
Aurora Investment Trust plc

Annual Report December 2019

Company No. 03300814



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Strategic Report

Financial and Performance Highlights

Objective

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

Policy

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

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

The Investment Policy of the Company can be found on page 8.

Benchmark

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

Dividend

The Board is today declaring an interim dividend of 4.5p per Ordinary Share (2019: 4.0p) to be paid on 26 June 2020 to Shareholders on the register as at 22 May 2020, with an ex-dividend date of 21 May 2020.

Annual General Meeting (AGM)

The AGM of the Company will be held at The Norrest, Leigh Sinton, MALVERN, WR13 5EH on 18 June 2020 at 2.00 pm. Please note that as a result of the COVID-19 pandemic and the imposition of compulsory stay-at-home measures by the UK Government, Shareholders are strongly discouraged from attending the AGM in person, and indeed entry may be refused if Government guidance so requires. As a result, there will be no refreshments. Arrangements will be made by the Company to ensure that the minimum number of Shareholders required to form a quorum will attend the meeting in order that the meeting may proceed, and the business of the day conducted.

Performance



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

Aurora Chairman's Statement

Lord Flight
Chairman

May 2020

Performance Review

The Net Asset Value ("NAV") per Ordinary Share performance for the year to end December 2019 was 29.9% versus the benchmark FTSE All Share Index which rose 19.1%, a pleasing 10.8% outperformance. The year was volatile, with investors continuing to attempt to determine the implications of Brexit, amid an unstable political environment. The year ended with the election of a Conservative government with a comfortable majority.

The 2019 outperformance versus the FTSE All Share index ensured that the Company has outperformed the benchmark on a cumulative basis since Phoenix Asset Management Partners Limited ("Phoenix" or "Investment Manager") became Investment Manager in January 2016. During this period the Company's NAV per Ordinary Share has risen by 55.9% versus a benchmark rise of 49.1%.

One of the unique features of the Investment Management Agreement with Phoenix, and one that creates significant shareholder alignment, is that Phoenix earns no management fees but has an annual performance fee, equal to one-third of NAV per Ordinary Share total return in excess of the FTSE All-Share.

In 2019 a performance fee was earned by Phoenix for the first time, totalling £1,361,000. They received this fee in the form of the Company's Ordinary Shares which they cannot sell for three years and there is a clawback mechanism. This means that if the outperformance which earned the Ordinary Shares was to have diminished wholly or partially on the three year anniversary of their award, the Ordinary Shares would wholly or partially be forfeited by Phoenix in accordance with the Investment Management Agreement.

The Ordinary Share price of the Company traded at a premium to NAV for substantially all of the year under review, which was helpful in attracting new investors to the Company. During the year, 11.1 million new Ordinary Shares were issued with value at issuance of £22.5 million. Our intention continues to be for the Ordinary Shares to trade at a small premium to NAV.

The Alternative Investment Fund Manager ("AIFM") and Investment Manager

Phoenix continued to employ a focused, patient investment approach during another year of market stress. This was highlighted when Phoenix identified the opportunity to add significantly to holdings in the low-cost airline sector in the summer as it was buffeted by Brexit news and concerns over capacity. This purchase was a key driver – along with the recovery in the share price of Frasers Group (Sports Direct) – in the strong performance seen in the final quarter.

Phoenix again highlighted that, through disciplined research and a focus on margin of safety, it will not be knocked off course by market sentiment. This allows it to take advantage of short-term mispricing to add long-term value.

In 2020 this approach is again being applied as Phoenix stress tests the financial strength of businesses within the portfolio. This is both to ensure they can survive the slowdown in economic activity due to the Coronavirus disease (COVID-19), and to identify where the pricing doesn't reflect the underlying resilience and value.

Growth of the Company

Growing the Company remains a key objective of the Board. A total of 11.1 million new Ordinary Shares were issued in 2019 with an issuance value of £22.5 million. Consequently, the market capitalisation of the Company rose from £101.4 million at the start of January 2019, to finish the year at £157.6 million.

Phoenix and its marketing/distribution agent, Frostrow Capital, have continued to undertake investor meetings throughout the country with the aim of increasing the size of the Company by raising the profile of Aurora.

It is pleasing to note the continued broadening of the Company's Shareholder register. In January 2016, when Phoenix was appointed as Investment Manager, the top ten Shareholders owned 77% of the Company. As at 31 January, 2020, this had reduced to 61% with eighteen Shareholders making up 77% of the Company's ownership. It has also been pleasing to see the ever-increasing representation of investment platforms on the register, which is an indication of the Company's broadening appeal.

Coronavirus disease ("COVID-19")

The Board has considered the impact of COVID-19, which has been classified as a pandemic by the World Health Organisation. The impact of COVID-19 has been felt around the world but the economic and financial implications in the medium to long-term are unclear. As you might have observed, many stock indices fell by a third or more and the Company did not escape unscathed.

The Board is pleased to note that, despite the extreme volatility in the stock markets, the Company's Ordinary Shares have generally continued to trade at a premium to NAV and there remains market demand, allowing for further share issuance. The Board is seeking to renew the Company's authority to issue up to a further 20% of Ordinary Shares.

The Board and the Investment Manager continue to monitor and evaluate the COVID-19 situation. We will continue to keep Shareholders informed but we expect the situation to be highly volatile over the coming months.

Dividend

The Board decided to pay this year's dividend as an interim dividend, rather than a final dividend requiring Shareholder approval at the AGM, as a result of the current measures being implemented in the United Kingdom in response to the COVID-19 pandemic including, but not limited to restrictions on public gatherings with the effect of possibly delaying the Company's AGM. The Board is today declaring an interim dividend of 4.5p (2018: 4.0p) per Ordinary Share, to be paid on 26 June 2020 to Shareholders on the register as at 22 May 2020. The ex-dividend date of the dividend is 21 May 2020.

Annual General Meeting (AGM)

The Company's AGM is to be held at 2.00 pm on 18 June 2020 at The Norrest, Leigh Sinton, MALVERN, WR13 5EH. Whilst we normally welcome Shareholders' attendance at the AGM, we are mindful of the COVID-19 virus outbreak. For this year only, we would encourage Shareholders to vote their proxies electronically, rather than to attend in person. Please refer to the notes to the Notice of AGM on page 96, for further details on submitting votes electronically.

Lord Flight
Chairman
13 May 2020

Investment policy and results

Investment Policy

The Company's objective is to provide Shareholders with long-term returns through capital and income growth.

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

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

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

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

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

Dividend Policy

The investment policy does not include any fixed dividend policy. But the Board will distribute substantially all of the net revenue arising from the investment portfolio. Accordingly, the Company is expected to continue to pay an annual dividend, but this could be lower than the level of recent dividends and may vary each year.

Borrowing policy

The Company is not prohibited from incurring borrowings for working capital purposes, however the Board has no current intention to utilise borrowings. Whilst the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per Ordinary Share.

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

Objectives and Key Performance Indicators (KPIs)

The Company's principal investment objective is to achieve capital and income growth. The Board measures the Company's success in attaining its objectives by reference to KPIs as follows:

- a. To make an absolute total return for Shareholders on a long-term basis.
- b. The Company's Benchmark is the FTSE All-Share Index (total return), against which the NAV total return is compared. After achieving the goal of making absolute returns for Shareholders, the next aim is to provide a better return from the portfolio than from the market as measured by the Benchmark.
- c. The Company seeks to ensure that the operating expenses of running the Company as a proportion of NAV (the Ongoing Charges Ratio) are kept to the minimum possible.

The Chairman's Statement on pages 6 and 7 incorporates a review of the highlights during the year.

The Statement from the Investment Manager's Report on pages 16 to 19 gives details on investments made during the year and how performance has been achieved.

Performance

The Investment Manager is Phoenix, which is regulated by the FCA. The Chief Investment Officer of Phoenix is Gary Channon. Phoenix reports in detail upon the Company's activities in the Investment Manager's Report.

Under the Investment Management Agreement, no regular management fees are payable. A performance fee is payable to the Investment Manager only if the benchmark is outperformed.

The benchmark is the FTSE All-Share Index (total return). The Company's performance is shown below:

	Cumulative since January 2016 %	Year to 31 December 2019 %	Year to 31 December 2018 %
NAV per Ordinary Share (total return) ¹	+55.9	+29.9	-10.3
Ordinary Share price (total return) ¹	+62.6	+32.0	-10.9
Benchmark (total return)	+49.1	+19.1	-9.5

The Ongoing Charge Ratio was as follows:

	Year to 31 December 2019 %	Year to 31 December 2018 %
Ongoing Charge Ratio ¹	0.45	0.44

¹ These are Alternative Performance Measures ("APMs").

