Sanditon
INVESTMENT TRUST PLC

ANNUAL REPORT & ACCOUNTS

For the year ended
30 June 2019

Investment Objective

The Company's investment objective is to:

- deliver absolute returns of at least 2% per annum, compounded annually, above RPIX; and
- be an asset diversifier for shareholders by targeting low correlation with leading large capitalisation equity indices.

Contents

Financial Highlights

	As at 30 June 2019	As at 30 June 2018
Total shareholders' funds (£000)	**£44,347**	£45,981
NAV per Ordinary Share (cum income)	**88.69p**	91.96p
Share price	**81.00p**	82.00p
Discount to Net Asset Value per Share	**-8.7%**	-10.8%
Dividends per Ordinary Share	**0.60p**	0.50p
Ongoing charges	**1.31%**	1.29%

Performance

Total Return Performance	**Year ended 30 June 2019**	Year ended 30 June 2018
NAV per Ordinary Share (including dividend and provision for liquidation costs)	**-3.0%**	-7.6%
Share price	**-1.2%**	-15.8%
Hurdle rate (RPIX + 2%)	**+4.8%**	+5.4%
FTSE All-Share Index (Total Return)	**+0.6%**	+9.0%
RPIX	**+2.8%**	+3.4%

Financial Calendar

Company's year end .... 30 June

Annual results announced .... October

Annual General Meeting .... 5 December 2019

Company's half year end .... 31 December

Dividend payment .... December 2019

Chairman's Statement

for the period 1 January 2019 to 30 June 2019

Performance

Sanditon Investment Trust's (the "Company") net asset value ("NAV") fell by 5%, to 89p per Ordinary Share, over the second half of the Company's financial year, to leave a loss for the year of 3.0%. The share price closed the financial year at 81p, a fall of 7% to widen the discount to NAV to 9%. Your Company has recently been inversely correlated with equity markets and remains so (-0.14x over the last year), despite the Manager briefly going net long at the end of 2018. Equity markets reversed the sharp falls of the second half of 2018 with most developed markets showing double digit returns. The cause of the bounce was the Federal Reserve's signal that it would pivot on interest rates from a tightening to a loosening mode. Sharp falls in bond yields led equities higher, as the hope of looser money overrode deteriorating economic momentum across the globe.

Dividends

The Board is pleased to recommend a dividend of 0.6p per share to be paid to shareholders on the register at the close of business on 22 November 2019. The Board also intends to pay a stub dividend for the first half of the Company's new financial year, which will be announced in mid-November and again will be paid to shareholders on the register at the close of business on 22 November 2019.

Charges and fees

Our total ongoing charges at 30 June 2019 were 1.31% per annum. No performance fees have been paid or accrued.

Stake in Sanditon Asset Management

Sanditon Asset Management ("SAM") finished the period with assets under management ("AUM") of £524 million, a decrease of 4.5% since our last report at the end of December and a decrease of 7.5% since SAM's year end of 31 March 2019. Your Company's stake in SAM was revalued in June using our notified valuation methodology of the average of 1% of AUM and 5x profit after tax. This led to a 7.5% diminution in value of our stake to £1,305,000, giving an overall valuation for SAM of £6,525,000.

Continuation Vote/Voluntary Liquidation

At the outset of your Company, a shareholder-friendly continuation vote structure was put in place to ensure that shareholders were not stuck in a small, relatively illiquid vehicle if the prospects for SAM were not bright. The first continuation vote is due to be held in December 2020. Having spoken with significant shareholders including members of SAM itself who speak for 21% of the Company's equity, the Board of SIT and SAM have reluctantly concluded that the chance of a successful continuation vote in 2020 is slim. As a result of this feedback, SAM informed the Board that it did not wish to continue managing the Company for the next year as, in its view, it was in the best interests of all shareholders to propose an early liquidation of the Company.

The Board considered alternatives to winding down the Company including appointing a new manager or merging the Company with another investment trust. We concluded, after consultations with our advisors, that none of these solutions were optimal. Therefore, rather than wait for an unsuccessful continuation vote in 2020, the Board have decided to put a resolution to shareholders at a general meeting to be held immediately following the forthcoming AGM, authorising a voluntary liquidation of your Company. The Board will vote in favour of the resolution in respect of their own shareholdings and recommend all shareholders vote in favour.

The enclosed circular to shareholders sets out the proposed timetable should shareholders vote in favour of the resolution. Should shareholders vote in favour of the resolution, SAM will liquidate the investment portfolio promptly. The Board of SIT expects to receive a sum for its SAM stake where any difference between the current holding valuation (£6.525 per Ordinary Share) and the eventual value is immaterial to the SIT shareholders.

Outlook

The Fed's pivot on interest rates to a dovish position was harmful to our performance in the first half of 2019 but in a fast moving market it is encouraging that your Company's performance has improved in the new financial year. We are naturally disappointed that our bearish investment view has led to indifferent performance and that we have had to conclude that it is in the best interests of all shareholders that we propose a voluntary liquidation of your Company. We thank all our shareholders for their support.

Rupert Barclay
Chairman
30 October 2019

Investment Manager's Report
for the period 1 January 2019 to 30 June 2019

"If you can keep your head when all around you are losing theirs"

Overview
As we report on another frustrating six months for your Trust, it is always worth reflecting on one's own investment sanity. Our central thesis since your Trust launched in 2014 has been that Quantitative Easing (QE) and extremely loose monetary policy has seriously distorted all asset prices and that even a partial reversal of QE would lead to a serious setback in asset prices. Monetary tightening took a lot longer to occur than we expected, but with the first (fairly modest) attempt at normalising monetary policy by the Federal Reserve (the only major developed country to attempt to normalise), markets did indeed take fright in the second half of 2018. The first half of 2019 has been a very different story with most equity markets up between 10-20%, oil up 20%, gold up 10% and bonds up sharply as the US 10-year yield collapsed to 2%, from over 3% as recently as last November. The cause of all this excitement? A Federal Reserve in retreat from its attempt to normalise monetary policy, by admitting defeat and cutting interest rates in July, rather than raising them three more times as the markets expected at the beginning of the fourth quarter of 2018.

There is no doubt that global growth is slowing with several developed countries flirting with recession, including the Brexit paralysed UK. Mr. Trump's much publicised trade wars are doubtless partly to blame for the slowdown in global growth, but we have no doubt that the modest monetary tightening in the US and the modest tightening in credit in China are the main causes. For all that most of us want to think that Mr. Trump is a bit of a fool, he sees the dangers of tighter money raining on his re-election parade. His sniping at the Fed has paid off and he is unlikely to let up this side of the election campaign. Central bankers' backbones have been pretty brittle since the crash of 2008, but most depressing for us was Mr. Powell's press conference announcing the quarter point cut in the Fed funds rate in July, which the Fed had characterised as a 'one-off cut' in a mid-cycle economic correction. When told during the press conference that markets were falling (as they were expecting at least two more cuts in 2019), he started blustering that of course the Fed would be watching the data closely etc. etc. Do not doubt that the current crop of central bankers are slaves to the market.

Over in Europe, with the global slowdown impacting growth in its economic powerhouse Germany, along with many others, the departing president of the ECB announced that his successor is likely to have to cut already negative interest rates further and restart QE, only a few months after stopping it. As Ms. Lagarde comes from the existing clique of policy makers responsible for current central bank thinking, we have little doubt that she will follow through with her predecessor's inclination. So what that an ECB balance sheet of 4.7 trillion euros and negative interest rates has not restored Europe to a sustainable growth path? It must be that we haven't done enough! With most bond yields in EU countries now negative and even stricken Italy able to borrow 10 year money at 1.8%, it cannot be the cost of money that is holding Europe back. When will central bankers work that out?

The answer probably lies in what comes next. Central bankers will not admit it, but QE has failed. It has helped fuel the rise of populism as the vast majority feel left out of the economic recovery enjoyed since the 2008 crash. Yes, Gini coefficients have been relatively stable throughout Europe and the US since the crash, but wealth inequality has grown significantly. QE has disproportionately benefitted those who have assets; the rich.

Continuing on the same path seems foolish to us, as it is likely to bolster left (or right) wing populists who, if they reach power, are likely to test markets' resolve with significant fiscal expansion. Mr. Salvini, a convert from the left may be the first to test the bond market's current bout of complacency, but closer to home, it is very likely that the current or next administration will enter into a period of fiscal profligacy. And in some sense who could blame them with UK 30-year yields at 1.1% (and inflation running around 2%), why not spend large on updating the countries creaking infrastructure? Mr. Johnson has entered office with promises of more money for almost everyone. The Conservative led administrations under Mr. Cameron and Mrs. May had got the annual deficit back to £25.5 billion for the last financial year, at a manageable 1.2% of GDP but the debt to GDP ratio remains at a lofty 85.2% (the Maastricht guidelines of 60% are long forgotten!). Yet the bond market seems unfazed by the prospect of financial profligacy. Parliament may, for now, have stopped a No Deal Brexit but now that we are in election mode it is likely a government of any hue will announce a significant boost to infrastructure spending. For the economy it may well be the right thing to do (and better in our mind than more mindless QE) but for the bond market? The same pressures exist throughout the world. We have become hostages to a debt burden, where central bankers are too terrified to raise the cost of money for fear of the economic repercussions, yet they know the outcome of their policies will be an ever-rising debt burden. Money is free!

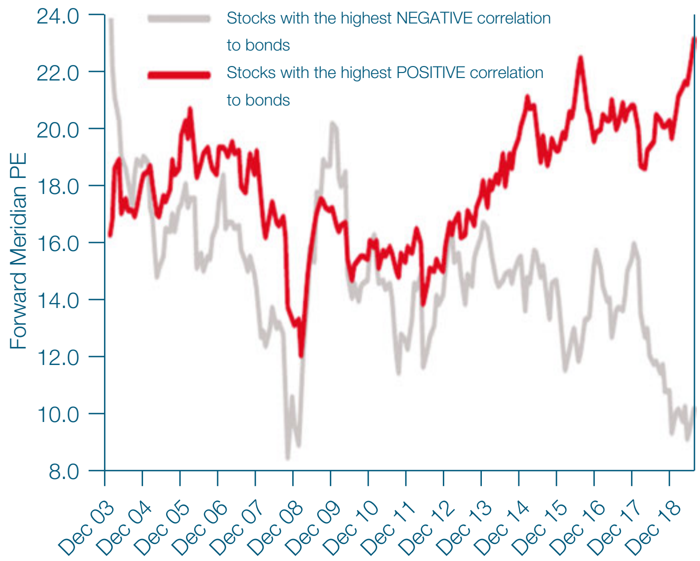
"If you can trust yourself when all men doubt you but make allowance for their doubting too"

We have been bearish since the start of your Trust but have tried to be pragmatic and adjust our bearishness into market falls. Indeed, at the end of 2018 when the market was back at our launch levels in 2014, we did go 40% net long of the market, suspecting the Fed would abandon their hawkishness. However, our overall investment bias of being long value and defensive stocks and short of growth and cyclical stocks has not been where the market is at, (although many cyclical stocks have seen substantial profit deterioration and some have seen sharp falls). The market in its wisdom has wanted to chase growth stocks at the expense of everything else. There is certainly some justification for rerating solid long duration stocks as the risk-free rate falls, but the investment herding and scale of rerating has dwarfed previous episodes, apart from the brief TMT bubble at the turn of the millennium. We have been wary of describing the UK equity market as a bubble, as we do think there are pockets of cheap valuations, however we remain convinced that asset markets overall are inflated and likely to see a substantial correction. We try to continue to doubt our investment sanity, but when we see Greek 10-year government bond yields trade in line with US 10-year yields (as they did briefly during the first half of 2019), we are convinced that central bankers' policies have distorted the market's sanity!

Portfolio Performance and Structure

The first six months of 2019 saw your portfolio lose 4.3% before charges, resulting in a loss for the financial year of 1.7%. The long book made 2.8% but the short book lost 7.1%, representing returns on capital of 6.3% and -14.1% respectively against the market return of 13.0%. The disappointing performance of our long book relative to the market is largely explained by the chart below that shows the correlation of value and growth stocks to the bond market. Falling bond yields have simply been destructive for 'value' stocks but have helped 'growth' stocks rerate to historic highs. We have been on the wrong side of this trade since your Trust's launch, with only brief periods of respite.

