edinburgh, EH2 2EQ on 17 July 2024 at 11am.

## UK GENERAL DATA PROTECTION REGULATION (UK GDPR)

UK GDPR is a positive step towards individuals knowing how their personal data is used and also having more control over how it is used. The Company has a privacy notice which sets out what personal data is collected, and how and why it is used. The latest privacy notice can be found at [www.edinburgh-investment-trust.co.uk](http://www.edinburgh-investment-trust.co.uk) under the 'Other Documents' section, or a copy can be obtained from the Company Secretary whose correspondence address is shown on the next page.

# ADVISORS AND PRINCIPAL SERVICE PROVIDERS

## REGISTERED OFFICE

First Floor  
9 Haymarket Square  
Edinburgh EH3 8RY

## COMPANY NUMBER

Registered in Scotland.  
Number: SC1836

## ALTERNATIVE INVESTMENT FUND MANAGER (MANAGER)

Liontrust Fund Partners LLP  
2 Savoy Court  
London WC2R 0EZ  
☎ 020 7412 1700

## COMPANY SECRETARY

NSM Funds (UK) Limited  
4th Floor 46-48 James Street  
London W1U 1EZ  
☎ 0203 697 5772

## INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## DEPOSITARY AND CUSTODIAN

The Bank of New York Mellon (International) Limited  
160 Queen Victoria Street  
London EC4V 4LA

## BANKER

The Bank of New York Mellon  
160 Queen Victoria Street  
London EC4V 4LA

## CORPORATE BROKER

Investec Bank plc  
30 Gresham Street  
London EC2V 7QP

## THE ASSOCIATION OF INVESTMENT COMPANIES

The Company is a member of the Association of Investment Companies. Contact details are as follows:  
☎ 020 7282 5555

Email: [enquiries@theaic.co.uk](mailto:enquiries@theaic.co.uk)  
Website: [www.theaic.co.uk](http://www.theaic.co.uk)

## LEGAL ADVISOR

Dentons UK and Middle East LLP  
First Floor  
9 Haymarket Square  
Edinburgh  
EH3 8RY

## REGISTRAR

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

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on:

☎ 0371 664 0300.

Calls are charged at the standard geographic rate and will vary by provider.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Shareholders can also access their holding details via Link's website:

[www.signalshares.com](http://www.signalshares.com).

Link Group provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at [www.linksharedeal.com](http://www.linksharedeal.com) or

☎ 0371 664 0445.

Calls are charged at the standard geographic rate and will vary by provider.

From outside the UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Link Group is the business name of Link Market Services Limited.



## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

### ALTERNATIVE PERFORMANCE MEASURE (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the financial years ended 31 March 2024 and 31 March 2023. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability, providing useful additional information.

### BENCHMARK (OR BENCHMARK INDEX)

A standard against which performance can be measured, usually an index that averages the performance of companies in a stock market or a segment of the market. The benchmark most often referred to in this interim financial report is the FTSE All-Share Index.

### BENCHMARK RETURN

Total return on the benchmark is on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

### DISCOUNT OR PREMIUM (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value of that share. Conversely, Premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this annual financial report the discount is expressed as a percentage of the NAV per share with debt at fair value (see reconciliation of NAV per share with debt at fair value within the Net Asset Value (NAV) Debt at Fair Value reconciliation within the Alternative Performance Measures on page 86) and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount it will be negative.

	Page		2024	2023
Share price	2	a	690.00p	660.00p
Net asset value per share – debt at market value (note 15)	70	b	779.97p	713.75p
<b>Discount</b>		$c = (a-b)/b$	(11.5)%	(7.5)%

### DIVIDEND YIELD

The annual dividend payable expressed as a percentage of the year end share price.

	Page		2024	2023
Dividends per share payable in respect of the year (note 8)	67	a	27.20p	26.20p
Share price	2	b	690.00p	660.00p
<b>Dividend yield</b>		$c = a/b$	3.9%	4.0%

### GEARING

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets, or shareholders' funds, would move if the value of a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested and is holding net cash as described below.

There are several methods of calculating gearing and the following has been used in this report:

**GROSS GEARING (APM)**

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of net assets.

	Page		2024 £'000	2023 £'000
Unsecured Senior Loan Notes – debt at fair value	76	a	73,461	78,253
Gross borrowings			73,461	78,253
Net asset value – debt at fair value APM	86	b	1,181,586	1,181,091
<b>Gross gearing</b>		c = a/b	6.2%	6.6%

**NET GEARING OR NET CASH (APM)**

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (incl. investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings.

	Page		2024 £'000	2023 £'000
Unsecured Senior Loan Notes – debt at fair value	76		73,461	78,253
Less: cash and cash equivalents	59		(36,314)	(22,362)
Net borrowings		a	37,147	55,891
Net asset value – debt at fair value APM	86	b	1,181,586	1,181,091
<b>Net gearing</b>		c = a/b	3.1%	4.7%

**LEVERAGE**

Leverage, for the purposes of the UK AIFM Directive is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value.