Alternative Performance Measures ("APMs")

The disclosures of Performance above are considered to represent the Company's APMs. An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Definitions of these APMs together with how these measures have been calculated can be found on pages 87 and 88.

Revenue Result and Dividend

The Company's revenue profit after tax for the year amounted to £3,289,000 (2018: £2,502,000).

The Board is today declaring an interim dividend of 4.5p per Ordinary Share (2018: 4.0p per Ordinary Share). This dividend will be paid on 26 June 2020 to Shareholders on the register at 22 May 2020; the Ordinary Shares will be marked ex-dividend on 21 May 2020. In accordance with International Financial Reporting Standards this dividend is not reflected in the financial statements for the year ended 31 December 2019.

Premium to NAV

The premium of the Ordinary Share price over NAV per Ordinary Share is closely monitored by the Board. The Ordinary Share price closed at a 2.1% premium to the NAV as at 31 December 2019 (2018: 0.4% premium).

Control of the level of ongoing charges

The Board monitors the Company's operating costs carefully. Based on the Company's average net assets for the year ended 31 December 2019, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 0.45% (2018: 0.44%). As the size of the Company grows, the Board will manage expenses with the intention of keeping costs down and reducing the ongoing charge ratio accordingly.

Five Year Summary

The following data are all expressed as pence per Ordinary Share. NAV figures are all calculated at bid prices.

Year/Period	Net Asset Value per Ordinary Share (pence)	Dividend per Ordinary Share in respect of year (pence)	Ordinary Share price (mid-market) (pence)
Year ended 29 February 2016	162.30	1.00	158.00
Period from 1 March 2016 to 31 December 2016	172.66	2.00	173.50
Year ended 31 December 2017	205.72	2.75	208.00
Year ended 31 December 2018	182.24	4.00	183.00
Year ended 31 December 2019	232.07	4.50	237.00

Top Holdings at 31 December 2019

Company	Valuation £'000	Percentage of net assets %	Date of first purchase	Average* cost per share £	Share price £	Market capitalisation £billion	Net Cash/(debt) £billion
Frasers Group (formerly Sports Direct International)	22,307	14.5	Dec-15	3.16	4.57	2.40	(0.25)
easyJet	20,198	13.1	Dec-15	10.24	14.24	5.70	(0.33)
Bellway	12,793	8.3	Dec-15	27.64	38.07	4.70	0.20
Lloyds Banking Group	10,411	6.7	Dec-15	0.66	0.63	44.40	(9.70)
Randall & Quilter Investment Holdings	10,234	6.6	Jan-18	1.33	1.72	0.35	0.16
Dignity	9,654	6.3	Dec-15	8.47	5.86	0.29	(0.49)
Phoenix SG**	8,487	5.5	Jun-18	2,312.44	2,589.83	n/a	n/a
Redrow	8,308	5.4	Dec-15	5.56	7.45	2.60	0.12
GlaxoSmithKline	7,456	4.8	Oct-16	14.63	17.79	89.30	(21.60)
Ryanair Holdings	6,819	4.4	Feb-16	9.38	€ 14.63	€ 16.10	(0.48)
Hornby	6,559	4.2	Jul-16	0.29	0.37	0.48	(0.84)
Vesuvius	6,184	4.0	Dec-15	4.35	5.00	1.40	(0.25)
Wetherspoon (J.D.)	4,585	3.0	Oct-16	7.46	16.63	1.80	(0.74)
Other holdings (less than 3%)	4,818	3.1	n/a	n/a			
Total holdings	138,813	89.9					
Other current assets and liabilities	15,547	10.1					
Net assets	154,360	100.0					

* Net cost including sales.

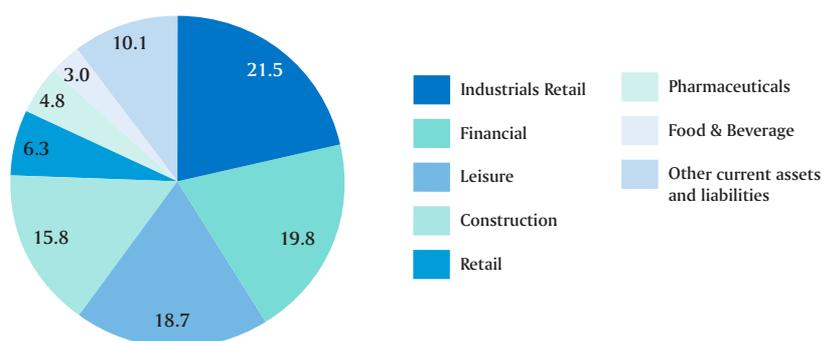
** Comprises the assets which make up the investment in Stanley Gibbons plc. No income was derived from this holding during the year. The Share price is based on valuation, not a quoted share price.

The Company held over 3% of the issued share capital of the following:

Hornby	14.15%
CPP Group	5.24%
Dignity Plc	3.30%
Randall & Quilter Investment Holdings	3.04%

Portfolio Analysis at 31 December 2019

	Percentage of net assets
Industrials	21.5
Financial	19.8
Leisure	18.7
Construction	15.8
Retail	6.3
Pharmaceuticals	4.8
Food & Beverage	3.0
Other current assets and liabilities	10.1
Total	100.0



Analysis by Type, Market and Currency

All investments except Phoenix SG, are of ordinary shares, denominated in sterling or converted to sterling using the prevailing exchange rate at the time of valuation. All holdings carried at a value are in listed companies with the exception of Hornby and Randall & Quilter, which are quoted on AIM, and Phoenix SG which is unquoted (although part of its assets relate to AIM quoted shares in Stanley Gibbons plc).

The Company also has holdings in China Chaintek and Naibu Global International, which have been written down to a valuation of £nil (2018: £nil).

All active holdings in the Company's portfolio are UK companies, with the exception of Ryanair (Irish).

Statement from the CIO of the Investment Manager

Gary Channon

May 2020

As satisfying as last year was, what is of more interest and importance is the current COVID-19 pandemic. As we write, the pandemic is still prevailing, and markets have crashed and then partially rebounded. Let me briefly outline how we approach a situation like this and what you might expect to come from it.

At the very outset back in January, we considered whether our businesses were at risk of ruin if the virus in China ended up being a global pandemic with a shutdown of the economy. We also asked whether our businesses will be weakened competitively by it or strengthened. Our assessment then was that our businesses are all robust enough in their financing that they will be here on the other side and their competitive positions will either be the same or better after. Now we are in the reality of the lockdown and we have had the chance to see the impact and speak to our managements, we still believe those assessments are correct.

That is not to say that the economic shutdown does not do damage – it does. Our holdings in easyJet, Ryanair, JD Wetherspoon and Frasers in particular will suffer big losses this year from the ceasing of activity. When we apply that to the overall portfolio, that damage is around 13% of our starting estimate of Intrinsic Value. This is bad but not disastrous. In the meantime the portfolio price has dropped by 40%.

We have used the drop in share prices to invest the cash in the portfolio at very attractive levels. We have looked to purchase at one-third of intrinsic value (i.e. with 200% of upside) even adjusted for the impact of COVID-19. As we do this, we add considerable future value, and if we are to do our job well, then we have used the opportunity presented by COVID-19 to build the next leg of our performance. As we have a long history of doing so at Phoenix, downturns are when we do our best work, create the most value whilst reporting negative numbers and then later, provided our investment judgements were correct, we deliver excellent returns whilst seeming to do very little.

COVID-19 is a very unusual type of downturn, but investment-wise, carries all the familiar hallmarks to others in that there is a sudden overreaction to bad news, which of its nature, will mean that it is time limited. A rush for safety and liquidity causes equity prices to plummet and those falls beget more fear and more selling to a point where the price move is out of proportion to the negative news.

We will stick to what we know, avoid using leverage, invest in long-term winners run by honest and competent managers and then let time do its bit. When I write this report next year, this crisis is likely to have passed and you will be able to judge the wisdom and value of our actions. However, as of now, the Company has not represented better value since we started managing it.

Subsequent to the year end, we have started a process which you will hear about in the near future, to organise our activities in companies we control and influence into a single company rather than as separate holdings in our funds. We believe we are adding value in those activities but it is probably not clear to our investors and so by putting that activity into a single investment vehicle and listing it on the London Stock Exchange we create transparency. That listed holding will be subject to the same limits as all of our other listed investments in the Company. We will also remove the current rule that allows up to 10% of the Company to be invested in private companies and make that zero.

We will be writing to you about it in the near future with a lot more detail and information and asking for you to vote on it at a Shareholder meeting where I will come and be ready to answer your questions about it. The attraction of the new structure is that should we, the board or you in the future decide that we do not want that part of what Phoenix does in the portfolio, then it can be sold.