An equity market driven by bonds not profits – MSCI World decile portfolios based on US bond correlation



Source: SG Cross Asset Research/Equity Quant

We went temporarily long of the market in December, expecting the US Federal Reserve to moderate its planned monetary tightening as a result of last year's equity market weakness. The Fed did indeed turn more dovish, leading to the collapse in bond yields and substantial equity market rallies mentioned earlier. Our futures long positioned added 1.2% but was mitigated by selling too early and reverting to a short futures position which cost 0.7%. The main change in portfolio structure has been reverting to a net short position of 15%, from the last reported 40% net long, with little change in the portfolio's underlying structure.

Our poor performance is largely attributable to our long value/defensive and short growth/cyclical skew. As our long book does not hold many highly rated growth stocks, we had few substantial winners on our long book. **Diageo** and **RELX**, both held since launch added 1.0% and 0.7% respectively as the shares gained 21% and 18%. Diageo trades on 24x earnings for 7% growth and RELX trades on just over 20x for similar forecast growth, but with probably greater risks to their subscription-based revenue model from the growing pressure for free access to research. Both benefitted from falling bond yields and weakening sterling, as did most other growth defensive shares over the half year.

Investment Manager's Report
continued

Value stocks on our long book were mostly disappointing over the period, with continued share price weakness from **BT** (-17%), **ITV** (-13%), **Sainsbury's** (-26%), **Vodafone** (-15%) and **Wood Group** (-10%). Collectively, these five stocks detracted 1.5% from NAV. Whilst some of these had company specific reasons, (Sainsbury's merger with Asda was blocked by the CMA), their performance was fairly typical of value stocks in the first half and the polarisation seen in the chart above. We only made money in three value stocks. We sold our position in BAT after a 16% gain for a 0.3% profit, and modest recoveries in **Equiniti** and **Greene King's** share prices added 0.2% each.

Losses on our short book were generally widespread, despite significant earnings downgrades from some of our shorts. This included our biggest negative contribution, **Ocado**, which cost 2.2% as its shares leapt by 47% as concerns about a fire destroying its Andover facility (15% of its UK capacity) were overcome by its deal to sell 50% of its UK business to M&S for up to £750 million. We do not dispute this was a good deal for Ocado (and a desperate one from M&S) but profits remain elusive for Ocado and their business model shows no sign of reducing its capital intensity. Earnings forecasts for the current year for Ocado have dropped to a loss per share of 13p from 0p at the start of the year. Analysts now hope it will make 14p in 2023, coincidentally the same number they forecast Ocado would make last year when we started your Trust in 2014. The actual result? A loss of 3.6p.

Whilst **Just Eat** did not cost us in the latest half year, it was disappointing that it did not reward us either, as their earnings forecasts continued to fall sharply, with 2019 forecasts now an astonishing 75% lower than they were a year ago. Growing sales is relatively easy, profits less so. Shareholders can find more details on our performance from our two quarterly fact sheets at www.sanditonam.com.

Your portfolio retains its strong value bias with the average P/E of the long book at 12.3x remaining at around a third of our short book P/E of 32x (excluding the loss making Ocado). We are well aware that we are standing in the way of current market momentum and investment flows which remain resolutely anti-value. Whilst we have always believed our hedge fund structure would deliver low correlation with equity markets, we did not necessarily expect it to be inversely correlated which is where we have been over the last year with a correlation of -0.14x to the UK equity market.

The fifth line of Kipling's famous poem asks

"If you can wait and not be tired by waiting".

Investment requires pragmatism and patience, accepting one's views might be wrong or just out of tune with current market trends. We think we have been patient but we accept that our returns have been disappointing. We put continuation votes into our structure at the outset of the Trust to ensure that if investors' patience was shorter in duration than ours then they could get their money back.

Conversations with key shareholders led us to believe we had no chance of achieving a successful continuation vote next year. In those circumstances Sanditon Asset Management decided that, in the interests of all shareholders, the best course of action was to ask the Board of SIT to offer an early vote on a voluntary liquidation of your Company. The management of SAM will be voting in favour of the resolution.

It only remains for me to thank shareholders for their support and wish them financial success in what we are sure are going to be very tricky markets.

Tim Russell
Sanditon Asset Management Limited
30 October 2019

Portfolio

as at 30 June 2019

Country Breakdown (% of NAV)*	Long	Short	Net	Gross
Germany	0.0	-1.4	-1.4	1.4
Italy	0.0	-5.2	-5.2	5.2
United Kingdom	37.4	-46.4	-9.0	83.8
Total	**37.4**	**-53.0**	**-15.6**	**90.4**

Business Cycle Groupings (% of NAV)*	Long	Short	Net	Gross
Commodity Cyclical	0.0	0.0	0.0	0.0
Consumer Cyclical	5.7	-2.4	3.3	8.1
Industrial Cyclical	4.3	-10.4	-6.1	14.7
Growth	0.0	-20.2	-20.2	20.2
Financial	6.6	0.0	6.6	6.6
Growth Defensive	12.1	-7.6	4.5	19.7
Value Defensive	8.7	0.0	8.7	8.7
FTSE 100 Future	0.0	-12.4	-12.4	12.4
Total	**37.4**	**-53.0**	**-15.6**	**90.4**

Long Positions (% of NAV)**	%
TM Sanditon UK Select	10.0
Diageo	5.7
ITV	4.1
RELX	3.9
Babcock	3.4
Sanditon Asset Management	2.9
Melrose	2.8
Aviva	2.8
Vodafone	2.7
IG Group	1.8
Greene King	1.6
Capita	1.5
John Wood Group	1.4
Equiniti	1.3
Reckitt Benckiser	1.3
Man Group	1.2
J Sainsbury	1.1
JUST Group	0.8
Total	**50.3*** **

Total number of positions (long and short)**	38

* Excluding holdings in Sanditon Asset Management and TM Sanditon UK Select Fund

** Including holdings in Sanditon Asset Management and TM Sanditon UK Select Fund

*** The long positions are presented based on the notional value of CFD holdings and the actual value of equity holdings

Directors

Rupert Barclay – Chairman
Mr Barclay is currently Chairman of Impact Healthcare REIT plc and a former director and chair of the audit committee of Lowland Investment Company plc. He is a founder and managing partner of the strategic advisory firm Cairneagle Associates LLP and a number of private companies, and was formerly senior independent director of Dimension Data plc until its acquisition by NTT Communications Corporation in 2010 and a director of Instinet Inc. In his strategic advisory career he is a former partner of LEK Consulting and former Head of Strategy and M&A at two top 50 UK companies, Allied Domecq and Reuters. He has an MA in Classics from Cambridge, an MBA with Distinction from INSEAD and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Christopher Keljik OBE
Mr Keljik was with Standard Chartered Plc for most of his career serving in Singapore, New York, Hong Kong and London. At retirement he was the Group Executive Director with responsibilities for Africa, the Middle East, South Asia, Europe and the Americas. He was the Senior Independent Director of Foreign & Colonial Investment Trust plc, Schroder Asian Total Return Investment Company plc and Millennium & Copthorne Hotels plc and a non executive director of Jardine Lloyd Thompson Group plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Hugo Dixon
Mr Dixon is an author and columnist. He is the founder of Reuters Breakingviews. Before founding Breakingviews in 1999, which he edited until 2012, Mr Dixon spent 13 years at the Financial Times, the last five as head of Lex. He began his journalistic career at The Economist. Mr Dixon has a first class degree in philosophy, politics and economics from Oxford University. He is the author of The In/Out Question, The Penguin Guide to Finance and Finance Just in Time.

Mark Little – Chairman of the Audit Committee
Mr Little is a non-executive director of Securities Trust of Scotland Plc, Majedie Investment Trust Plc and an investment director with 7 Investment Management Ltd. He was formerly Managing Director of Barclays Wealth (Scotland and Northern Ireland). He is a member of the Institute of Chartered Accountants of Scotland.

Strategic Report

for the year ended 30 June 2019

The Directors submit to the shareholders their Strategic Report, Directors' Report and the Audited Financial Statements of the Company for the year ended 30 June 2019.

Business and tax status

The Company is an investment trust listed on the London Stock Exchange and its principal activity is portfolio investment. The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the eligibility conditions contained in Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements outlined in Chapter 3 of Part 2 of the Regulations for all accounting periods starting on or after 27 June 2014. In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to maintain its status as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company is an investment company as defined in Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments.

Investment objective

The Company's investment objective is to:

- Deliver absolute returns of at least 2% per annum, compounded annually, above RPIX; and
- Be an asset diversifier for shareholders by targeting low correlation with leading large capitalisation equity indices.

Alternative Investment Fund Management Directive ("AIFMD")

Sanditon Asset Management Limited (the "Manager") is authorised and regulated by the FCA and as such is subject to its rules in the conduct of its investment business. The Manager is a Small Authorised UK AIFM. To qualify for such status, the Manager must continue to meet certain conditions including a limit on the Manager's assets under management in certain types of investment fund, including any assets acquired through the use of leverage. The Company is the Manager's only Alternative Investment Fund. If the gross assets of the Company exceed the €100m limit allowed to be a Small Authorised UK AIFM, the Manager will apply to the FCA for authorisation to be a Full-Scope UK AIFM. The Board does not expect such application process to have any impact on the Company or the management of its assets on the basis that, once such application is made by the Manager, the Manager would be able to continue managing the Company's assets until the FCA has approved the application.

Investment policy

The Company invests predominantly in listed equity securities of companies:

- incorporated in; or
- which derive a significant proportion of their revenues or profits from; or
- which are predominantly operating in;

the EU, the EEA or Switzerland.

The Company utilises derivative instruments, including contracts for differences and other equity-related derivative instruments, for investment purposes, efficient portfolio management and gearing. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments. The gross exposure of the Company's portfolio shall not exceed 200% of the net asset value.

Assets denominated in currencies other than sterling will not automatically be hedged.

The Company holds a 20 per cent equity interest in SAM acquired on Admission in 2014 in order to benefit from the potential growth in the Manager's business. The Company acquired such interest at the same price per share at which the SAM Founder Shareholders subscribed for their shares in SAM. The Company will not invest in unlisted securities other than its equity interest in SAM.

The Company has the ability to invest in investment funds managed or advised by SAM ("SAM Funds"). Such investment shall only be made with the prior approval of the Board and on terms whereby any management and performance fees which would otherwise be payable by the Company to the Manager pursuant to the Management Agreement in respect of such investment are not double charged. The Company invested £4,950,000 in the TM Sanditon UK Select Fund during the period ended 30 June 2015. There were no additional investments in investment funds managed by SAM in the year to 30 June 2019 (30 June 2018: none).

The Company will manage and invest its assets in accordance with its published investment policy. Any material change to this policy will only be made with the approval of shareholders by ordinary resolution unless otherwise permitted by the Listing Rules.

Strategic Report
continued

Key performance indicators
The Company's Directors meet regularly to review the performance of the Company and its shares. The key performance indicators ("KPIs") used to measure the progress and performance of the Company over time are as follows:

1) The share price in absolute terms and relative to RPIX plus 2%.

2) The net asset value per share return in absolute terms and relative to RPIX plus 2%.

3) Ongoing charges. The annualised ongoing charges figure for the year was 1.31% (2018: 1.29%). This figure, which has been prepared in accordance with the recommended methodology of the Association of Investment Companies, represents the annual percentage reduction in shareholder returns as a result of recurring operational expenses excluding performance fee. There is no performance fee accrual in respect of the year ended 30 June 2019 (2018: no performance fee accrued). The Board reviews each year an analysis of the Company's ongoing charges figure.

All of these areas were examined throughout the year and the table below summarises the results:

	As at or year to 30 June 2019
Total Return Performance	
NAV per Ordinary Share	
(including dividend and provision for liquidation costs)	**-3.0%**
Share price	**-1.2%**
RPIX + 2%	**+4.8%**
Ordinary Share Performance	
Net Asset Value per Ordinary Share (cum income)	**88.69p**
Net dividends declared per Ordinary Share	**0.60p**
Ongoing charges†	**1.31%**

†See glossary of terms on pages 46 and 47.

Return per share – basic
The total return per Ordinary Share based on the net total return on ordinary activities after taxation of £(1,234,000) (2018: £(3,811,000)) was (2.47)p (2018: (7.63)p).

These calculations are based on the number of 50,000,000 Ordinary Shares in issue during the year to 30 June 2019 (2018: 50,000,000). The return per Ordinary Share can be further analysed between revenue and capital as below:

	Year ended 30 June 2019 Pence per Ordinary Share	Year ended 30 June 2019 £000
Net revenue return	**0.68p**	**340**
Net capital return	**(3.15)p**	**(1,574)**
Net total return	**(2.47)p**	**(1,234)**

The Company does not have any dilutive securities.