Accordingly, if a Company's exposure was equal to its net assets it would have leverage of 100%. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure.

**NET ASSET VALUE (NAV)**

Also described as shareholders' funds, the NAV is the aggregate value of all assets less all liabilities. Liabilities for this purpose include debt, deducted at either par value or fair value as described in more detail below. The NAV per share is calculated by dividing the net asset value by the number of ordinary shares in issue (excluding shares held in treasury).

**NET ASSET VALUE (NAV) – DEBT AT PAR**

The NAV with debt at par recognises the value of the debt liability as the nominal amount that will be repaid at maturity. For the £120m Unsecured Senior Loan Notes, this recognises a liability of £120m. This is the basis used in the preparation of the Balance Sheet on page 59.

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES / CONTINUED

**NET ASSET VALUE (NAV) - DEBT AT FAIR VALUE**

The fair value of each tranche of the £120m Unsecured Senior Loan Notes is ascertained by the administrator by aggregating the discounted value of future cashflows, being the contractual interest payments and the repayment of capital at maturity as each falls due. The discount factor used for each tranche is based on the market yield of UK Treasuries with similar maturity dates adjusted to incorporate a credit spread.

The net asset value per share adjusted to include the Unsecured Senior Loan Notes at fair value rather than at par is as follows:

	NAV per share pence 2024	Shareholders' funds	NAV per share pence 2023	Shareholders' funds
NAV - debt at par	749.25	1,135,047	688.52	1,139,344
Unsecured Senior Loan Notes	79.21	120,000	72.52	120,000
- debt at fair value	(48.49)	(73,461)	(47.29)	(78,253)
<b>NAV - debt at fair value</b>	<b>779.97</b>	<b>1,181,586</b>	<b>713.75</b>	<b>1,181,091</b>

**ONGOING CHARGES RATIO (APM)**

The ongoing administrative costs of operating the Company are encapsulated in the ongoing charges ratio, which is calculated in accordance with guidance issued by the AIC. The calculation incorporates charges allocated to capital in the financial statements as well as those allocated to revenue, but excludes non-recurring costs, transaction costs of investments, finance costs, taxation, and the costs of buying back or issuing shares. The ongoing charges ratio is the aggregate of these costs expressed as a percentage of the daily average net asset value reported in the year.

	Page	2024 £'000	2023 £'000
Investment management fee	58	4,976	4,974
Other expenses	58	1,193	1,099
Total recurring expenses	a	6,169	6,073
Average daily net assets	b	1,163,962	1,137,946
<b>Ongoing charges ratio %</b>	c = a/b	0.53%	0.53%

**RETURN**

The return generated in a period from the investments.

**CAPITAL RETURN**

Reflects the return on NAV, excluding any dividends reinvested.

**TOTAL RETURN**

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid together with the rise or fall in the share price or NAV. In this annual financial report these return figures have been sourced from LSEG Data & Analytics who calculate returns on an industry comparative basis.

**TREASURY SHARES**

Shares previously issued by a Company that have been bought back from shareholders to be held by the Company for potential sale or cancellation at a later date. Such shares are not capable of voting and carry no rights to dividends.

**NET ASSET VALUE TOTAL RETURN (APM)**

Total return on net asset value per share, with debt at fair value, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

**SHARE PRICE TOTAL RETURN (APM)**

Total return to shareholders, on a mid-market price basis, assuming all dividends received were re-invested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

<b>2024</b>	<b>Page</b>	<b>Net Asset Value</b>	<b>Share Price</b>
As at 31 March 2024	59	779.97p	690.00p
As at 31 March 2023	59	713.75p	660.00p
Change in year	a	9.3%	4.5%
Impact of dividend reinvestments <sup>(1)</sup>	b	4.1%	4.4%
<b>Total return for the year</b>	c = a+b	13.4%	8.9%

<b>2023</b>	<b>Page</b>	<b>Net Asset Value</b>	<b>Share Price</b>
As at 31 March 2023	59	713.75p	660.00p
As at 31 March 2022	59	686.69p	634.00p
Change in year	a	3.9%	4.1%
Impact of dividend reinvestments <sup>(1)</sup>	b	4.0%	4.3%
<b>Total return for the year</b>	c = a+b	7.9%	8.4%

(1) Total dividends paid during the year of 26.80p (2023: 25.60p) reinvested at the NAV or share price on the ex-dividend date. NAV or share price increases subsequent to the reinvestment date consequently further increase the returns, or vice versa if the NAV or share price falls.

**COMPANY NAME**

The Edinburgh Investment Trust plc is registered at Companies House as The Edinburgh Investment Trust Public Limited Company.

## ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURE

### ALTERNATIVE INVESTMENT FUND MANAGER AND UK AIFM DIRECTIVE

#### UK AIFM DIRECTIVE (the UK AIFMD, the Directive)

The UK's implementation of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers, together with Commission Delegated Regulation (EU) No. 231/2013 which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, and any transposing legislation incorporating the same into UK law (including, but not limited to, the UK Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773), as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019), all as may be amended or supplemented from time to time.