More positively, we think that part of the portfolio represents the very best value and opportunity, increased by what is going on right now in the world, and therefore ultimately could be the best performing part of the Company.

Gary Channon
CIO Phoenix Asset Management Partners
13 May 2020

Investment Management Review and Outlook

Steve Tatters
Director
Phoenix Asset Management
Partners

May 2020

During the year, the NAV per Ordinary Share increased by 29.9% and the Ordinary Share price by 32.0%. As of 31 December 2019, the Ordinary Shares were trading at a 2.1% premium and had traded at a small premium for the majority of the year to 31 December 2019. The FTSE All-Share rose by 19.1% over the same period.

Since Phoenix began managing the Company on 28 January 2016 until 31 December 2019, its NAV per Ordinary Share has risen 55.9% versus 49.1% for the FTSE All-Share Index. This has resulted in a performance fee being earned. Phoenix has taken the initial 80% of this fee in Ordinary Shares of the Company, with the remaining 20% to be issued after the Company's full results have been announced. Phoenix must keep those Ordinary Shares for a minimum period of 3 years. If the outperformance over the benchmark has disappeared at the third-year anniversary the Ordinary Shares will be forfeited, and Phoenix will receive nothing. This we believe is one of the most aligned fee structures in the industry.

A total of 11.1 million new Ordinary Shares worth £22.4 million were issued in the year. Net assets at 31 December 2019 were £154.3 million (2018: £101.0 million) as the Phoenix investment approach continued to attract new Shareholders to the Company.

As we write at the end of March it is clear the impact of the COVID-19 pandemic is significant, and the portfolio and the overall market have suffered heavy declines. As at 31 March 2020, the Company's Ordinary Share price is down 36.9% for 2020 with the FTSE All-Share down 25.1%. In the Statement from the CIO report on pages 14 and 15, Gary Channon outlines the work that has been undertaken to stress test the impact of this pandemic on the businesses we own and our confidence in their ability to survive. He outlines our view that our holdings have the financial robustness to ensure their competitive strengths remain intact through this crisis.

Activity Review

2019 saw one new holding, **Ryanair**, added to the portfolio. This investment leveraged off the knowledge built up through our holding in **easyJet**. We have previously discussed the background of the European low-cost airline industry from an **easyJet** perspective and those basic forces of demographic demand are the same for **Ryanair**, but it operates in a different space within that market as their route overlap is very low. Where they do go head to head, **Ryanair** operates at a slightly lower cost and **easyJet** earns a higher price on its tickets resulting in similar returns. **Ryanair** does not have a big presence in the main slot constrained European airports like **easyJet** does.

In the September 2019 Aurora factsheet, we introduced the new holding as follows: **Ryanair** is "Europe's biggest airline measured by passenger numbers, and it is the low-cost producer everywhere that it competes. It is, like **easyJet**, a product of an inspiration from Herb Kelleher founder and creator of Southwest Airlines, who sadly died earlier this year. He was to aviation what Sam Walton was to retail. Michael O'Leary said of him, "Herb was the Grand Master Yoda of the low-fare airlines. He was the leader, the visionary and the teacher: without Herb there would be no **Ryanair**, and no low fares airlines anywhere."

Michael O'Leary, an accountant from KPMG, joined **Ryanair** owner Tony Ryan of GPA as a personal tax advisor but in 1987, then 26 years old, he was sent to Dallas to meet Herb Kelleher and learn about the Southwest Airlines model. He eventually joined **Ryanair** in 1991 and became CEO in 1994. What he joined was a small loss-making airline in need of a new approach and his epiphany in Dallas gave him the strategy that he believed would work well in Europe.

Like the **easyJet** founder he didn't adopt the Southwest model lock, stock and barrel. He took a quite different approach to customers and staff. Recently, he realised the positive returns from treating customers well, largely through seeing the very different policies in effect at **easyJet**. There are also signs of a changing attitude to staff, which he describes as a liability or cost rather than an asset.

But what he did worked. He started in 1991 with an airline carrying 0.7 million passengers and needing a £20 million injection to cover losses. In 2019 it carried approximately 142 million passengers (200 times more). He has done that without ever suffering an operating loss in a year and whilst earning an average of 20% per annum on his shareholders equity. He is a master of great capital allocation, both in deploying it and in buying back equity when it is attractive. Since the credit crunch he has handed back close to 7 billion euros to shareholders in the form of buybacks and special dividends.

As we have commented previously with **easyJet**, there is an intense competitive battle going on in European aviation as a result of more planes than customers. **Ryanair** and **easyJet** are filling their planes at prices that whilst still profitable for them is driving others to losses and some out of business. Thomas Cook was just the latest in a long line of casualties. The ability to buy such a great business at a low multiple to cyclically depressed earnings is likely to result in great long-term returns. **Ryanair** either reinvests profits in the business at a 20% return or hands them back to shareholders.

We have been buying at prices equivalent to 9 to 10 euros per share when we estimate central intrinsic value before buybacks at c.21 euros. As its market continues to expand and its competition reduce, we expect it to continue to be able to grow for some time and in Michael O'Leary we have someone who we are happy to have our capital managed by.

The window of opportunity which allowed us to purchase **Ryanair** at the price we wanted to pay also allowed us to significantly add to our holding in **easyJet** in late May/early June. The opportunity arose due to a combination of factors; The competitive climate in airline travel manifested itself in lower ticket prices and therefore lower profitability. A contributing factor to this was overcapacity as weaker carriers survived winter 2018/19, helped by low fuel prices. **easyJet** continued to be buffeted (in share price terms) by Brexit and finally its exit from the FTSE100 resulted in significant index fund selling. In combination these factors resulted in share price falls of circa 40% from the summer of 2018 when it was trading above £15. We added to the holding at share prices around £9.

Despite the noise and uncertainty from the factors above, our long-term core thesis for **easyJet** remains the same: we see a strong business with valuable take-off and landing slots; low costs compared to the flag carriers it rubs against on these slot constrained routes; and a solid balance sheet. We remain comfortable that after the industry consolidates, **easyJet** along with **Ryanair** will be among the strong operators left standing.

The activity referred to above occurred before the present COVID-19 situation and its potential effects on the airline industry. Its long-term implications are as yet unknown but the stress tests we have undertaken give us confidence that both **easyJet** and **Ryanair** have the financial resources to weather the crisis.

In the Autumn of 2019, we exited our supermarket holdings, **Tesco** and **Morrisons**. One of the key pillars of our investment premise was that the food retail market is not properly competitive, that food shopping choice is mainly geographic, and the planning system creates huge barriers to entry. The rise of the German discounters and of online shopping has not really changed that. Both companies were able to repair their damaged position with customers and restore their businesses to growth and improved profitability.

However, we detected a potential change in consumption habits that concerned us and, in the end, undermined our confidence in our ability to estimate the long-term economics of these businesses. That change is the rise of home delivered food, which we believe has changed from being the move online of what was already the traditional restaurant takeaway business into a substitute for what would have been a food shop at the grocers. The industry is still in its infancy, but already it is having profound impacts on shopping habits. What is currently mainly a delivery of a meal is also becoming the delivery of groceries at very short notice.

One of the biggest long-term trends in the UK grocery market has been the shift towards convenience shopping and more frequent smaller shops. The offering of this service now by Deliveroo, Amazon and others is likely to take business away from the main grocers and, at a minimum, change the economics of the industry. **Tesco** and **Morrisons** are both very well managed businesses and have to work extremely hard to deliver just modest growth, but this we fear has the potential to reverse that.

That change in our assessment of the way the UK grocery market will evolve along with a loss of confidence in our ability to forecast it, resulted in the exit from both holdings.

Following share price weakness which related to issues with their auditor and a potential tax bill in Belgium, we took the opportunity to add 1.5% to the holding in **Frasers Group (Sports Direct)**. Gary Channon wrote to Aurora investors in the July factsheet to explain our thoughts on the company and that is outlined below:

“**Sports Direct** has been in the news a lot lately. Firstly, they delayed the announcement of their results saying they weren’t ready. When they were ready, there was a further delay on the day because of the apparently unexpected receipt of a large tax demand from the Belgian tax authorities the day before. Slightly lost in all the headlines was that the financial results were very resilient, outperforming most UK retailers and although House of Fraser was loss making, it wasn’t any worse than expected.