Dividends
The Company is managed to target absolute return rather than for dividend yield. Accordingly, the Board does not seek to target any particular level of dividend and intends rather to distribute by way of dividend most of the net revenue earnings available for this purpose. The Board recommends a final dividend of 0.60p per share. Subject to approval at the Annual General Meeting, the recommended final dividend will be paid on 20 December 2019 to members on the register at the close of business on 22 November 2019 and the shares will be marked ex-dividend on 21 November 2019.

Net asset value
The net asset value per Ordinary Share, including revenue reserve, at 30 June 2019 was 88.69p (2018: 91.96p).

Principal risks associated with the Company (also see note 18 on pages 38 to 44).

Investment and strategy risk
The Board regularly reviews the investment mandate and long-term investment strategy in relation to the market and economic conditions. The Board also regularly monitors the Company's investment performance against the objective to deliver at least 2% return above inflation, and monitors its compliance with the investment guidelines.

Accounting, legal and regulatory risk
In order to qualify as an investment trust, the Company must comply with the provisions contained in Section 1158 of the Corporation Taxes Act 2010. A breach of Section 1158 in an accounting period could lead to the Company being subject to corporation tax on gains realised in that accounting period. Section 1158 qualification criteria are monitored by the Investment Manager and any adverse results reported to the Board at its regular meetings. The Company must also comply with the Companies Act and the UKLA Listing Rules. The Board relies on the services of the Administrator, Northern Trust Global Services SE and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules.

Strategic Report
continued

Loss of investment team or Investment Manager (SAM)
A sudden departure of the lead Investment manager or several members of the investment management team or a change in Investment Manager could result in a deterioration in investment performance. The Investment Manager reports to the Board on developments at SAM including succession and business continuity plans.

Discount
A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders.

The Board undertakes a regular review of the level of premium/discount and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing.

Operational risk
Like most other investment trust companies, the Company has no employees and therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager, the Custodian, the Administrator and the Company's other service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. The Custodian and the Administrator produce reports on their internal controls which are reviewed by their auditors and give assurance regarding the effective operation of controls. These reports are reviewed by the Board. Details of material contracts entered into by the Company can be found on pages 15 and 16.

Financial risk
The financial risks faced by the Company are disclosed in note 18 on pages 38 to 44.

The Board considers these risks to have remained unchanged throughout the year under review.

Viability statement
As is set out in the Chairman's' Statement on page 2, the Board has put forward a proposal to shareholders that the Company be wound up and placed into voluntary liquidation. A general meeting to consider this will be held on 5 December 2019 following the companies AGM.

Taking account of this, the principal risks that the Company faces and their potential impact on its future developments and prospects, the Directors have assessed the viability of the Company, to the extent that they are able to do so to 5 December 2019. The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the period of assessment up to 5 December 2019.

Board diversity
The Nomination Committee considers diversity, including the balance of skills, knowledge, gender and experience, amongst other factors when reviewing the composition of the Board and appointing new directors, but does not consider it appropriate to establish targets or quotas in this regard. The Board comprises four non-executive Directors all of whom are male. The Company has no employees.

Social, community and human rights
The Company does not have any specific policies on social, community or human rights issues as it is an investment company which does not have any physical assets, property, employees or operations of its own.

For and on behalf of the Board

Rupert Barclay
Chairman
30 October 2019

Directors' Report

for the year ended 30 June 2019

Directors

The present Directors are listed below and on page 7. They are all non-executive and have served throughout the year.

Rupert Barclay – Chairman

Christopher Keljik OBE

Hugo Dixon

Mark Little – Chairman of the Audit Committee

None of the Directors, nor any persons connected with them, had a material interest in any of the Company's transactions, arrangements or agreements during the year. None of the Directors has, or has had, any interest in any transaction which is, or was, unusual in its nature or conditions or significant to the business of the Company, and which was effected by the Company during the current financial year.

At the date of this report, there are no outstanding loans or guarantees between the Company and any Director.

Conflicts of interest

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest which it believes has worked effectively during the year. All Directors are required to notify the Company Secretary of any situations where they consider that they have a direct or indirect interest, or duty that would conflict, or possibly conflict, with the interests of the Company. No such situations however, have been identified.

There remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to review all notified situations on a quarterly basis.

Corporate governance

The statement of Corporate Governance, as shown on pages 14 to 16, is incorporated by cross reference into this report.

Bribery prevention policy

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager on its behalf very seriously and the Investment Manager has anti-bribery policies and procedures in place. The Company's other key service providers have anti-bribery policies.

Modern slavery act

The Company is an investment vehicle and does not provide goods or services in the normal course of its business, or have customers. Accordingly, the Directors consider that the Company is not within the scope of the Modern Slavery Act 2015.

Prevention of the facilitation of tax evasion

In response to the implementation of the Criminal Finances Act 2017, the Board have adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website: *www.sanditonam.com*. The policy is reviewed annually by the Audit Committee.

Global greenhouse gas emissions for the year ended 30 June 2019

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

Substantial shareholdings

As at the date of this report the Company had been notified of the following substantial interests in the Ordinary share capital of the Company.

	Number of shares at 22 October 2019†	**% of total voting rights**	Number of shares at 30 June 2019	% of total voting rights
Premier Fund Managers Limited	**13,491,833**	**27.0%**	12,301,833	24.6%
Hargreaves Lansdown	**6,201,281**	**12.4%**	6,193,459	12.4%
Tim Russell	**6,082,125**	**12.2%**	5,900,000	11.8%
Schroders plc	**4,799,584**	**9.6%**	4,876,750	9.8%
Ravenscroft Limited	**4,000,000**	**8.0%**	4,000,000	8.0%
J. Safra Sarasin	**2,344,289**	**4.7%**	2,478,894	5.0%

†The latest practicable date prior to the publication of this report.

Directors' Report
continued

Going concern
Given that the Board has put forward a proposal to shareholders that the Company be wound up and placed into voluntary liquidation on 5 December 2019, the Directors believe that it would not be reasonable to adopt the going concern basis in preparing the financial statements. Therefore the financial statements have been prepared under the 'break up' basis after including a provision for the liquidation of the Company based on estimated costs to liquidate the Company. Please refer to note 1 on page 30 of the accounting policies.

Performance
An outline of the performance, market background, investment activity and portfolio strategy during the period under review, as well as the investment outlook, is provided in the Chairman's Statement on page 2 and Investment Manager's Report on pages 3 to 5.

UK Stewardship Code
The UK Stewardship Code is overseen and published by the Financial Reporting Council, the independent regulator overseeing financial reporting, accounting and auditing and corporate governance. The Code, first published in 2010, sets the benchmark in the UK for institutional investors to meet ownership obligations in respect of their holdings of UK equities.

SAM's stewardship policy, the principles of which are set out below, has been reviewed by the Board and responsibilities for voting have been delegated to SAM.

Principle 1: Policy on operation of stewardship responsibilities
SAM manages client assets with the objective of generating returns consistent with clients' objectives. It is therefore central to SAM's investment process to consider each company's ability to create, sustain and protect value. It is essential to question and challenge companies about issues that SAM perceives may affect their value. Engagement and actively voting the shares it manages on behalf of clients should therefore be seen as integral to its equity investment process.

Principle 2: Conflicts of interest
Asset management is SAM's only business. Even so, it is possible that situations may arise that would lead to concerns over possible conflicts of interest. Such considerations are included in and covered by SAM's Conflicts of Interest Policy.

Principle 3: Monitoring
Typically, monitoring by the Investment Manager (supported by SAM's mid office team who are responsible for monitoring corporate actions and related deadlines) will occur around financial reporting, general meetings, in connection with news and announcements and when, for whatever reason, SAM might be conducting research into investment ideas or reviewing holdings.

Principle 4: Implementation
Engagement, if required or appropriate, will be conducted through meetings with company management. It may include further contact with executives, meeting or otherwise communicating with non-executive Directors or the chairman, voting, communicating via the Company's advisers, submitting resolutions at general meetings or requisitioning extraordinary general meetings. SAM may conduct these additional engagements in connection with specific issues or as part of the general, regular contact with companies.

Principle 5: Working with other shareholders
There are rare occasions when it may be better to work with other shareholders to effect change. This may involve sharing views and ideas with other institutions. It may also involve meeting companies jointly with other shareholders or using the services of third-party membership organisations or other collaborative or informal groups.

Principles 6 & 7: Voting & Reporting
It is the policy of SAM's UK equity business to vote all shares at all meetings except where there are onerous restrictions – for example, where trading is restricted prior to a meeting in shares committed to vote (share blocking), SAM will usually only vote where the benefit of voting outweighs the benefit of the ability to trade.

Full details of SAM's policy in respect of the Stewardship Code can be found on its website www.sanditonam.com.

Companies Act 2006 Disclosures
In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

- the Company's capital structure and voting rights are summarised on pages 49 and 50, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;

Directors' Report
continued

- there exist no securities carrying special rights with regard to the control of the Company;
- details of the substantial shareholders in the Company are listed on page 11;
- the Company does not have an employees' share scheme;
- the rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Auditor
Ernst & Young LLP have expressed their willingness to continue in office as Auditor and a resolution proposing their reappointment and to authorise the Board to determine their remuneration will be submitted at the Annual General Meeting. Subject to a successful vote to wind up the Company at the General Meeting the auditors will not be re-appointed.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

By Order of the Board

Rupert Barclay
Chairman
30 October 2019

Statement of Corporate Governance

Introduction
The Board is accountable to the Company's shareholders for the governance of the Company's affairs and this statement describes how the principles of the Financial Reporting Council's UK Corporate Governance Code issued in April 2016 ("the Code") have been applied to the affairs of the Company. In applying the principles of the Code, the Directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide") issued in July 2016, which has established a framework of best practice specifically for the boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies.

The revised UK Corporate Governance Code published in 2018, together with the AIC Code of Corporate Governance published in February 2019, which is effective for financial years beginning after 1 January 2019 will apply in the financial year ending 30 June 2020.

Board of Directors
The Board currently consists of four non-executive Directors all of whom are independent of the Investment Manager. Their biographies are set out on page 7. Collectively the Board has the requisite range of business and financial experience which enables it to provide clear and effective leadership and proper stewardship of the Company.

The number of meetings of the Board, the Audit Committee, the Nomination Committee and the Management Engagement Committee held during the financial year and the attendance of individual Directors are shown below:

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings in the year	**4**	**2**	**1**	**1**
Rupert Barclay	4	2	1	1
Christopher Keljik	4	2	1	1
Hugo Dixon	4	2	1	1
Mark Little	4	2	1	1

The Board deals with the Company's affairs, including the setting of gearing and investment policy parameters, the monitoring of gearing and investment policy and the review of investment performance. The Investment Manager takes decisions as to asset allocation and the purchase and sale of individual investments. The Board papers circulated before each meeting contain full information on the financial condition of the Company. Key representatives of the Investment Manager attend the Board meetings, enabling Directors to seek clarification on matters of concern.

Matters specifically reserved for discussion by the full Board have been defined and a procedure adopted for the Directors to take independent professional advice if necessary at the Company's expense.

The Chairman of the Company was independent of the Investment Manager at the time of his appointment as an independent non-executive Director and continues to be considered independent by the other Board members. A senior non-executive Director has not been identified as the Board is comprised entirely of non-executive Directors.

In accordance with the Articles of Association, new Directors stand for election at the first Annual General Meeting following their appointment. The Articles require that at every Annual General Meeting, there shall retire from office any Director who shall have been a Director at each of the two preceding Annual General Meetings and who was not appointed or re-elected by the Company in General Meeting at, or since, either such Annual General Meeting. However, the Board has taken the decision to adopt corporate governance best practice resulting in the annual re-election of all Directors.

Performance evaluation/re-election of Directors
An appraisal process has been established in order to review the effectiveness of the Board, the Committees and individual Directors. This process involves the consideration by the Chairman and the Board of responses from individual Directors to a questionnaire which is completed on an annual basis. In addition, the other Directors meet collectively once a year to evaluate the performance of the Chairman. The Board recommends the re-election of Mr Rupert Barclay, Mr Christopher Keljik, Mr Hugo Dixon and Mr Mark Little, who offer themselves for re-election.

Board tenure
The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure reduces his or her ability to act independently. The Board's policy on tenure is that continuity and experience add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors has been imposed, although the Board believes in the merits of periodic and progressive refreshment of its composition.

Committees
The Board believes that the interests of shareholders in an investment trust company are best served by limiting the size of the Board such that all Directors are able to participate fully in all the

Statement of Corporate Governance
continued

activities of the Board. It is for this reason that the membership of the Audit, Management Engagement and Nomination Committees is the same as that for the Board as a whole.