#### ALTERNATIVE INVESTMENT FUND MANAGER (AIFM, the Manager, the Portfolio Manager)

The Company falls within the definition of an Alternative Investment Fund (AIF) under the Directive and, as such, is required to have (or be) an authorised AIFM. The Company has appointed Liontrust Fund Partners LLP (Liontrust) as AIFM. Liontrust is authorised and regulated by the FCA as a full-scope AIFM.

The responsibility for the day-to-day investment management activities of the Company has been delegated by AIFM to Liontrust Investment Partners LLP.

Amongst other things, regulations implementing the UK AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's page of the Manager's website ([www.liontrust.co.uk](http://www.liontrust.co.uk)) in a downloadable document titled 'AIFMD Investor Information'. There has been no material change to this document in the year.

Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider. In addition, the Directive requires information in relation to the Company's leverage (both 'gross' and 'commitment' – see the Glossary of Terms and Alternative Performance Measures on page 85) and the remuneration of the Company's AIFM to be made available to investors.

Accordingly:

- the leverage calculated for the Company at its year end was 105% for gross and 109% for commitment (2023: 107% gross and 104% commitment). The limits the AIFM has set for the Company remain unchanged at 250% and 200% respectively;
- the AIFM summary remuneration policy is available from the corporate policies page of the Manager's website ([www.liontrust.co.uk](http://www.liontrust.co.uk)) and from the Company's company secretary, on request (see contact details on page 83); and – the AIFM remuneration paid for the year to 31 March 2024 is described below.

#### AIFM REMUNERATION REMUNERATION POLICY

As AIFM, Liontrust Fund Partners LLP is required to maintain a remuneration policy (the "Remuneration Policy" or the "Policy") that meets the requirements of the AIFM Remuneration Code. The Policy governs the remuneration of the AIFM's key senior personnel, risk takers and control functions (the "Code Staff"). The table below provides an overview of the total remuneration paid to the staff of the Management Company for the year ended 31 March 2024:

- Aggregate total remuneration paid by the Manager to its staff (employees and members).
- Aggregate total remuneration paid by the Manager to all relevant code staff.



	Headcount	Total Remuneration (£'000)
Manager's UK Staff of which	102	15,629
Fixed Remuneration	102	9,728
Variable Remuneration	102	5,901
AIFM Remuneration Code Staff of which		
Senior Management <sup>2</sup>	2	75
Other control functions:		
Other code staff/risk takers	4	1,291

<sup>1</sup> The Manager's UK Staff costs have been incurred by another Group entity and allocated to the AIFM. The most appropriate measure of staff costs are those staff who are members of Liontrust Fund Partners LLP or Group staff who are employed by Liontrust Asset Management Plc but have their costs apportioned to the LLP. The information has been disclosed on an annualised basis.

<sup>2</sup> AIFM Aggregate Remuneration Code Staff applies only in respect of services to the AIFM funds rather than their total remuneration in the year. For senior management and control function staff, remuneration is apportioned on the basis of assets under management for AIFM funds versus the total Group assets under management.

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance based or linked directly to investment management revenues). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of the AIFM and Liontrust Asset Management PLC (LAM) Group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices. The AIFM provides long-term incentives which are designed to link reward with long-term success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible incentive policy to be operated.

Staff are eligible for an annual incentive based on their individual performance, and depending on their role, the performance of their business unit and/or the group. These incentives are managed within a strict risk framework, and the Directors of LAM retain ultimate discretion to reduce annual incentive outcomes where appropriate.

The AIFM actively manages risks associated with delivering and measuring performance. All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced in light of any associated risk management issues.

The Liontrust Group operates a Remuneration Committee (the "Committee"). The Committee reports to the Board. The Committee reviews risk and compliance issues in relation to the vesting of deferred awards for all employees and

members. Compliance is monitored throughout the vesting period by the Committee.

These remuneration policies apply also to other entities in the Liontrust Group to which investment management of the Company has been delegated, and those delegates are subject to contractual arrangements to ensure that policies which are regarded as equivalent are applied.

The Board adopts, and reviews annually, the general principles of the applicable remuneration policies, and the implementation of the remuneration policies is, at least annually, subject to central and independent internal review by the Committee for compliance with policies and procedures.

#### SCOPE OF THE POLICY

The AIFM is subject to the requirements of the AIFM Remuneration Code (SYSC 19B) (the "Code"). The requirements of the Code are applicable to the remuneration arrangements of individuals who fall within the definition of Code staff under the Code and this policy sets out the basis on which the rules contained within the Code will be applied to Code Staff. The Committee itself sets the remuneration and has oversight if remuneration arrangements for all other Code Staff together with such other senior employees as the Committee may determine from time to time. The Committee also reviews the remuneration arrangements of other employees and the operation of the incentive plans to ensure that remuneration arrangements have regard to pay and employment conditions. However, decisions on individual remuneration arrangements are made by management in the area, with oversight by the Human Resources Director. No hedging or other mitigation arrangements may be entered into by employees as that would undermine risk alignment effects.

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