When we are considering our investments, and this is especially the case with **Sports Direct**, we need to distinguish between information that matters, i.e. that tells us something significant, and that which doesn’t. Despite all the hullabaloo about these goings on, in our opinion most of it tells us very little that matters. We’ve found nothing that goes to integrity or even corporate governance. This isn’t intended as a rebuttal piece, it would be too long if we went through every twist and turn and our evidence, deductions and interpretations, I just want to say that from our perspective, as investors who have followed **Sports Direct** very closely for a decade, that we have found nothing that isn’t consistent with either their explanation of it, or their way of operating. In the manner of Occam’s Razor, the simplest explanation is usually the correct one, so we believe the results were late because the **Sports Direct** audit is incredibly complicated this year due to all of the acquisitions, and its auditor, who is under enormous pressure to improve its audits, was unable to meet the deadline despite putting three times as many staff on the audit as last year. The actual results day was impacted by the receipt of a demand from the Belgian authorities the day before. That’s it and we believe these facts are not symptomatic of some wider malaise or failing.

We have watched entrepreneurs like Ken Morrison, push their organisations hard when there is a big opportunity. In his case buying Safeway. They focus on what matters, on seizing the opportunity, on creating the most future value and they don’t pay much attention to the short-term optics or the desire to have everything looking smooth and under control. When you do this in the public domain as a listed company you may suffer bad headlines and a volatile share price. For the investor who separates out what matters and is able to judge value, then these times often present opportunities.

We were buyers of **Morrison's** at that time when they told the City they couldn't produce figures and we were recent buyers of **Sports Direct** when they initially plunged on the latest news. These situations do look ugly and they don't help with the short-term perception of Aurora, but we believe that in reality it is an opportunity, and that in time that will be borne out and our investors will prosper as a result. The shareholders of Debenhams, judged by the feedback given on corporate governance and how they voted at AGMs, were happy with the stewardship of the company and yet that board wiped out the shareholders and handed it to the buyers of its debt, even when there was an offer to underwrite a rights issue to rescue some value for shareholders. Somehow, Mike Ashley is the villain in that saga, and he is the one in need of better corporate governance despite his stewardship of **Sports Direct**, which has seen it generate strong profits in the business its shareholders own.

The key point I would like to make about **Sports Direct** is that our estimation of its value has not changed negatively in the past few months. We are always happy to acknowledge when that does happen, and it happens a lot, but not here."

Frasers Group (Sports Direct) ended the year as the best performing holding in the portfolio posting a rise of 92.8%. The company rallied strongly in the final quarter as the market as whole rose in anticipation of a Conservative government and the company itself reported good results in December. In that announcement they outlined they had come to an agreement with the Belgium tax authorities that a significant proportion of the tax bill was not valid, and that PwC Belgium had independently found no evidence of material underpayments of VAT.

From a share price perspective, as well as the strong move from **Frasers Group (Sports Direct)**, other holdings showing significant price increases of above 20% included the housebuilders with **Barratt Developments** +74%, **Redrow** +59% and **Bellway** +59%. **JD Wetherspoons** rose 51% during the year along with **easyJet** +35%, **Lloyds Banking Group** +28%, **GlaxoSmithKline** +25% and **Ryanair** +23%. Two fallers of note during the year were **Dignity** -14%, and **Phoenix SG** -8%. Our view of the long-term value of **Dignity** has not changed, especially if it pursues the sort of price and service leadership strategy that we think makes sense.

In March 2020, as a consequence of the impact of the COVID-19 pandemic, the CMA announced that publication of their review into the funeral home and crematoria sector would be delayed until March 2021.

Phoenix SG, the investment vehicle which houses the assets related to our investment in Stanley Gibbons PLC reduced in value by approximately 8% during the year. The share price of Stanley Gibbons PLC was basically unchanged over the year and progress was made in selling the stamp inventory. Our estimate of the value of the receivable from the Guernsey administration process was reduced due to increased spending by the administrator. However, we did receive an in-specie distribution from the administration in the form of more stamps and collectibles which we have agreed to sell via Stanley Gibbons. A further, likely small, cash distribution from this process can be expected.

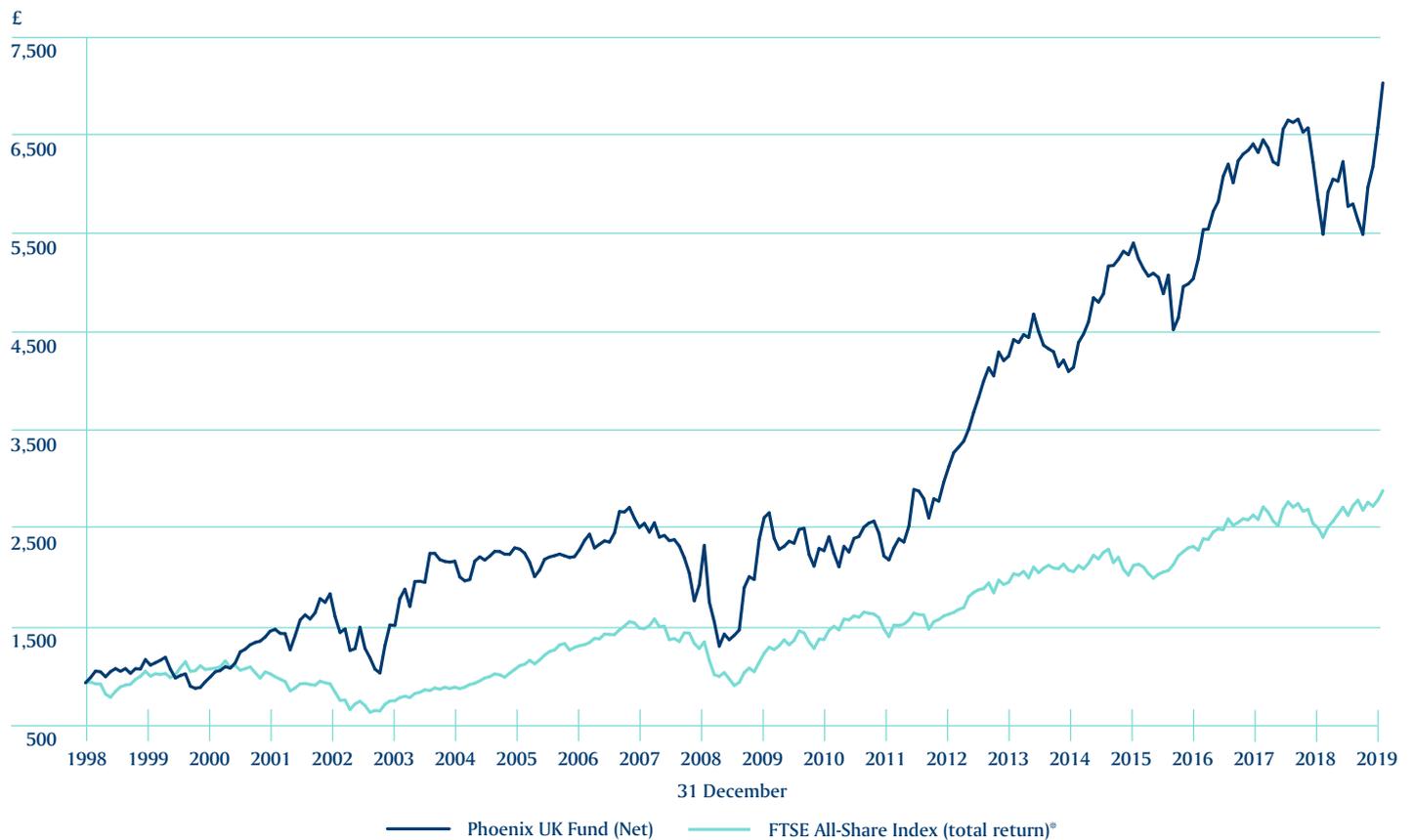
The business has become cleaner and leaner in 2019 with costs decreasing and underlying revenue increasing. The core building blocks of future growth consistent with the investment rationale are well on the way to being in place and we expect this to allow for further growth in the future.

Steve Tatters
Director
Phoenix Asset Management Partners
13 May 2020

Value of £1,000 invested in the Phoenix UK Fund at launch to 31 December 2019

Phoenix UK Fund Track Record

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



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

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

Phoenix UK Fund Track Record

Year	Investment Return (Gross) %	NAV Return (Net) %	FTSE All-Share Index %	NAV Per Share (A Class) £
1998 (8 mths)	17.6%	14.4%	-3.3%	£1,143.71
1999	-1.3%	-4.6%	24.3%	£1,090.75
2000	24.7%	23.0%	-5.8%	£1,341.46
2001	31.7%	26.0%	-13.1%	£1,690.09
2002	-17.8%	-20.1%	-22.6%	£1,349.64
2003	51.5%	49.8%	20.9%	£2,021.24
2004	14.1%	11.2%	12.8%	£2,247.26
2005	1.4%	0.3%	22.0%	£2,254.99
2006	9.5%	8.3%	16.8%	£2,442.90
2007	3.4%	2.3%	5.3%	£2,498.40
2008	-39.5%	-40.2%	-29.9%	£1,494.31
2009	62.8%	59.7%	30.2%	£2,386.48
2010	1.1%	0.0%	14.7%	£2,386.37
2011	3.0%	1.9%	-3.2%	£2,430.75
2012	48.3%	42.2%	12.5%	£3,456.27
2013	40.5%	31.3%	20.9%	£4,539.47
2014	1.9%	0.1%	1.2%	£4,544.25
2015	20.1%	14.7%	0.9%	£5,211.13
2016	9.1%	7.6%	16.8%	£5,605.58
2017	21.5%	16.3%	13.1%	£6,518.69
2018	-13.6%	-14.7%	-9.5%	£5,558.97
2019	30.3%	27.7%	19.1%	£7,098.36
Cumulative	1111.9%	609.8%	211.4%	n/a
Annualised Returns	12.2%	9.5%	5.4%	n/a

Source: Phoenix as at 31 December 2019. Past performance is not a reliable indicator of future performance.