Audit Committee
Mr Little is the Chairman of the Audit Committee and as permitted by the AIC Code of Corporate Governance the Chairman of the Board, Mr Barclay, is a member of the Audit Committee. This is considered to be appropriate given the small size of the Board and that all Directors are independent. The Audit Committee reviews audit matters within clearly-defined written terms of reference (copies of which are available upon request from the Company Secretary). The Audit Committee Report is set out on pages 19 and 20.

Management Engagement Committee
Mr Barclay is the Chairman of the Management Engagement Committee which is responsible for reviewing the performance of the Investment Manager and of all other third party service providers, their terms of appointment and remuneration. The Committee meets annually.

Nomination Committee
Mr Barclay is the Chairman of the Nomination Committee which operates within defined terms of reference available from the Company Secretary. This is responsible for the Board appraisal process, reviews the Board's size and structure and is responsible for succession planning. The Board has due regard for the benefits of diversity in its membership and seeks to ensure that its structure, size and composition, including the skills, knowledge, diversity (including gender) and experience of Directors, is sufficient for the effective direction and control of the Company. The Nomination Committee meets at least annually and comprises all the non-executive Directors of the Board.

Remuneration Committee
The Board as a whole considers Directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all Directors are non-executive the Company is not required to comply with the Code in respect of executive Directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on pages 17 and 18.

Risk management and internal control
The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls which the Board has identified as including: business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

The Board as a whole is primarily responsible for the monitoring and review of risks associated with investment matters and the Audit Committee is primarily responsible for other risks.

As the Board has contractually delegated to other companies the investment management, the custodial services and the day-to-day accounting and company secretarial requirements, the Company relies significantly upon the system of risk management and internal controls operated by those companies. Therefore, the Directors have concluded that the Company should not establish its own internal audit function, but will review this decision annually. Investment management is performed by Sanditon Asset Management Limited and administration services by Northern Trust Global Services SE. Details of the agreements with the Investment Manager and the Administrator are set out below. The custodian is The Northern Trust Company.

An investment limits and restrictions checklist has been considered at all regular Board meetings. The risk map has been considered at regular meetings of the Audit Committee. As part of the risk review process, regular reports are received from the Investment Manager on all investment related matters including compliance with the investment mandate, the performance of the portfolio compared with relevant indices and compliance with investment trust status requirements. The Board also receives and reviews reports from the custodian on its internal controls and their operation.

The Board as a whole regularly reviews the terms of the management and secretarial contracts.

The Board confirms that appropriate procedures to review the effectiveness of the Company's system of risk management and internal control have been in place, throughout the year and up to the date of this report, which cover all controls including financial, operational and compliance controls and risk management.

Investment Manager
The Company's Manager is Sanditon Asset Management Limited. Under the terms of the Management Agreement the Manager is entitled to a management fee, accrued daily and payable monthly in arrears, at the rate of 0.75 per cent. per annum of the Company's Net Asset Value. The Manager may also become

Statement of Corporate Governance
continued

entitled to a performance fee (see note 3 on page 32). The Management Agreement is terminable upon 6 months' written notice, and at any time in the event of the insolvency of the Company or the Manager.

The investment performance is reviewed at each regular Board meeting at which representatives of the Investment Manager are required to provide answers to any questions raised by the Board. The Board has instigated an annual formal review of the Investment Manager which includes consideration of:

- performance compared with the hurdle;
- investment resources dedicated to the Company; and
- investment management fee arrangements and notice period compared with the peer group.

It is not considered appropriate to continue with the appointment of the Investment Manager given the decision to propose to shareholders that the Company be wound-up (see Chairman's Statement on page 2).

Administrator
Northern Trust Global Services SE has been appointed as the Administrator of the Company. The Investment Fund Services Agreement is terminable by the Company on 6 months' notice or by the Administrator on 12 months' notice.

Company Secretary
Sanditon Asset Management Limited was appointed as the Company Secretary of the Company on 22 February 2018 (in place of Northern Trust Global Services SE). The Board has direct access to the advice and services of the Company Secretary, Sanditon Asset Management Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that statutory obligations of the Company are met. The Secretary provides its services through Northern Trust Global Services SE.

Individual Directors may take independent professional advice on any matter concerning them in the furtherance of their duties at the Company's expense. The Company also maintains Directors' and Officers' liability insurance to cover legal defence costs.

Custodian
The Northern Trust Company has been appointed as custodian to provide custody services to the Company. The Custody Agreement is terminable upon 30 days' written notice by either party.

Relations with shareholders
The Board, the Investment Manager and all the Directors are available to enter into dialogue with shareholders.

All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairmen of the Board's standing committees.

Any shareholder who would like to lodge questions in advance of the Annual General Meeting is invited to do so in writing to the Company Secretary at the address detailed on page 51. The Company always responds to letters from individual shareholders.

The Annual and Interim Reports of the Company present a full and readily understandable review of the Company's performance. Copies are dispatched to shareholders by mail and are also available for download from the Investment Manager's website: *www.sanditonam.com*.

A quarterly fact sheet is produced by the Investment Manager and is also available via its website. If a shareholder would like to contact the Board directly, they should write to the Chairman, Sanditon Investment Trust plc, c/o Sanditon Asset Management Limited, Fifth Floor, 33 Cannon Street, London EC4M 5SB, marking their letter "Private and Confidential".

Statement of compliance
The Board believes that it has complied with all the material provisions, in so far as they apply to the Company's business, of the Code throughout the period under review. It did not, however, comply with the following provisions, as explained previously:

- due to the small size of the Board and nature of the business a separate remuneration committee has not been established; and the Board has considered there is no need to nominate a senior non-executive Director

The Board has also adhered to the principles of the AIC Code in all material respects.

By Order of the Board

Rupert Barclay
Chairman
30 October 2019

Directors' Remuneration Report
for the year ended 30 June 2019

Introduction
This report is prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and in accordance with the Listing Rules of the Financial Conduct Authority and the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the shareholders at the forthcoming Annual General Meeting.

The Company's Remuneration Policy was approved by the shareholders at the Annual General Meeting on 6 December 2018 under Section 439 of the Companies Act 2006.

The Company is not able to make remuneration payments to a Director, or loss of office payments to a current or past Director, unless the payment is consistent with the approved policy or has otherwise been approved by the shareholders.

The law requires your Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion in respect of these disclosures is included in their report on pages 22 to 25.

Remuneration Committee
The Board as a whole fulfils the function of a Remuneration Committee. All Directors are non-executive and the Company has no employees. No professional adviser was consulted in the year for setting the level of Directors' fees.

Directors' beneficial and family interests (audited)
The interests of the Directors and their families in the Ordinary Shares of the Company were as follows:

	Ordinary Shares at 22 October 2019†	Ordinary Shares at 30 June 2019
Rupert Barclay	200,000	200,000
Christopher Keljik	265,000	265,000
Hugo Dixon	260,000	260,000
Mark Little	11,818	11,818

†The latest practicable date prior to the publication of this report.

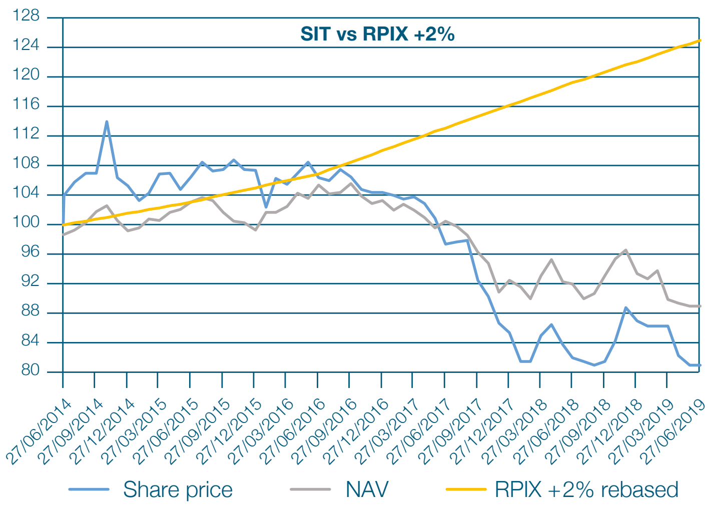
Directors' remuneration policy
The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have similar investment objectives. It is intended that this policy will continue in subsequent years.

The fees for the non-executive Directors are determined within the limit of £500,000 set out in the Company's Articles of Association. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at Board and general meetings and committees.

Directors' service contracts
It is the Board's policy that none of the Directors has a service contract. Letters confirming the terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his/her appointment. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office. Copies of the Letters of Appointment are available for inspection at the registered office of the Company. Directors and officers insurance is maintained and paid for by the Company on behalf of the Directors.

Your Company's performance
For the purposes of this report the Board is required to select an index against which the Company's performance can be measured. The Board has decided it should be the RPIX +2%, which is referenced in the Company's investment objective.

The graph below shows the total return (assuming all dividends are reinvested) to Ordinary Shareholders against the RPIX +2%, for the period from 27 June 2014 (the date the shares were admitted to trading on the London Stock Exchange) to 30 June 2019.



Directors' Remuneration Report
continued

ANNUAL REPORT ON REMUNERATION

Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees year ended 30 June 2019 £	Expenses year ended 30 June 2019 £	**Total year ended 30 June 2019 £**	Total year ended 30 June 2018 £
Rupert Barclay	30,000	–	**30,000**	30,000
Christopher Keljik	20,000	–	**20,000**	20,000
Hugo Dixon	20,000	–	**20,000**	20,000
Mark Little	24,000	790	**24,790**	24,522
Total	94,000	790	**94,790**	94,522

From 1 July 2017 Directors' fees are paid at the following rates: Chairman £30,000; Chairman of the Audit Committee £24,000; and other Directors £20,000.

	Expected fees to 5 December 2019 £
Chairman	**15,000**
Chairman of the Audit Committee	**12,000**
Non-executive Director	**10,000**

Fees in the above table are based on the assumption the Company is wound up on 5 December 2019 as explained in the Chairman's Statement on page 2.

Spend on pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown above.

Statement of Voting at the Annual General Meeting

At the Annual General Meeting of the Company held on 6 December 2018 a binding resolution was put to shareholders to approve the Directors' Remuneration Policy, set out in the 2018 Annual Report and Accounts. This resolution was passed on a show of hands. The proxy votes registered in respect of the binding resolution were:

	For	Against	Withheld
Number of proxy votes	11,087,087	100,000	5,497

At the Annual General Meeting of the Company held on 6 December 2018 an advisory resolution was put to shareholders to approve the Directors' Remuneration Report, set out in the 2018 Annual Report and Accounts. This resolution was passed on a show of hands. The proxy votes registered in respect of the advisory resolution were:

	For	Against	Withheld
Number of proxy votes	11,192,584	0	0

Approval

A resolution for the approval of the Directors' Remuneration Report for the year ended 30 June 2019 will be proposed at the Annual General Meeting to be held on 5 December 2019.

By Order of the Board

Rupert Barclay
Chairman

Signed on behalf of the Board of Directors
30 October 2019

Audit Committee Report

The composition of the Audit Committee which comprises the whole Board, all of whom are independent, is set out on page 14.

The terms of reference of the Audit Committee require that the Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external Auditor;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the Strategic Report and the Statement of Corporate Governance (insofar as it relates to the audit and risk management).

The Audit Committee meets at least twice a year and is responsible for reviewing the annual and interim reports, the nature and scope of the external audit and the findings thereon, and the terms of appointment of the Auditor, including their remuneration and the provision of any non-audit services by them. The Audit Committee has considered the independence of the Auditor and the objectivity of the audit process and is satisfied that Ernst & Young LLP ("EY") is independent and has fulfilled its obligations to shareholders. The Audit Committee has satisfied itself as to the Auditor's effectiveness, objectivity, independence and the competitiveness of its fees before recommending its re-appointment. This is the fourth year that EY has served as the Company's Auditor and the lead partner is rotated every five years. To comply with the provision of the Code the Company will review the option to re-tender the external auditor on a regular basis.

The Audit Committee meets representatives of the Investment Manager who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate and reviews the Investment Manager's internal controls. The Company's external Auditor also attends this Committee at its request and reports on its findings in relation to the Company's statutory audit.

As the Company has no employees, section C.3.4 of the Code, which deals with arrangements for staff to raise concerns in confidence about possible improprieties in respect of financial reporting or other matters, is not directly relevant to it. The Audit Committee has confirmed with the Investment Manager and the Administrator that they do have "whistle blowing" policies in place for their staff.

The Audit Committee met in February 2019 and considered the form and content of the Company's interim report to 31 December 2018.

The Committee reviewed the key risks of the Company and the internal control framework operating to control risk. The Committee also reviewed the terms of engagement of the audit firm and its proposed programme for the year end audit.

The Audit Committee met a number of times in the second half of the year to review the outcome of the audit work and the final draft of the financial statements for the year end 30 June 2019. During this review the Audit Committee met with representatives of both the Investment Manager and the Administrator and sought assurances where necessary. The external Auditor attended the half year and year end Audit Committee meetings and presented reports on their audit plan and subsequently their audit findings. These did not include any significant matters of concern in relation to the financial statements.

Contracts for non-audit services must be notified to the Audit Committee who consider any such engagement in the light of the requirement to maintain audit independence.

The Auditor is responsible for the annual statutory audit. No other services are provided by the Auditor and it is the Company's policy not to seek substantial non-audit services from its Auditor.

Significant issues for the Audit Committee

The Audit Committee identified and considered the following significant issues:

Proposal to wind up the Company in December 2019

The Board approved a proposal for the voluntary liquidation of the Company and the Audit Committee subsequently reviewed the financial statements prepared on a break up basis. The enclosed circular sets out the recommended process and timetable for the liquidation. The Audit Committee also reviewed the annual report disclosures addressing the preparation of the financial statements on a break up basis prior to recommending to the Board that they should be approved.

The accuracy of the valuation of the investment portfolio

The Company's investments have been valued in accordance with the accounting policies, as discussed in note 1 (b) on page 30. Within FRS 102 Fair Value Hierarchy, all investments are categorised as either Level 1 or 2, other than the sole unquoted investment detailed below which is categorised as Level 3.

The Committee notes that Level 1 and 2 investments are valued using stock exchange prices provided by third party financial data providers. During the year the Committee reviewed internal controls reports from the Administrator concerning the systems and controls around the pricing and valuation of securities. As a result

Audit Committee Report
continued

of preparing the financial statement on a break up basis, the Audit Committee reviewed the fair values of Level 1 and 2 investments and satisfied itself that they were materially equivalent to their net realisable values.

As detailed in note 1(b) on page 30 the Company's only unquoted investment is valued by the Directors at £1,304,790. In determining that this amount appropriately reflected its fair value, the Committee considered *inter alia* the 2019 audited results of SAM, other analyses prepared by SAM and the agreed valuation methodology as set out in note 7(b) on page 35. These documents have also been reviewed by the Auditor who presented their findings to the Committee at the meeting to approve the year end financial statements.

As a result of preparing the financial statements on a break up basis, the Board agreed with SAM that the basis for determining the net realisable value of the Company's investment in SAM would be with reference to its pro-rata share of SAM's net assets, adjusted to include forecast cashflows prior to the planned closure of SAM and any further associated costs pertaining to its winding up. The Audit Committee compared the carrying fair value of its stake in SAM to its share of the net asset value of SAM reported in its 30 September management accounts, which had been adjusted for forecast cashflows and estimated closure costs, and concluded that no adjustments were required to the carrying fair value calculated under the originally agreed methodology. This was on the grounds that the difference between the fair value and estimated net realisable value required under the break up basis of accounting were immaterial to the Company's financial statements.

The risk of misappropriation of assets and unsecured ownership of investments

The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by SAM to the Committee. SAM has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.

As part of the day to day controls of the Company there are regular reconciliations between the accounting records and the records kept by the custodian of the assets they safeguard which are owned by the Company. During the year and at the year-end there were no matters brought to light which call into question that the key controls in this area were not working, or that the assets recorded in the books of account are not held in safe custody.

The accuracy of the calculation of management and performance fees

The Committee receives reports on the calculation of any performance fee accruals that have been included in the Company's NAV. The management fee and any performance fee are calculated in accordance with the contractual terms in the investment management agreement by the Administrator and are reviewed in detail by SAM and are also subject to a monthly review and approval by the Chairman of the Audit Committee. The audit also includes checks on the calculation of the management fee and any performance fee to ensure that they are correctly calculated.

The external audit plan was reviewed with the external Auditor and the Committee concluded that suitable audit procedures had been implemented to obtain reasonable assurance that the Financial Statements as a whole would be free of material misstatements. Specifically with reference to the highlighted issue:

The Committee was satisfied that the procedures put in place by the external Auditors allowed them to independently test the valuation of the investment portfolio including the Company's stake in SAM.

Review of the Auditor

The Audit Committee has reviewed the effectiveness of the Auditor including:

- independence (the Auditor reports to the Audit Committee at the half-year and year end the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards);
- quality of the audit work including the ability to resolve issues in a timely manner, its communication with the Company; and
- the quality of people and services.

The Audit Committee was satisfied that the audit process was effective for the year under review.

Financial statements

In finalising the financial statements for recommendation to the Board for approval the Committee has concluded that it is not appropriate to prepare the accounts on a going concern basis as detailed in the Chairman's Statement on page 2. The Audit Committee has also satisfied itself that the Annual Report and financial statements taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. All of the above were satisfactorily addressed through the 'page turn' review of the financial statements at the year end Audit Committee meeting and consideration of reports provided by, and discussed with, the Investment Manager and the Auditor. The Board as a whole have approved the conclusions arrived at by the Audit Committee as disclosed in the Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements on page 21.

Mark Little
Chairman of the Audit Committee
30 October 2019

Statement of Directors' Responsibilities
in Respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law, 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 the profit or loss of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

For reasons stated in the Directors' Report and note 1, the financial statements of the Company have been prepared on a break up basis as the Company is not a going concern.

The Directors are responsible for keeping adequate accounting records which 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 which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The financial statements are published on the www.sanditonam.com website, which is maintained by the Company's Investment Manager. The maintenance and integrity of the website maintained by Sanditon Asset Management Limited is, so far as it relates to the Company, the responsibility of Sanditon Asset Management Limited.

Statement under the Disclosure & Transparency Rules 4.1.12

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

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

b) the Strategic Report contained in the Annual 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.

The 2016 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and financial statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and financial statements fulfil these requirements. The process by which the Committee has reached these conclusions are set out in the Audit Committee's report on pages 19 and 20. As a result, the Board has concluded that the Annual Report and financial statements for the year ended 30 June 2019, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Rupert Barclay
Chairman
30 October 2019

Independent Auditor's Report

to the members of Sanditon Investment Trust plc

OPINION

We have audited the financial statements of Sanditon Investment Trust Plc for the year ended 30 June 2019 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter - financial statements prepared on a break up basis

We draw attention to Note 1(a) of the financial statements, which explains that the Company would be wound up and therefore the Directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a break up basis as described in Note 1 (a).

Our opinion is not modified in respect of this matter.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 9 and 10 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the annual report on page 15 that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 10 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Preparation of the financial statements on the break up basis. • Performance fees or the high watermark to be carried forward are not calculated in line with the Investment Management Agreement ("IMA"). • Incorrect valuation of the unquoted investment in the Manager, Sanditon Asset Management Limited ("SAM").
Materiality	• Overall materiality of £445k (2018: £460k) which represents 1% of Net Assets of the Company as at 30 June 2019.

Key audit matters

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

Independent Auditor's Report

continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Preparation of the financial statements on the break up basis *Refer to the Directors' Report (pages 11 to 13), the Audit Committee Report (pages 19 and 20); Note 1a of the Accounting policies (page 30); and Notes 7 and 9 of the Financial Statements (pages 34 and 36).* The Company's financial statements have been prepared on a break up basis. Consequently, assets and liabilities of the Company should be carried at their net realisable or settlement values. The fair value of quoted investments and derivatives based on underlying quoted securities (2019: £8,180k and -£2,542k, 2018: £8,853k and -£2,795k) is considered representative of their net realisable value and no accounting measurement adjustment has been recorded. The fair value of the Company's stake in SAM (2019: £1,305k, 2018: £1,461k) has also been assessed as materially equivalent to its net realisable value for the purpose of the Company's financial statements. Estimated liquidation costs of £150,000 have been recorded as a provision and disclosed in the notes to the financial statements.	We have performed the following procedures: • Obtained evidence from the Company's broker presenting shareholder feedback in relation to the continuation vote. • Reviewed evidence that the Board had approved the preparation of a circular setting out proposals to place the Company into voluntary liquidation subject to the passing of a special resolution at the 2019 AGM. • Obtained and reviewed the estimate of liquidation expenses recorded in the financial statements. • Reviewed the financial statement accounting policies and disclosures to confirm that necessary adjustments to apply the break up basis of presentation were complete and accurate.	• We concluded that it was appropriate for the financial statements to be prepared under the break up basis and that appropriate adjustments had been made to the quantitative and qualitative disclosures. • Based on the work performed we had no matters to report to the Audit Committee.
Performance fees or the high watermark to be carried forward are not calculated in line with the Investment Management Agreement ("IMA") *Refer to the Audit Committee Report (pages 19 and 20); Accounting policies (page 30); and Note 3 of the Financial Statements (page 32).* The Company's performance fee for the period amounted to £Nil (2018: £Nil). The performance fee is calculated using a methodology as set out in the Investment Management Agreement between the Company and the Manager described on page 32 of financial statements. Incorrect calculation of this fee could have a material impact on the return generated for shareholders.	We have performed the following procedures: • Obtained an understanding of the Administrator's processes for calculating the performance fees. • Recalculated the performance fees or the high watermark to be carried forward and ensured the calculations are in line with the Investment Management Agreement. • Validated all key external inputs used in the calculations to third party data.	• Based on the work performed we had no matters to report to the Audit Committee.
Incorrect valuation of the unquoted investment in the Manager, Sanditon Asset Management Limited ("SAM") *Refer to the Audit Committee Report (pages 19 and 20); Accounting policies (page 30); and Notes 8 and 18 of the Financial Statements (pages 34 and 38).* The Company has a 20% holding in SAM amounting to £1.30m (2018: £1.46m). In accordance with the Company's valuation policy and UK GAAP, the holding in SAM is carried at fair value determined by the directors. Under the break up basis of presentation, the Company is required to value its stake in SAM at its estimated net realisable value. Fair value is determined using the following formula described on page 35 of the financial statements: a simple average of 1% of SAM's year end assets under management ("AUM") and 5x after tax profits (adjusted to exclude any performance fees earned).	We have performed the following procedures: • Performed our walkthrough procedures to gain an understanding of SAM processes and controls surrounding the valuation of unquoted investment in the Manager to assess whether they have been designed effectively. • Discussed the valuation methodology with the Board of directors of the Company and confirmed with SAM and the Board that the Company's stake will be disposed of with reference to its share of SAM's net assets at the time of liquidation proposals being approved by shareholders. • We agreed the inputs to the fair valuation of SAM in the Company's accounts to amounts disclosed in SAM's audited accounts as at 31 March 2019 and AUM data to published information from the Administrator. • We obtained the 30 September management accounts of SAM and agreed the cash balances and receivables to bank statements and invoices. We also agreed a sample of the recorded liabilities to supporting documentation and enquired as to the presence of unrecorded liabilities. • We compared the carrying fair value of the Company's investment in SAM to its pro rata share of audited net assets of SAM as at 31 March 2019 and the 30 September management accounts adjusted to include forecast cashflows prior to the closure of SAM to assess the difference between the carrying fair value of the investment and the net realisable value estimated by the Board of directors and SAM.	• The difference between the fair value and net realisable value of the Company's stake in SAM was immaterial to the Company's financial statements. • Based on the work performed we had no matters to report to the Audit Committee.

There are no changes to the risks reported in the prior year except for the preparation of the financial statements under the break up basis of presentation.

Independent Auditor's Report

continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

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

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £445k (2018: £460k), which is 1% (2018: 1%) of the Company's net assets value as at 30 June 2019. We believe that net assets value is the most important financial metric on which shareholders judge the performance of the Company and it is generally accepted auditing practice for investment trust audits.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £334k (2018: £345k). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £22k (2018: £23k), which is set at 5% (2018: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 21, including the Strategic Report and Directors' Report set out on pages 8 to 13, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 21**
  the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on pages 19 and 20**
  the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 14 to 16**
  the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Independent Auditor's Report
continued

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

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

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified risks with respect to incorrect valuation of the unquoted investment in SAM and incorrect calculation of performance fees. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- We were appointed by the Company at the launch to audit the financial statements for the year ending 30 June 2015 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 30 June 2015 to 30 June 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

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

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 October 2019

Notes:

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

Income Statement

for the year ended 30 June 2019

		Year ended 30 June 2019			Year ended 30 June 2018		
	Notes	**Revenue £000**	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Losses on investments held at fair value through profit or loss	7	**–**	**(1,364)**	**(1,364)**	–	(3,895)	(3,895)
Income	2	**732**	**–**	**732**	682	–	682
Management fee	3	**(86)**	**(259)**	**(345)**	(88)	(263)	(351)
Other expenses	4	**(257)**	**–**	**(257)**	(253)	–	(253)
Return on ordinary activities before taxation		**389**	**(1,623)**	**(1,234)**	341	(4,158)	(3,817)
Taxation on ordinary activities	5	**(49)**	**49**	**–**	(24)	30	6
Return for the year		**340**	**(1,574)**	**(1,234)**	317	(4,128)	(3,811)
Return per Ordinary Share (pence):	15	**0.68**	**(3.15)**	**(2.47)**	0.63	(8.26)	(7.63)

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

The notes on pages 30 to 44 form part of these accounts.