The investment strategy of the Phoenix UK Fund is the same as that followed by the Company and is shown here because it has a longer track record. The Fund's inception date is May 1998. Phoenix began managing the Company in January 2016.

Report under Section 172 of the Companies Act 2006

Directors Duty to promote the success of the Company

The Board seeks to understand the views of the Company's Shareholders and its other key stakeholders as well as how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered. As part of the Board and stakeholder evaluation processes that are undertaken annually, the Board reviews its engagement mechanisms to ensure they remain effective. In fulfilling their duties, the Directors carefully consider the likely consequences of their actions over the long-term and on other key stakeholders.

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

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

Company sustainability and stakeholders

The Board has identified its key stakeholders which include the Shareholders, investee companies, Investment Manager, financial advisers, the Company Secretary, Administrator, Registrar, Lawyers, Depositary and Custodian. The Board is aware of the need to foster the Company's relationships with its key stakeholders through its stakeholder management activities. The Board provides oversight and challenge to the Investment Manager to ensure that the Company meets its requirements to create and preserve Shareholder value in accordance with (iv) above.

The Board and Investment Manager are seeking to promote an investor base of long-term investors. The appropriate and regular feedback from its Shareholders is achieved through the mechanisms described in detail in the Other Strategic Information and Corporate Governance Report and through relations with Shareholders and the investee companies with the support of Frostrow and the Investment Manager.

The Board expects good standards of business sustainability, especially on environmental, social and governance matters ('ESG'), (as referred to below) at the companies in which it invests and satisfy itself that the Investment Manager consistently and proactively engage with them on this basis.

The Company relies on service providers to manage its operations. The Investment Manager is the most fundamental service provider to the Company's long-term success. A description of each service providers' role together with the terms of their engagement can be found on page 25.

Monitoring and Key Decisions and the outcome of those decisions

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

In addition, the Board receives reports from Frostrow, on the Company's Shareholder base including any changes; its Secretary on latest governance issues, legal or market announcements; and its Administrator on the Company's management accounts. In addition, the Board receives reports from its Broker on the performance of the Company's peers and ad hoc reports from its other key stakeholders as deemed appropriate.

During the year, and at least on an annual basis, the Board undertook a review of its stakeholders which included a review of their control report and policies, such as whistleblowing, anti-bribery, anti-money laundering and corruption, cyber security and data protection policies its business continuity arrangements to ensure it they were adequate.

During the year the Board considered expanding its Shareholder base through the Company's Block listing facility and a twelve month placing programme, which was supported by a series of meetings arranged by the Company's distributor with wealth managers and potential investors. This helped not only expand the Company's Shareholder base but provided additional funds to further diversify the Company's portfolio, but also helped increase the liquidity of the Company's Ordinary Shares.

Employees and Boardroom Diversity

The Company does not have employees. The Board currently comprises six non-executive Directors of which two are female and four male.

The Board considers diversity, including the balance of skills, knowledge, diversity (including gender) and experience, amongst other factors when reviewing its composition and appointing new Directors. The Board has considered the recommendations of the Davies and Hampton-Alexander reviews as well as the Parker review but does not consider it appropriate to establish targets or quotas in this regard. During the year, in order to enhance the Board's diversity, the Board recruited two new Board members, both female. Summary biographical details of the Directors are set out in the Corporate Governance Statement on pages 39 and 40.

The Board is satisfied with its current composition. However, should the strategic priorities change, the Board will review and adjust its composition appropriately.

Environmental, Social and Governance Matters ("ESG")

Investee companies

The Company is a long-term investor and the Investment Manager approaches ESG with a broad remit, taking account of all factors which may impact upon the potential of a business to generate and sustain high returns over the long-term.

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

Stewardship code

The Board and the Investment Manager support and have a strong commitment to the UK Stewardship Code, the latest version of which was issued by FRC takes effect from 1 January 2020 and endorsed by the AIC which sets out the principles of effective stewardship by institutional investors.

Greenhouse Gas Emissions

As an Investment Company with no physical assets, property, employees or operations of its own, the Company does not provide goods or services in the normal course of its business and nor does it have customers. In consequence, the Company has no direct greenhouse gas emissions to report from its operations, nor does it

have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Board's policy regarding environmental matters concerning investee companies is summarised above.

Modern slavery disclosure

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

Anti-bribery and corruption

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

Criminal Finances Act 2017

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

Other Strategic Report Information

Principal risks and uncertainties

The procedures in place to identify emerging or principal risks are described below.

The Audit Committee regularly reviews the Company's risk matrix, focusing on ensuring that the appropriate controls are in place to mitigate each risk. Emerging risks are reviewed regularly to ensure that risks are identified and managed so far as practicable. The experience and knowledge of the Audit Committee and Board is invaluable to these discussions, as is advice received from the Board's service providers, specifically the Investment Manager who is responsible for all portfolio management services.

The market and operational risks and financial impact as a result of the COVID-19 pandemic, and measures introduced to combat its spread, were discussed by the Board, with updates on operational resilience received from the Investment Manager, Administrator and other key service providers.

The following is a description of the role each service provider plays in the identification of emerging risks.

1. *Investment Manager*: the Investment Manager advises the Board at each meeting on world markets, stock market trends, information on stock specific matters as well as regulatory, political and economic changes likely to impact the Company's portfolio;
2. *Distributor and Broker*: provides advice periodically specific to the Company on the Company's share register, sector, competitors and the investment company market;
3. *Company secretary and auditor*: updates the Board on forthcoming legislation/regulatory change that might impact on the Company;
4. *AIC*: The Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and regulatory issues.

Procedure for oversight

Audit and Risk Committee: Minimum twice yearly review of the Risk Matrix and formal (at least annual) review of the risk procedures and controls in place at the key service providers to ensure that emerging (as well as known) risks are adequately identified and – so far as practicable - mitigated.

Experienced NEDs on the Committee, each bringing external knowledge of the investment trust (and financial services generally) marketplace, trends, threats etc. as well as macro/strategic insight.

The principal risks faced by the Company, together with the approach taken by the Board towards them, have been summarised below.

Portfolio Risk

Changes in general economic and market conditions including, for example, interest rates, cost increase, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts and other factors, particularly noting the recent outbreak of COVID-19 and the impact to the economy, could substantially and adversely affect the Company's prospects.

- Poor stock selection or poor use of gearing, resulting in underperformance against the Company's benchmark
- Poor use of gearing, creating a drag on performance during times of market declines.
- Illiquid stock creating a drag on performance.
- Poor governance, compliance or administration, including particularly the risk of loss of investment trust status.

Management of risks

The Board undertakes a review of the performance of the Company and scrutinises and challenges notable transactions at each quarterly Board meeting. At least on an annual basis the Remuneration and Management Engagement Committee review the engagement of the Investment Manager, including the Investment Manager's achievements with regard to the Company's performance. The performance of service providers is reviewed annually via its Remuneration and Management Engagement Committee. Each service provider's Contract defines the duties and responsibilities of each and has safeguards in place including provisions for the termination of the agreement.

Risk diversification

The Company invests in organisations normally listed and traded on the London Stock Exchange, and by spreading its investments across a range of such securities. At 31 December 2019, the Company held 17 (2018: 18) stocks, spread across 7 (2018: 7) main sectors.

Gearing

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

The Board will keep under review whether any provision should be made for the use of short-term borrowing for the sole purpose of meeting working capital requirements from time-to-time. Further details concerning currency risks, liquidity risks and interest rate risks are given in note 16.

Liquidity

The Board undertakes a review of the liquidity of the investments at each quarterly Board meeting and takes appropriate action where deemed necessary.