The supplementary revenue and capital columns are both prepared under guidance from the Association of Investment Companies.

There is no other comprehensive income and therefore the return for the year is also the total comprehensive income for the year.

Statement of Financial Position

as at 30 June 2019

	Notes	30 June 2019 £000	30 June 2018 £000
Fixed assets			
Investments held at fair value through profit or loss	7	**9,485**	10,314
Current assets			
Debtors	8	**105**	189
Amounts due in respect of contracts for difference	9	**1,035**	1,239
Collateral paid in respect of contracts for difference		**8,108**	10,006
UK Treasury Bills		**25,178**	21,122
Cash at bank		**4,412**	9,247
Total current assets		**38,838**	41,803
Current liabilities			
Provision for liquidation costs	10	**(150)**	–
Creditors	10	**(249)**	(2,102)
Amounts payable in respect of contracts for difference	9	**(3,577)**	(4,034)
Total current liabilities		**(3,976)**	(6,136)
Net current assets		**34,862**	35,667
Total assets less current liabilities		**44,347**	45,981
Net assets		**44,347**	45,981
Capital and reserves			
Share capital	11	**500**	500
Share premium	12	**48,872**	48,872
Capital reserve	13	**(5,547)**	(3,823)
Revenue reserve		**522**	432
Total shareholders' funds		**44,347**	45,981
Net asset value per share – Ordinary Share (pence)		**88.69**	91.96

The financial statements on pages 26 to 44 of Sanditon Investment Trust plc, Company number 09040176, were approved by the Board and authorised for issue on 30 October 2019 and were signed on its behalf by:

Rupert Barclay
Chairman

The notes on pages 30 to 44 form part of these accounts.

Statement of Changes in Equity
for the year ended 30 June 2019

For the year ended 30 June 2019	Notes	Share Capital £000	Share Premium £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 1 July 2018		**500**	**48,872**	**(3,823)**	**432**	**45,981**
Return for the year		**–**	**–**	**(1,574)**	**340**	**(1,234)**
Provision for liquidation costs		**–**	**–**	**(150)**	**–**	**(150)**
Dividends paid	6	**–**	**–**	**–**	**(250)**	**(250)**
Balance at 30 June 2019		**500**	**48,872**	**(5,547)**	**522**	**44,347**

For the year ended 30 June 2018	Share Capital £000	Share Premium £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 1 July 2017	500	48,872	305	565	50,242
Return for the year	–	–	(4,128)	317	(3,811)
Dividends paid	–	–	–	(450)	(450)
Balance at 30 June 2018	500	48,872	(3,823)	432	45,981

The notes on pages 30 to 44 form part of these accounts.

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

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

Cash Flow Statement

for the year ended 30 June 2019

	Year ended 30 June 2019 £000	Year ended to 30 June 2018 £000
Return on ordinary activities before taxation*	**(1,234)**	(3,817)
Capital return before finance costs and taxation	**1,623**	4,158
Decrease/(increase) in debtors	**84**	(24)
(Decrease)/increase in other creditors	**(1,853)**	1,988
Investment management fee capitalised	**(259)**	(263)
Net movement in collateral pledged to broker	**1,898**	(373)
Gains/(losses) on futures and CFDs realised during the period	**120**	(3,130)
Decrease in amounts due in respect of CFDs	**204**	668
Decrease in amounts payable in respect of CFDs	**(457)**	(1,183)
Overseas tax recovered/(paid)	**–**	6
Net cash inflow/(outflow) from operating activities	**126**	(1,970)
Cashflow from investing activities		
Purchases of investments	**(3,680)**	(1,734)
Sales of investments	**3,025**	6,554
Net cash (outflow)/inflow from investing activities	**(655)**	4,820
Cashflow from financing activities		
Equity dividends paid	**(250)**	(450)
Net cash outflow from financing activities	**(250)**	(450)
(Decrease)/increase in cash and cash equivalents	**(779)**	2,400
Cash and cash equivalents at the start of the year	**30,369**	27,969
Cash and cash equivalents at the end of the year	**29,590**	30,369
Comprised of:		
UK Treasury Bills	**25,178**	21,122
Cash at bank	**4,412**	9,247
Cash and cash equivalents at the end of the year	**29,590**	30,369

*Cash inflow from dividends was £603,000 (2018: £617,000) and cash inflow from interest was £208,000 (2018: £68,000).

The notes on pages 30 to 44 form part of these accounts.

Notes to the Financial Statements

for the year ended 30 June 2019

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (issued November 2014 and updated in February 2018).

The financial statements have been prepared in accordance with FRS 102 ("the Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council).

The Board has put forward a proposal to shareholders that the Company be wound up and placed into voluntary liquidation on 5 December 2019. Therefore these financial statements have been prepared under the 'break up' basis, where all assets and liabilities are stated at their net realisable and/or settlement values. The carrying fair value of the Company's only unlisted investment in SAM has been compared to its estimated net realisable value based on the 30 September management accounts adjusted to take account of forecast cashflows and estimated closure costs associated with the planned liquidation of SAM in December 2019. No adjustments were required to the carrying fair value calculated under the originally agreed methodology on the grounds that the difference between the fair value and estimated net realisable value required under the break up basis of accounting were immaterial to the Company's financial statements. A provision for liquidation costs of £150,000 has been included in the financial statements. All liabilities including liquidation costs are stated at the estimated amount.

(b) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 102 Section 11: 'Basic Financial Instruments', and Section 12: 'Other Financial Instruments'. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board of Directors.

The Company's investments, including financial derivative instruments, are classified as held at fair value through profit or loss. After initial recognition, these continue to be measured at fair value, which for quoted investments is either the bid price or the last traded price depending on the convention of the exchange on which the investment is listed. For investments, including financial derivative instruments, that are not actively traded or where active stock exchange quoted prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Gains or losses on investments, including financial derivative instruments are recognised in the capital column of the Income Statement. Purchases and sales of the financial assets are recognised on the trade date, being the date which the Company commits to purchase or sell the assets.

The sole unlisted investment is the Company's 20% stake in SAM and is valued by the Directors at fair value, using the guidelines on valuation published by the International Private Equity and Venture Capital Association ("IPEVC Valuation Guidelines").

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

(c) Derivatives

Derivatives which comprise of Contracts for Differences ("CFDs") and futures contracts are held at fair value based on traded prices. The sources of the return under the derivative contract (e.g. notional dividends, financing costs, interest returns and capital changes) are allocated to the revenue and capital columns of the Income Statement in accordance with the nature of the underlying source of income and in accordance with the guidance given in the SORP issued by the Association of Investment Companies.

Notes to the Financial Statements
continued

Notional dividend income arising on long or short CFD positions is apportioned wholly to the revenue account. Notional interest income on short CFD positions is allocated wholly to the capital account. Notional interest expense on long and short CFD positions is allocated wholly to capital. Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated to capital.

Futures contracts may be entered into for investment purposes and any fair value changes and profits and losses on the closure of positions are included in capital.

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

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

Interest receivable on cash deposits is accounted for on an accruals basis. Income from fixed income securities is recognised in the income statement using the effective interest method.

(f) Expenses
All expenses are accounted for on an accruals basis and are charged as follows:

- the basic investment management fee is charged 25% to revenue and 75% to capital;
- any performance fee earned is allocated to capital;
- investment transaction costs are allocated to capital; and
- other expenses are charged wholly to revenue.

(g) Taxation
The charge for taxation is based upon the net revenue for the year. The tax charge is allocated to the revenue and capital accounts according to the marginal basis whereby revenue expenses are first matched against taxable income arising in the revenue account. Deferred taxation is recognised in respect of all timing differences which are differences between taxable profits and return for the year that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

As an approved investment trust in the UK, the Company does not suffer tax on capital profits and UK dividend income received into the revenue account is also not taxable.

(h) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, short term deposits in banks and short term investments in UK Government Bills that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements
continued

2. INCOME

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Income from investments		
UK franked dividends	**133**	183
UK treasury bills interest	**152**	50
Income from contracts for difference	**412**	411
Other income	**35**	38
	732	682

3. INVESTMENT MANAGEMENT FEE

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Basic fee:		
25% charged to revenue	**86**	88
75% charged to capital	**259**	263
	345	351
Performance fee charged 100% to capital:		
Performance fee accrual	**–**	–
	–	–

The Company's investment manager is Sanditon Asset Management Limited (the "Manager"). The Manager shall be entitled to receive from the Company in respect of its services provided under the Management Agreement, a management fee accrued daily and payable monthly in arrears calculated at the rate of one-twelfth of 0.75 per cent per calendar month of the Company's Net Asset Value. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial period 75 per cent of the management fee payable is expected to be charged to capital and the remaining 25 per cent to revenue.

The Manager is also entitled to a performance fee which equals 15 per cent of the amount by which the Reference Amount at the end of a Performance Period exceeds the higher of (a) the Hurdle (the "Hurdle" means the Initial Gross Proceeds adjusted for the total amount of any dividends paid or payable) increased by RPIX plus 2 per cent per annum, compounded annually (on a pro-rata basis where applicable) and (b) the High Watermark (the "High Watermark" means, as at the end of the relevant Performance Period, the highest of (i) the Reference Amount of the previous Performance Period, (ii) the Reference Amount of the most recent Performance Period in respect of which a performance fee was paid; and (iii) the Initial Gross Proceeds; and in each case adjusted for any repurchases by the Company of Ordinary Shares or any dividends paid or payable during the relevant Performance Period be multiplied by the time weighted average of the total number of Shares in issue during that Performance Period).

The first "Performance Period" was the period from 27 June 2014 (the date of Admission to the London Stock Exchange) to the end of the Company's third accounting period. Each subsequent Performance Period begins immediately after the previous Performance Period and ends at the end of the Company's third accounting period thereafter; provided that where the Management Agreement is terminated the date of such termination shall be the end of the then current Performance Period.

The Company may invest in other funds operated by the Manager and where it does the management fee is credited back to the Company by the Manager and any gain on the funds is excluded from the performance fee calculation. At 30 June 2019 £35,000 (2018: £35,000) was included within Other Income (note 2).

Notes to the Financial Statements
continued

4. OTHER EXPENSES

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Secretarial services and fund administration fees	**55**	55
Other administration expenses	**26**	24
Registrar's fees	**13**	14
Printing and postage	**6**	5
Custody fees	**11**	12
Subscription and listing fees	**19**	17
Auditor's remuneration*	**23**	22
Directors' fees	**94**	94
Irrecoverable VAT	**10**	10
	257	253

*There were no non-audit services in 2019 (2018: nil).

5. TAXATION

(a) Analysis of Charge in the Year:

	Year ended 30 June 2019			Year ended 30 June 2018		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Current tax	**49**	**(49)**	**–**	30	(30)	–
Overseas tax	**–**	**–**	**–**	(6)	–	(6)
Total tax charge for the year (see note 5 (b))	**49**	**(49)**	**–**	24	(30)	(6)

(b) Factors Affecting the Current Tax Charge for the Year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for a large company of 19.00% (2018: 19.00%). The differences are explained below:

	Year ended 30 June 2019			Year ended 30 June 2018		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Total return before taxation	**389**	**(1,623)**	**(1,234)**	341	(4,158)	(3,817)
UK corporation tax at 19.00% (2018: 19.00%)	**74**	**(308)**	**(234)**	65	(790)	(725)
Effects of:						
Capital losses not subject to corporation tax	**–**	**259**	**259**	–	740	740
UK dividends which are not taxable	**(25)**	**–**	**(25)**	(35)	–	(35)
Overseas tax suffered	**–**	**–**	**–**	(6)	–	(6)
Movement in unutilised management expenses	**–**	**–**	**–**	–	20	20
Total tax charge	**49**	**(49)**	**–**	24	(30)	(6)

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

Notes to the Financial Statements
continued

5. TAXATION continued
After claiming relief against accrued income taxable on receipt, the Company has a deferred tax asset of approximately £89,000 (2018: £89,000) relating to excess expenses of £495,000 (2018: £495,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised.

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

	Year ended 30 June 2019		Year ended 30 June 2018	
	Pence Per Ordinary Share	**£000**	Pence Per Ordinary Share	£000
Annual dividend – payable on 19 December 2018*	**–**	**–**	0.50p	250
Annual dividend – payable on 20 December 2019**	**0.60p**	**300**	–	–

*Not included as a liability in the year ended 30 June 2018 accounts.

**Not included as a liability in the year ended 30 June 2019 accounts.

The annual dividend will be paid on 20 December 2019 to members on the register at the close of business on 22 November 2019. The shares will be marked ex-dividend on 21 November 2019.

7. INVESTMENTS
(a) Summary of Valuation

	30 June 2019 £000	30 June 2018 £000
UK:		
Investments listed on a recognised investment exchange	**3,711**	4,207
TM Sanditon UK Select Fund	**4,469**	4,646
Unquoted investment	**1,305**	1,461
	9,485	10,314

(b) Movements
In the year ended 30 June 2019

	Quoted Holdings UK £000	**Unquoted Holdings UK £000**	**Total 2019 £000**	Quoted Holdings UK £000	Unquoted Holdings UK £000	Total 2018 £000
Book cost at beginning of year	**9,409**	**200**	**9,609**	13,817	200	14,017
Gains/(losses) on investments held at beginning of year	**(556)**	**1,261**	**705**	533	1,349	1,882
Valuation at beginning of year	**8,853**	**1,461**	**10,314**	14,350	1,549	15,899
Purchases at cost	**3,680**	**–**	**3,680**	1,734	–	1,734
Sales:						
– proceeds	**(3,025)**	**–**	**(3,025)**	(6,554)	–	(6,554)
– (losses)/gains on investment holdings sold in the year	**(403)**	**–**	**(403)**	412	–	412
Movements in losses on investment holdings held at end of year	**(925)**	**(156)**	**(1,081)**	(1,089)	(88)	(1,177)
Valuation at end of year	**8,180**	**1,305**	**9,485**	8,853	1,461	10,314

Notes to the Financial Statements
continued

	Total Year ended 30 June 2019 £000	Total Year ended 30 June 2018 £000
Comprising:		
Book cost at end of year	**9,861**	9,609
(Losses)/gains on investment holdings at year end	**(376)**	705
Valuation at end of year	**9,485**	10,314

Transaction costs on investment purchases for the year ended 30 June 2019 amounted to £24,600 (2018: £17,200) and on investment sales for the year amounted to £5,500 (2018: £9,800).

The Company's 20% investment in SAM was acquired on 15 July 2014. Having considered alternative methods of measurement using information from the audited financial information of SAM to 31 March 2019 and subsequent business performance projections with due regard to the risks applicable in its early years of trading, the Board have agreed the valuation methodology for the Company's holding in SAM using a simple average of 1% of SAM's year end assets under management ("AUM") and 5x after tax profits (adjusted to exclude any performance fees earned and any associated staff bonuses paid – SAM pay out a maximum of 50% of performance fees earned to staff). The Directors concluded the fair value of the investment as at 30 June 2019 to be £1,304,790 (as at 30 June 2018: £1,461,151). This represents the most appropriate approximation of the fair value of the Company's investment in SAM. The Board have considered the net realisable value of its stake in SAM by reviewing the liquidation value of SAM's Balance Sheet and determined that there was no need to adjust the formula driven fair value on the grounds that the difference is not material to the Company's financial statements.

(c) Losses on Investments

	Total Year ended 30 June 2019 £000	Total Year ended 30 June 2018 £000
(Losses)/gains on investment holdings sold in year	**(403)**	412
Movements in losses on investment holdings held at the year end	**(1,081)**	(1,177)
Total losses on investments	**(1,484)**	(765)
Total gains/(losses) on futures and on CFD assets and liabilities held at fair value through profit or loss	**120**	(3,130)
Total losses on investments held at fair value through profit or loss	**(1,364)**	(3,895)

8. DEBTORS

	30 June 2019 £000	30 June 2018 £000
Amounts due from brokers	**77**	102
Accrued income	**–**	57
Overseas withholding tax receivable	**3**	2
Prepayments	**25**	28
	105	189

Notes to the Financial Statements
continued

9. DERIVATIVES
Whilst the Company may use a variety of derivative contracts, the main derivatives entered into during the year were contracts for difference under a master agreement with the Company's CFD counterparties to enable the Company to gain long or short exposure on individual securities through CFDs. CFDs are synthetic equities and are valued by reference to the underlying market value of the corresponding security.

Notional dividend income on long positions amounted to £669,000 (2018: £657,000) and notional dividend expenses on short positions amounted to £257,000 (2018: £246,000) during the year. The net amount of £412,000 (2018: £411,000) is included within dividend income in note 2 on page 32. Realised and unrealised gains on contracts for difference are shown in note 7(c).

The fair value of the CFDs at 30 June 2019 was negative £2,542,000 (2018: negative £2,795,000) comprising revaluation gains of £1,035,000 (2018: revaluation gains of £1,239,000) recorded in current assets and revaluation losses of £3,577,000 (2018: revaluation losses of £4,034,000) recorded in current liabilities.

The Company also invested in FTSE futures during the year, the realised gains amounted to £257,000 (2018: losses of £216,000) which are included in note 7(c) above.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2019 £000	30 June 2018 £000
Provision for liquidation costs	**150**	–
Purchases for future settlement	**133**	1,997
Accrued expenses	**116**	105
Total creditors	**399**	2,102

11. SHARE CAPITAL

	Year ended 30 June 2019		Year ended 30 June 2018	
	Number of Shares	**£000**	Number of Shares	£000
Allotted, issued & fully paid:				
Opening balance Ordinary Shares of £0.01	**50,000,000**	**500**	50,000,000	500
	50,000,000	**500**	50,000,000	500

12. SHARE PREMIUM

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Opening balance	**48,872**	48,872
Closing balance	**48,872**	48,872

Notes to the Financial Statements
continued

13. CAPITAL RESERVE

	Year ended 30 June 2019			Year ended 30 June 2018		
	Gains/(losses) on sale of investments £000	**Investment holdings gains/(losses) £000**	**Total £000**	Gains/(losses) on sale of investments £000	Investment holdings gains/(losses) £000	Total £000
Opening balance	**(4,528)**	**705**	**(3,823)**	(1,577)	1,882	305
(Losses)/gains on investment holdings sold in the year	**(403)**	**–**	**(403)**	412	–	412
Total gains/(losses) on futures and on CFD assets and liabilities held at fair value through profit or loss in the year	**120**	**–**	**120**	(3,130)	–	(3,130)
Movements in losses on investment holdings held at the year end	**–**	**(1,081)**	**(1,081)**	–	(1,177)	(1,177)
Investment management fee charged to capital	**(259)**	**–**	**(259)**	(263)	–	(263)
Current tax transfer	**49**	**–**	**49**	30	–	30
Provision for liquidation costs	**(150)**	**–**	**(150)**	–	–	–
Closing balance	**(5,171)**	**(376)**	**(5,547)**	(4,528)	705	(3,823)

14. FINANCIAL COMMITMENTS
At 30 June 2019 there were no commitments in respect of unpaid calls and underwritings (2018: none).

15. RETURN PER SHARE – BASIC
Total return per Ordinary Share is based on the return for the year after taxation of £(1,234,000) (year to 30 June 2018: £(3,811,000)).

These calculations are based on the 50,000,000 Ordinary Shares in issue during the year to 30 June 2019 (year to 30 June 2018: 50,000,000 Ordinary Shares).

The return per Ordinary Share can be further analysed between revenue and capital as below:

	Year ended 30 June 2019		Year ended 30 June 2018	
	Pence per share	**£000**	Pence per share	£000
Net revenue return	**0.68p**	**340**	0.63p	317
Net capital return	**(3.15)p**	**(1,574)**	(8.26)p	(4,128)
Net total return	**(2.47)p**	**(1,234)**	(7.63)p	(3,811)

Notes to the Financial Statements
continued

16. NET ASSET VALUE PER SHARE
Total shareholders' funds and the net asset value per share attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were are as follows:

	Net asset value per share 30 June 2019	Net asset value per share 30 June 2018
Total shareholders' funds (£000)	**44,347**	45,981
Net asset value per share	**88.69p**	91.96p

The net asset value per share is based on total shareholders' funds above and on the 50,000,000 Ordinary Shares in issue at the year end (30 June 2018: 50,000,000 Ordinary Shares).

17. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE INVESTMENT MANAGER
Details of the investment management fee charged by Sanditon Asset Management Limited is set out in note 3. At 30 June 2019 £11,150 (2018: £11,060) of this fee remained outstanding after taking into account the £17,249 (2018: £17,216) to be credited to the Company from Sanditon Asset Management Limited in relation to the management fee on the Company's investment in TM Sanditon UK Select Fund (see note 3 on page 32).

Full details of Directors' interests are set out in the Directors' Remuneration Report on page 17. Fees paid to the Directors are disclosed in the Directors' Remuneration Report on page 18. No fees were outstanding to be paid to the Directors at the year end.

The Company has an investment in TM Sanditon UK Select Fund of £4,469,355 at 30 June 2019 (£4,646,565 at 30 June 2018).

The Company has a 20% holding in the Investment Manager, Sanditon Asset Management Limited (see note 7 on pages 34 and 35).

18. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES
Risk Management Policies and Procedures

As an investment trust the Company invests in equities and equity related derivatives for the long-term so as to secure its investment objective stated on page 8. 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.

These risks, include market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk, and the Directors' approach to the management of them are set out below.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

(a) Market Risk

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

Notes to the Financial Statements
continued

(i) Currency Risk
A proportion of the Company's assets, liabilities, and income are denominated in currencies other than sterling (the Company's functional currency, in which it reports its results). The Investment Manager does not hedge currency exposure. As a result, movements in exchange rates may affect the sterling value of those items.

The Investment Manager monitors the Company's exposures and reports to the Board on a regular basis.

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

Foreign currency exposures
An analysis of the Company's equity investments and Contracts for Differences that are priced in a foreign currency is:

	As at 30 June 2019 £000	As at 30 June 2018 £000
Contracts for Differences:		
Euro	**(2,931)**	(2,176)
Total	**(2,931)**	(2,176)

Foreign currency sensitivity
Due to the insignificant impact of fluctuations in foreign currency no sensitivity analysis is shown.

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

The Company is exposed to interest rate risk specifically through its cash holdings, holdings of UK Treasury Bills and on positions within the CFD portfolio. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Movements in interest rates will also have an impact on the valuation of the CFD derivative contracts, see below for further details.

Interest rate exposure
The exposure at 30 June 2019 of financial assets and liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be re-set.

	30 June 2019 due within one year £000	30 June 2018 due within one year £000
Exposure to floating interest rates:		
CFD derivative contract		
– Notional long positions	**12,873**	12,865
– Notional short positions	**(18,055)**	(20,962)
Cash at bank	**4,412**	9,247
Collateral paid in respect of contracts for difference	**8,108**	10,006
UK Treasury Bills	**25,178**	21,122

Notes to the Financial Statements
continued

18. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued
The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Derivative contracts are not used to hedge against the exposure to interest rate risk.

The Company is exposed to interest rate risk on cash holdings and CFD positions held within the portfolio.

The Company does not have any fixed rate exposure at 30 June 2019 (30 June 2018: none).

If interest rates had been +/- 25 basis points and all other variables were held constant, the Company's return attributable to shareholders for the year ended 30 June 2019 would have been increased/(decreased) by approximately +/- £81,000.

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

The Company is exposed to market price risk arising from its equity investments and its exposure to the positions within the CFD portfolio. The movements in the prices of these investments result in movements in the performance of the Company.

The Company's exposure to other changes in market prices at 30 June 2019 on its equity investments was £9,485,000 (30 June 2018: £10,314,000). In addition, the Company's gross market exposure to these price changes through its CFD portfolio was £12,873,000 (30 June 2018: £12,865,000) through long positions and £18,055,000 (30 June 2018: £20,962,000) through short positions.

The Company utilises CFDs, as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying CFD positions. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

The Company limits the gross market exposure, and therefore the leverage, of this strategy to approximately 200% of the Company's net assets. The CFDs utilised have a linear performance to referenced stocks quoted on exchanges and therefore have the same volatility profile to the underlying stocks. Short CFD positions carry a greater risk of loss than a simple long exposure or CFD long positions which are limited to the initial capital invested. Possible losses from securities sold short can theoretically be unlimited. Market exposures to derivative contracts are disclosed below.