Viability Statement

A resolution was unanimously approved for the continuation of the Company as an investment trust at the 2019 AGM. The continuation vote will be put to Shareholders at every third AGM. The next continuation vote will be held at the 2022 AGM. Investors have given no indication that they would oppose the continuation of the Company when the continuation vote is next presented to Shareholders.

The Directors have considered the viability of the Company over a five year period to 31 December 2024 which they believe is an appropriate period over which to assess the Company given the Company's long-term investment strategy and the principal and emerging risks and uncertainties outlined on pages 25 and 26.

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least five years from the date of approval of this report.

In reaching this conclusion, the Directors have considered each of the principal risks and uncertainties set out above, including the impact of COVID-19 on the Company. They have considered the liquidity and solvency of the Company, the level of premium at which its Ordinary Shares trade at the time of assessment, its income and expenditure profile including the absence of monthly management fees and the non-utilisation of gearing as an instrument of normal investment policy. The Company's

investments comprise readily realisable securities which could, if necessary, be sold to meet the Company's funding requirements. The Company's plan to expand by the issue of new share capital is kept under close, ongoing review by the Board. Portfolio changes and market developments are also discussed at quarterly Board meetings. The internal control framework of the Company is subject to formal review on at least an annual basis.

The Company's income from investments and cash realisable from the sale of investments provide substantial cover to the Company's operating expenses and any other costs likely to be faced by the Company during the period under review.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on pages 6 and 7, and the Investment Manager's Review on pages 16 to 19.

**This Strategic Report was approved by the Board on 13 May 2020.
For and on behalf of the Board
Lord Flight
Chairman
13 May 2020**

Governance

Directors, Investment Manager and Advisers

Directors

Lord Flight (Chairman)
The Honourable James Nelson
RM Martin
D Stevenson
Lady R Robathan
(appointed 2 December 2019)
L Walker (appointed 2 December 2019)

Depository & Custodian

BNP Securities Services
10 Harwood Avenue
London NW1 6AA

Registrar

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

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

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

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

Secretary, Administrator & Registered Office

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

Stockbroker

Liberum Capital Limited
25 Ropemaker Street
London EC2Y 9LY

Website Address: www.aurorainvestmenttrust.com

Registered Number – 03300814

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Directors' Report

By Order of the Board
John Luetchford
PraxisIFM Fund Services (UK) Limited
Company Secretary

May 2020

The Directors present their report and Financial statements for the year ended 31 December 2019.

Strategic Report

The Directors' Report should be read in conjunction with the Strategic Report on pages 4 to 28.

Corporate Governance

The Corporate Governance Statement on pages 38 to 47 forms part of this report.

Legal and Taxation Status

The Company has sought and obtained approval from HM Revenue and Customs of its status as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company has conducted its affairs so as to be able to maintain such status in respect of the year ended 31 December 2019. Under Section 833 of the Companies Act 2006 the Company is an investment company and operates as such.

The Board and Re-Election of Directors

The Directors of the Company at any time during the year are stated below. Except where indicated the Directors held office through the year and to the date of this report.

Lord Flight (Chairman)
The Honourable James Nelson
Richard Martin
David Stevenson
Lucy Walker (appointed 2 December 2019)
Lady Rachael Robathan (appointed 2 December 2019)

All Directors are non-executive.

At the Company's AGM on 10 June 2019, slightly over 20% of votes cast were recorded against Resolution 6, to re-elect Steve Tatters as a Director. The Board having investigated the reason for the votes cast against Steve's re-election and concluded that this was because he was deemed non-independent due to his employment by Phoenix, the Company's Investment Manager. The Board has determined that there should no longer be a representative of the Investment Manager on the Board and accordingly Steve agreed to step down as a director of the Company with effect from 2 December 2019. He remains an employee of Phoenix and in that capacity will continue to play a key role in the management of the Company.

The Board determined as a matter of policy that all Directors should submit to annual re-election. Accordingly, resolutions will be put to re-elect/elect Lord Flight, The Honourable James Nelson, Mr Stevenson, Lady Robathan and Ms Lucy Walker, at the Company's forthcoming AGM. Richard Martin stepped down as Audit committee chair on 2 December 2019. To manage the handover of the Audit chair, Richard has continued as a non-executive Director but will not seek re-election as a Director at the forthcoming AGM.

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

Director's Indemnities and Insurance

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

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

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Grant Thornton UK LLP be re-appointed as auditors of the Company will be put to the AGM. This is item 9 in the Notice of Meeting.

Disclosure of information to auditor

The Directors confirm that:

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

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

Continuation of the Company

The Company's policy is to hold continuation votes every three years. A new three-year schedule was established upon the appointment of Phoenix in January 2016. The last time the continuation vote was put to Shareholders was in 2019. Therefore, a resolution to approve the continuation of the Company as an investment trust will be put to Shareholders at the AGM to be held in 2022.

Share Capital

The Company has one class of capital, Ordinary Shares. There are no special restrictions or obligations. Shareholders have equal rights with regard to distributions of all kinds in proportion to their shareholdings. Final dividends are payable subject to approval by Shareholders at the AGM; interim dividends can be declared by the Directors.

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

During the year under review a total of 11.1 million Ordinary Shares were issued under the block listing facility, at a premium to NAV per Ordinary Share and at an average price per Ordinary Share of 201.71p, raising additional gross proceeds of £22.5 million. This provided an opportunity to increase the equity base of the Company, attract new investors and help improve the liquidity of the Company and reduce the ongoing charges.

At 31 December 2019, there were 66,513,561 Ordinary Shares in issue. The number of Ordinary Shares with voting rights was also 66,513,561.

Since the year end an additional 6,709,566 Ordinary Shares were issued under the block listing facility, at a premium to NAV per Ordinary Share and at an average price per Ordinary Share of 159.58p, raising an additional gross proceeds of £10.3 million for the Company.

In addition, 469,695 Ordinary Shares were issued to the Company's Investment Manager on 3 February 2020 in lieu of a performance fee, which had been earned in respect of the Company's outperformance against its benchmark. These Ordinary Shares were issued pursuant to the Investment Management Agreement dated 28 January 2016 and are subject to a 36-month lock-in following the date of issue of the New Ordinary Shares and will be subject to a fixed three year clawback period. Further details on the Investment Manager's performance fees are disclosed in Note 4 on pages 78 to 79.

Power to Issue Shares

The publication of a prospectus on 3 July 2019 established a Placing Programme lasting from 3 July 2019 to 2 July 2020. No Ordinary Shares were issued during the year under review pursuant to the Placing Programme.

On 9 April 2019, a General Meeting was held to seek authority to issue, by way of an Ordinary Share issuance programme, up to approximately 100% of the issued Ordinary Share capital as at 11 March 2019, being 57 million Ordinary Shares. This authority will expire on 31 July 2020. No Ordinary Shares were issued during the year pursuant to the Ordinary Share issuance programme.

Block listing facilities were also in place during the year ended 31 December 2019.

To cater for block listings, Shareholders gave authority at the AGM on 10 June 2019 for the allotment of up to 20% of the Ordinary Shares then in issue on a non pre-emptive basis. This expires at the AGM to be held on 18 June 2020. The Directors have concluded that the approval of Shareholders should be sought at the AGM to be held on 18 June 2020 to put in place a new, similar authority to cover the demand for Ordinary Shares by block listing issues outside a placing programme.

The Directors believe that it is in the interests of the Company that they can continue to issue new Ordinary Shares under the block listing facility to meet ordinary market demand from time to time. Ordinary Shares will only be issued at a price representing a premium to the prevailing NAV per Ordinary Share as at the date of issue.

The Directors were also empowered to make allotments of Ordinary Shares other than according to the statutory pre-emption rights which otherwise require all new Ordinary Shares to be offered first to all existing Shareholders.

Discount and Premium Control

The Board is aiming to achieve an Ordinary Share over the long-term that reflects the level and movement of the NAV per Ordinary Share. This is intended to be achieved in the following ways:

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

Holding Shares in Treasury

The Board monitors on an ongoing basis whether Ordinary Shares should be repurchased and, if so whether they should be held in Treasury, or whether they can and should be sold from Treasury. Any sales of Ordinary Shares from Treasury are made at prices not less than the latest available NAV per Ordinary Share at the time of sale.

There were no Ordinary Shares held in Treasury during year ended 31 December 2019 (2018: nil).

Purchase of Own Shares

A resolution is to be proposed at the AGM to renew the Company's powers to purchase its own Ordinary Shares.

Although the current position of the Company is directed towards active expansion, the Directors nevertheless recommend that the general power to purchase shares continues to be held in reserve in case of need. The renewed authority sought by the Company is to purchase up to 14.99% of the voting shares that are in issue as at the date of the AGM.