Economic exposure through derivatives is restricted to 200% of the Company's net assets. The gross value represents the aggregate of the long and short exposures without netting and so within this limit, market exposure may be significantly less. The net exposure refers to the market exposure the Company has to the underlying securities on long CFD positions, less the market exposure to the underlying securities on which the Company has taken short positions.

Exposures are monitored daily by the Investment Manager. The Company's Board also reviews exposures regularly.

The CFD positions are diversified across sectors and geographies comprising 30 positions as at 30 June 2019 (25 positions as at 30 June 2018).

Notes to the Financial Statements
continued

	30 June 2019		30 June 2018	
	£000	**% of net assets**	£000	% of net assets
CFDs – gross exposure relating to short positions	**(18,055)**	**-40.6**	(20,962)	-45.6
CFDs – gross exposure relating to long positions	**12,873**	**28.9**	12,865	28.0
FTSE 100 Future	**(5,527)**	**-12.4**	(9,122)	-19.8
Net market exposure	**(10,709)**	**-24.1**	(17,219)	-37.4

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

When appropriate, the Company manages its exposure to risk by using futures contracts or by buying put options on indices and on quoted equity investments in its portfolio. During the year, FTSE futures contracts were used as being a short term efficient instrument to alter the Company's net exposure.

Concentration of exposure to other price risks
A sector breakdown and geographical allocation of the portfolio is contained in the Portfolio on page 6.

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

	Increase in fair value 2019 £000	**Decrease in fair value 2019 £000**	Increase in fair value 2018 £000	Decrease in fair value 2018 £000
Impact on capital return – increase/(decrease)	**1,410**	**(1,410)**	1,559	(1,559)
Return after taxation – increase/(decrease)	**1,410**	**(1,410)**	1,559	(1,559)

(b) Liquidity Risk
This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk exposure
The undiscounted gross cash outflows of the financial liabilities as at 30 June 2019, based on the earliest date on which payment can be required, were as follows:

	30 June 2019 less than 3 months £000	30 June 2018 less than 3 months £000
Provision for liquidation costs	**150**	–
Amounts payable in respect of contracts for differences	**3,577**	4,034
Other payables	**249**	2,102
	3,976	6,136

Notes to the Financial Statements
continued

18. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued
The Company is exposed to liquidity risks from the leverage employed through exposure to long and short CFD positions. However, timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company may experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place.

The investment in unquoted securities may have limited liquidity and be difficult to realise. At 30 June 2019 the unquoted securities are valued at £1,304,790 (30 June 2018: £1,461,151) which relates to the investment in Sanditon Asset Management Limited.

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

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

The Company's holdings in CFD contracts present counterparty credit risk. The Company's maximum exposure to counterparty credit risk from holding these contracts will be equal to the notional amount of any net unrealised gains as disclosed in the financial statements. CFD contracts generally require variation margins and the counterparty credit risk is monitored by the Investment Manager.

In summary, the exposure to credit risk at 30 June 2019 was as follows:

	30 June 2019 3 months or less £000	30 June 2018 3 months or less £000
Cash at bank	**4,412**	9,247
UK Treasury Bills	**25,178**	21,122
Amounts due in respect of contracts for difference	**1,035**	1,239
Collateral paid in respect of contracts for difference	**8,108**	10,006
Debtors	**105**	189
	38,838	41,803

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

Investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker. This is monitored by the Board as part of the investment limits and restrictions checklist (as shown on page 15).

Cash at bank is held only with reputable banks with high quality external credit ratings. The Company generally holds significant cash balances and seeks to limit exposure to any one bank to 20% of net assets. The Company's principal counterparties are Northern Trust and CFD provider Bank of America Merrill Lynch. Cash is also held in UK Treasury Bills.

(d) Fair Value Measurements of Financial Assets and Financial Liabilities
Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques used by the Company are explained in the accounting policies note 1 (b) on page 30.

Notes to the Financial Statements

continued

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

Financial assets at fair value through profit or loss at 30 June 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Assets:				
Equity investments	**3,711**	**–**	**1,305**	**5,016**
TM Sanditon UK Select Fund	**–**	**4,469**	**–**	**4,469**
Contracts for difference – fair value gains	**–**	**1,035**	**–**	**1,035**
Liabilities:				
Contracts for difference – fair value losses	**–**	**(3,577)**	**–**	**(3,577)**
Total	**3,711**	**1,927**	**1,305**	**6,943**

Financial assets at fair value through profit or loss at 30 June 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets:				
Equity investments	4,207	–	1,461	5,668
TM Sanditon UK Select Fund	–	4,646	–	4,646
Contracts for difference – fair value gains	–	1,239	–	1,239
Liabilities:				
Contracts for difference – fair value losses	–	(4,034)	–	(4,034)
Total	4,207	1,851	1,461	7,519

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

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs including quoted prices.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Level 3 fair values are determined by the Directors using valuation methodologies in accordance with the IPEVC Guidelines and as detailed in note 1(b). Significant inputs include investment cost, the value of the most recent capital raising, the adjusted net asset value of funds and the Pricing Committee's valuations. In accordance with IPEVC Guidelines, new investments are carried at cost, the price of the most recent investment being a good indication of fair value. Thereafter, fair value is the amount deemed to be the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At 30 June 2019 and at 30 June 2018, the Company's Level 3 investments relates to the investment in Sanditon Asset Management Limited. The Board have agreed the valuation methodology for the Company's holding in SAM which it believes to be straightforward, conservative and fair. The Board has decided to use a simple average of 1% of SAM's year end assets under management ("AUM") and 5x after tax profits (adjusted to exclude any performance fees earned and any associated staff bonuses paid – SAM pay out a maximum of 50% of performance fees earned to staff). This resulted in the Directors approving a reduction in your Company's holding in SAM from £1,461,151 to £1,304,790.

The Board have considered the net realisable value of its stake in SAM by reviewing the liquidation value of SAM's Balance Sheet and determined that there was no need to adjust the formula driven fair value on the grounds that any difference is not material to the Company's financial statements.

Notes to the Financial Statements
continued

18. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued
A reconciliation of fair value measurements in Level 3 is set out below.

Level 3 financial assets at fair value through profit or loss

	As at 30 June 2019 Investments £000
Opening fair value	**1,461**
Decrease in fair value of investment in Sanditon Asset Management Limited	**(156)**
Closing fair value	**1,305**

Level 3 financial assets at fair value through profit or loss

	As at 30 June 2018 Investments £000
Opening fair value	1,549
Increase in fair value of investment in Sanditon Asset Management Limited	(88)
Closing fair value	1,461

(e) Capital Management Policies and Procedures
The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern up until the liquidation vote and thereafter if the vote is not passed; and

- to deliver absolute returns of at least 2% per annum, compounded annually, above RPIX.

The key performance indicators are contained in the strategic report on page 9.

The Company is subject to several externally imposed capital requirements:

- As a public company, the Company has to have a minimum share capital of £50,000.

- In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company's capital at 30 June 2019 comprises of called up share capital and reserves totalling £44,347,000 (30 June 2018: £45,981,000).

The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior period.

Shareholder Information

SHARE PRICE AND PERFORMANCE INFORMATION

The Ordinary Shares are listed on the London Stock Exchange. Information about the Company can be obtained directly from:

www.sanditonam.com

Contact Sanditon on 020 3595 2900, or by e-mail to *info@sanditonam.com*

SHARE DEALING

Shares can be purchased through a stockbroker.

SHARE REGISTER ENQUIRIES

The register for the Ordinary Shares is maintained by Link Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 (calls cost 12p per minute plus network extras, lines are open Monday to Friday 9:00 a.m. to 5:30 p.m.); overseas +44 371 664 0300; or e-mail *enquiries@linkgroup.co.uk*. Changes of name and/or address must be notified in writing to the Registrar.

STATEMENT REGARDING NON-MAINSTREAM INVESTMENT PRODUCTS

The Company currently conducts its affairs so that the Ordinary Shares issued by the Company can be recommended by IFAs to retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

Sanditon Investment Trust's shares fall outside the restrictions which apply to non-mainstream investment products because Sanditon Investment Trust plc is an investment trust.

A member of the Association of Investment Companies.

Glossary of Terms and Alternative Performance Measures

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

We assess our performance using a variety of measures that are not specifically defined under FRS and therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies.

DISCOUNT/PREMIUM

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium. The discount/premium is shown on page 1. The Board monitors the level of discount or premium.

		Page	As at 30 June 2019
NAV per Ordinary Share	**a**	1	**88.69p**
Share price	**b**	1	**81.00p**
Discount	**(b÷a)-1**		**-8.7%**

ONGOING CHARGES

The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year (see page 9).

		Page	£000
Average NAV	**a**		**46,103**
Annualised expenses	**b**		**602**
Ongoing charges	**(b÷a)**	1	**1.31%**

NET ASSET VALUE ("NAV")

The NAV is the assets attributable to shareholders expressed as an amount per individual share.

		Page	
Net assets (£000)	**a**	1	**44,347**
Ordinary Shares in issue	**b**	36	**50,000,000**
NAV per share	**(a÷b)**	1	**88.69p**

Glossary of Terms and Alternative Performance Measures
continued

TOTAL RETURN
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between companies with different dividend policies.

		Page	NAV (p)
Closing NAV per share	**a**	1	88.69
Plus: Dividend paid in the year (note 6)	**b**	1	0.50
NAV Total Return for year			89.19
Less: Opening NAV per share	**c**	1	-91.96
Decrease in NAV Total Return for year			-2.77
% NAV Total return for year	**(a+b+c)÷c**		**-3.0%**

GROSS EXPOSURE
The sum of all long and short assets held.

NET EXPOSURE
The difference between long assets held and short assets.

Notice of Annual General Meeting

to the members of Sanditon Investment Trust plc

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Northern Trust, 50 Bank Street, Canary Wharf, London E14 5NT on Thursday, 5 December 2019, at 11:30 a.m. to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 1, 2, 3, 4, 5, 6, 7 and 8 as ordinary resolutions:

ORDINARY RESOLUTIONS

1. To receive the Directors' Report and Financial Statements for the year ended 30 June 2019.

2. To approve the Directors' Remuneration Report for the year ended 30 June 2019.

3. To approve the final dividend.

4. To re-elect Mr Rupert Barclay as a Director of the Company.

5. To re-elect Mr Christopher Keljik as a Director of the Company.

6. To re-elect Mr Hugo Dixon as a Director of the Company.

7. To re-elect Mr Mark Little as a Director of the Company.

8. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Board to determine their remuneration.

By order of the Board

Sanditon Asset Management Limited
Secretary
30 October 2019

Notes to the Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A shareholder may not appoint more than one proxy to exercise the rights attached to any one share. A proxy need not be a shareholder of the Company.

   A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Link Asset Services (contact details can be found on page 51).

2. To be valid any proxy form or other instrument appointing a proxy must be received by post to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or (during normal business hours only) by hand at the offices of the Company's registrars, Link Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11:30 a.m. on Tuesday, 3 December 2019.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. 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, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company by 11:30 a.m. on Tuesday, 3 December 2019 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting for the purposes of which no account is to be taken of any part of a day that is not a working day). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. As at 30 October 2019 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 50,000,000 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 30 October 2019 are 50,000,000.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via *www.euroclear.com/CREST*). The message, regardless of whether it constitutes the appointment of a proxy or is 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 11:30 a.m. on Tuesday, 3 December 2019. 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 Application 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 change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notes to the Notice of Annual General Meeting
continued

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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, to procure that his or her 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. 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.

12. 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.

13. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

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

15. A copy of this notice, and other information required by s311A of the Companies Act 2006, is available at the Investment Manager's website: www.sanditonam.com

Directors and Advisers

as at 30 June 2019

Directors
Rupert Barclay, *Chairman*

Hugo Dixon

Christopher Keljik OBE

Mark Little

Investment Manager
Sanditon Asset Management Limited
Fifth Floor
33 Cannon Street
London EC4M 5SB
Telephone: 020 3595 2900

Administrator
Northern Trust Global Services SE
50 Bank Street
Canary Wharf
London E14 5NT

Company Secretary
Sanditon Asset Management Limited*
Fifth Floor
33 Cannon Street
London EC4M 5SB

**Appointed 22 February 2018*

Registered office
Fifth Floor
33 Cannon Street
London EC4M 5SB

Company number
09040176

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

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

Email: *enquiries@linkgroup.co.uk*

Stockbroker
JPMorgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Website
www.sanditonam.com

Notes

Sanditon
INVESTMENT TRUST PLC