Investment Management Agreement

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

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

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

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

The performance fee is subject to a high-water mark so that no performance fee will be payable in any year until all underperformance of the Company's NAV since the last performance fee was payable has been made-up. The performance fee will also be subject to a clawback if over a rolling period of three years following the end of the last financial year for which a performance fee was payable the Company underperforms.

The performance fee will be paid to Phoenix in Ordinary Shares (issued at the NAV per Ordinary Share on the date of issue) and such Ordinary Shares must be retained by Phoenix for a minimum period of three years from the date of issue.

The performance fee provision accrued in the year ended 31 December 2019 was £1,360,824.72 (31 December 2018: £nil). Further details on the performance fees are disclosed in Note 4 on pages 78 to 79.

Investment Management Engagement

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

Recommendation Regarding Resolutions

The Directors consider that all the resolutions to be considered at the AGM are in the best interests of the Company and its Shareholders as a whole and are likely to promote the long-term success of the Company. The Directors unanimously recommend that Shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Alternative Investment Fund Managers' Directive (AIFMD)

The Company is classified as an Alternative Investment Fund under AIFMD and is therefore required to have an Alternative Investment Fund Manager (AIFM).

Because of the scale of its overall funds under management, Phoenix is classed as a full-scope AIFM. This brings the Company into the full scope of AIFMD, requiring *inter alia* the appointment of a Depository.

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period, which is the year ended 31 December 2019. These disclosures are available on the Company's website, which can be found at **www.aurorainvestmenttrust.com** or are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set a limit as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set a maximum limit of leverage for the Company of 100%. This equates to nil leverage. As described in the Strategic Report the Phoenix policy is currently not using leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	100%	100%
Actual leverage at 31 December 2019	100%	100%

Depository and Custodian

Since 28 January 2016 the positions of Depository and Custodian to the Company has been held by BNP Paribas Securities Services.

Retail Distribution of Investment Company Shares

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

Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited is responsible for all administrative matters. It is appointed under a contract subject to 180 days' notice. It receives a fee of one-twelfth of £40,000 plus one-twelfth of 0.075% of the Company's net assets at the end of each calendar month on net assets up to £100 million and one-twelfth of 0.025% of net assets thereafter, subject to a minimum fee of £6,500 per month, plus VAT.

Banking

The Company cash balances were held with BNP at 31 October 2019 and 31 December 2018.

At 31 December 2019 the gross external borrowings of the Company were £nil (2018: £nil).

Market Information

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

Notifiable Interest in the Company's Voting Rights

As at the year end, the following investors have declared a notifiable interest in the Company's voting rights.

	Ordinary Shares	%	Date of Notification
Rothschild and Co. Wealth Management (UK) Limited	10,852,617	16.73	20 June 2019
Brewin Dolphin Limited	3,271,677	6.19	5 July 2018
Myddleton Croft Limited	2,209,699	3.89	12 February 2019

Since year end, the Company has received the following notification:

	Ordinary Shares	%	Date of Notification
Rothschild and Co. Wealth Management (UK) Limited	11,125,357	15.90	2 April 2020

Settlement of Ordinary Share Transactions

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

Political Donations

The Company did not make any political donations or incur any political expenditure during the year under review.

Notice of General Meetings

AGMs and general meetings shall be convened by such notice as may be required by law from time-to-time. The notice shall specify the place, day and time of the meeting, the general nature of the business to be transacted, any procedures as to attendance and voting and, if the meeting is convened to consider a special resolution, the text of the resolution and the intention to propose the resolution as such. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or any restrictions imposed on any Ordinary Shares they hold, are not entitled to receive such notices from the Company, to the Directors and to the Auditors and to any other person who may be entitled to receive it.

Going Concern

The financial statements have been prepared on the going concern basis. The Directors have a reasonable expectation, after making enquiries, that the Company has adequate resources to continue in existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 December 2019, the Company held £16,602,000 (2018: £2,008,000) in cash, £130,326,000 (2018: £91,609,000) in quoted investments and £8,487,000 (2018: £7,010,000) in an unquoted investment. This is a conservative approach which does not include the ability to access liquidity through block trades. The total operating expenses for the year ended 31 December 2019 were £551,000 (2018: £457,000).

The Company has over 190 years' cover of operating and finance costs, based on net assets as at 30 April 2020 of £116.5 million. As at 30 April 2020, the Company held £9,903,000 in cash, £99,381,000 in quoted investments and £7,578,000 in an unquoted investment.

It is estimated that 70% of the portfolio could be liquidated in a non-market impacting way within 7 days using 15% of average daily volume. Given the level of market volatility experienced since 31 December 2019, due to the impact of the COVID-19 pandemic, the Investment Manager has performed stress tests on the Company's portfolio of investments under current conditions and the Board remain comfortable with the liquidity of the Company's portfolio.

At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover and cash flows are at the discretion of the Board. In light of the COVID-19 pandemic, the Board has considered the Company's liabilities and noted cash and investments held are well in excess of the level of liabilities. A prolonged and deep market decline could lead to falling values to investments or interruptions to cash flow, however the Company currently has more than sufficient liquidity available to meet any future obligations.

Brexit

Brexit, or the terms of the exit or withdrawal agreement, could create United Kingdom (and potentially global) uncertainty, which could affect total shareholder returns, the NAV and/or the price of the Ordinary Shares favourably or unfavourably.

COVID-19

The financial markets have experienced considerable turmoil as a result of the outbreak of COVID-19 in many countries, including the United Kingdom. The Board is keeping the development of this situation under close scrutiny. The Company has suffered short-term losses, in line with general market movements. The Board does not believe that this will affect the Company's going concern status.

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report

13 May 2020

Introduction

The Board is committed to maintaining and demonstrating high standards of corporate governance.

The Board has considered the principles and provisions of the Association of Investment Companies of Corporate Governance 2019 (the "AIC Code"); the AIC Code addresses those set out in the UK Corporate Governance Code which applies for the year ended 31 December 2019, as well as setting out additional provisions on issues that are of specific relevance to investment companies and the Company.

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

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below.

The Board considers the following provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

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

There is no schedule of matters specified as being reserved for the Board, since the Board effectively reviews all aspects of the Company's governance on an ongoing basis.

Board composition

Action has been taken during the year ended 31 December 2019 to enhance the diversity of the Board, by recruiting two Directors, both female.

The Board currently consists of: the Chairman, Lord Flight, four independent Directors (The Honourable James Nelson, Mr Stevenson, Lady Robathan and Ms Walker), and Mr Martin who is now no longer deemed to be independent and will be retiring from the Board at the forthcoming AGM.

Lord Flight

Lord Flight has worked in the financial services industry for over 40 years. He co-founded Guinness Flight Global Asset Management in 1986. In 1998, upon Guinness Flight's acquisition by Investec, he became Joint Chairman of Investec Asset Management Limited. He was the MP for Arundel and South Downs from 1997 to 2005; was Shadow Chief Secretary to the Treasury between 2000 and 2004 and a member of the Shadow Cabinet. He was appointed to the House of Lords in January 2011. He is Chairman of the EIS Association and of Flight & Partners; he has been a non-executive director of Metro Bank plc and Investec Asset Management Limited and of a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission and was a member of the House of Lords EU Finance and Economics Committee from 2010 to 2015.

The Honourable James Nelson

The Honourable James Nelson has had a long career in the financial service sector, working in banking with Morgan Guaranty Trust Company of New York (the predecessor to JP Morgan Chase) in investment management with Foreign & Colonial, where he was a director of F & C Management Limited, and in private equity with Graphite Capital Management Limited as a founding partner. He has held many non-executive directorships, more recently with the Henderson Smaller Companies Investment Trust Plc, Syncora Guarantee (UK) Limited and Intermediate Capital Group Plc. He is a past chairman of the British Private Equity & Venture Capital Association and is currently chairman of the McGill University Trust.

Richard Martin

Richard Martin is an adviser to various family groups and was also chairman of BMO Managed Portfolio Trust plc until 31 December 2018. Previously he was CIO and adviser to T. Bailey Asset Management Limited, a position held for fourteen years, and was chairman of the investment committee of the National Trust for Scotland. Currently, Richard is also a Trustee of Corra Foundation and Saltire Trust.

David Stevenson

David Stevenson is a columnist for the Financial Times, Citywire and Money Week and author of a number of books on investment matters. He was the founding director of Rocket Science Group. Currently he is a director of SQN Secured Income Fund Plc, Gresham House Energy Storage Fund Plc, AltFi Limited and Brismo Limited and a strategy consultant to a number of asset management firms and investment banks.

Lucy Walker

Lucy Walker is a Senior Associate Partner of Sarasin & Partners LLP, having joined as an analyst in January 2011. She is now portfolio manager and Head of Third Party Funds. Lucy previously worked in the Multimanager team at HSBC Global Asset Management. Outside of her executive role, Lucy is Trustee of KEEN London and also sits as an independent member on the Audit & Risk Committee for SportsAid.

Lady Rachael Robathan

Lady Robathan is the Leader of Westminster City Council. She was first elected in 2010 and held the Finance, Property and Housing Cabinet portfolios before becoming Leader. Prior to this, Rachael worked for 20 years in emerging market investment management at Invesco and AIB Govett before joining Pictet as part of the UK based Family Office team. In addition, Rachael has been a Director of the National Lottery Community Fund since June 2015 and is a member of its Remuneration Committee. She is also a Trustee of Westminster Almshouses Foundation, a sheltered housing charity.

The previous Audit Committee chair, Richard Martin, stepped down from this role on 2 December 2019, having served nine years as a director and therefore deemed to be no longer Independent. Rachael Robathan has been appointed Richard's replacement, as Audit Chair, and assumed this role on 2 December 2019. In order to manage the handover of the role of Audit Chair, Richard agreed to continue to serve as a non-executive director of the Company until the AGM to be held in 2020, at which point he will not seek re-election to the Board.

Evaluation of Board performance

The Board arranged for an evaluation of its performance during the year ended 31 December 2019. This was carried out by the Company Secretary by means of a written questionnaire. The evaluation included strategic issues, management of risk, quality of meetings and composition of the Board, in terms of qualification, skills, diversity and experience, relationships, engagement with the Investment Manager, governance matters, the performance of the Chair and the Committees. The Board has given careful consideration to the detailed results of the evaluation which highlighted the need to further enhance the Board's relationship with its Shareholders. In order to address this the Broker has agreed to facilitate a number of Shareholder meetings with the Company's Chairman in order to gauge the Shareholders views on the Company's activities and performance.

Re-election or Election at the forthcoming AGM

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

Balance of Skills

As described above under "Evaluation of Board performance", the Board conducts a review of its strengths and weaknesses, with the aim of ensuring that there is available a good balance of attributes that are useful to the direction of the Company, in addition to the skills and commitment of the Investment Manager. The Chairman has wide and deep experience of the management and governance of investment trust companies through the other relevant directorships that he holds and has held. The Honourable James Nelson, Mr Martin and the two new Board Members, Lady Robathan and Ms Walker have a long track record of success in the fields of investment and asset management. Mr Stevenson has a strong record of independent scrutiny of the markets and commentary upon them.

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

Policy with regard to tenure and reappointment

The Directors recognise that independence is not a function of service or age and that experience is an important attribute within the Board. The Directors may decide to recommend a director with more than nine years' service for re-election. In accordance with the 2019 AIC Code of Corporate Governance Directors stand for re-election annually. The performance of each Director will be appraised by the Nomination Committee annually and prior to the AGM.

The Directors have appointment letters which do not state any specific term.

How the Board operates

The Company does not have any employees. The Board has contractually delegated to external agencies, including the Investment Manager, for the management of the Company's investment portfolio, the custodial services (which include the safeguarding of the Company's assets), the registration services and the accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board reviews these contracts annually. The Board does not undertake any executive function but is responsible to Shareholders for the overall strategy and performance of the Company. It reviews and evaluates all aspects of the Company's performance and all functions performed by the service providers.

There is no formal schedule of matters reserved for the Board. Such a schedule would be inappropriate since the Board decides on all aspects of the activities of the Company and is of sufficiently small size to decide upon such matters as a full Board.

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

Division of Responsibility

The AIC Corporate Governance Code requires the Board to agree the responsibilities of the chairman, board and committees and to set them out in writing and make them publicly available. The below are the agreed division of responsibilities agreed by the Board.

Role of the Chairman

- Providing leadership to the Board;
- Promoting high standards of governance;
- Ensuring the Board are provided with sufficient information to enable the discharge of their duties;
- Ensuring each Board member's views are considered and appropriate action taken;
- Ensuring each Committee has the support required to fulfil their duties;
- Engaging the Board in assessing and improving its performance;
- Overseeing the induction and development of Directors;
- Remaining independent of the Investment Manager, whilst providing effective support, challenge and advice;
- Supporting other service providers;

- Ensuring the Board as a whole has a clear understanding of the views of Shareholders;
- Ensuring regular engagement with each service provider; and
- Keeping up to date with key developments.

Role of Committees

Audit Committee

- Maintains the effectiveness of the Company's risk management;
- Considers the Company's internal control system;
- Reviews the Interim Report and the Annual Report and recommends it to the Board.
- Reviews the Audit Plan;
- Considers the Audit Fee;
- Considers the Auditors' appointment/re-appointment and the independence and objectivity of the Independent Auditor;
- Where deemed necessary, manages the Audit Tender process.

Remuneration and Management Engagement Committee

- Considers the terms of appointment of the Investment Manager and reviews this appointment and the main terms of the Investment Management Agreement.
- Considers the Board's remuneration;
- Considers the terms of appointment of each of the Company's service providers.

Nomination Committee

- Considers succession planning arrangements;
- Oversees the Board appraisal process;
- Considers the Board appointment/re-appointment;
- Oversees the recruitment process of additional Board members.

Role of the Board

- Responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy matters, including share issuance and buy backs, discount/premium management, corporate governance matters, dividends and gearing and oversight of the Company's activities.
- Promoting the long-term success of the Company and generating value for Shareholders;
- Establishing the Company's purpose, values and strategy, and satisfies itself that these and its culture are aligned;
- Ensuring the necessary resources are in place for the Company to meet its objectives and measure performance against them;
- Establishing a framework of prudent and effective controls, which enable risk to be assessed and managed; and
- Ensuring effective engagement with and encourage participation from Shareholders and stakeholders.

Conflicts of Interest

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

- Any Board member so conflicted must recuse themselves from the discussion involving the relevant conflict;
- Only Directors who have no interest in the matter being considered are able to debate the matter and take the relevant decision; and
- In taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success.

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

Attendance at Board meetings

The Board holds at least four meetings a year.

During the year ended 31 December 2019 there were five meetings of the Board. Lord Flight, The Hon James Nelson, Mr Martin, Mr Tatters and Mr Stevenson attended all of these meetings. Lady Robathan and Ms Walker did not attend any meetings during 2019 since no meetings were held after their respective appointment on 2 December 2019.

There were also ad-hoc meetings to deal with placings, block listings and other matters.

In addition, there were five fully attended meetings of the Board's committees, as detailed below.

Board Committees

Since all Directors are non-executive and the Chairman is both non-executive and independent, the Board considers that all Directors may normally be present at Committee meetings even if not formally part of the quorum. On certain occasions, as described below, it is inappropriate for the representative of the Investment Manager to be involved. The main purpose of the Committees in the context of the Company's structure is that their existence ensures time is set aside on a formal basis to cover certain important issues of governance, without those issues obscuring the flow of general Board business. Each committee has a separate chairman, as detailed under the separate headings below. The Committees have formal terms of reference, which are available to Shareholders upon request from the Company's registered office and can be viewed via the Company's website at www.aurorainvestmenttrust.com.

Remuneration and Management Engagement Committee

The Board has formed a Remuneration and Management Engagement Committee, which considers the level of fees paid to Directors and also considers issues related to the engagement of the Investment Manager and other service providers, making recommendations as appropriate to the Board. Since all the executive functions of

the Company are delegated to service providers, issues concerning the remuneration of those functions relate to the payment of service providers rather than of Directors or employees. The Committee therefore considers whether amounts paid to service providers are appropriate, with particular reference to those contracted to the Company on a continuing basis, including the Investment Manager, and whether those contracts should be maintained. The Honourable James Nelson is chairman of the Committee.

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

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

The Remuneration and Management Engagement Committee is also responsible for reviewing the Directors' fees and the remuneration and services of the Company's other service providers. The Committee comprises all the Directors. The work of the Committee is further described, including the number of meetings and attendance at those meetings, in the Directors' Remuneration Report.

The Committee met once in 2019 and considered the Directors' performance evaluation, the remuneration of the Directors and the performance of the Investment Manager. The Board considered that the actions being taken to refresh and restructure its membership constituted appropriate action to address its own performance and the automatic adjustment in the Directors' remuneration by the increase of the Consumer Price Index on 1 January each year remained acceptable. The performance of the Investment Manager was subject to ongoing review.

The work of the Remuneration and Management Engagement Committee during the year ended 31 December 2019, and in relation to this Annual Report, is described in more detail in the Directors' Remuneration Report on pages 48 to 52.

Audit Committee

It is considered appropriate that issues relating to the review of the annual financial statements, the appointment of the auditor and internal control procedures, including those of the Investment Manager and the Secretary, should be considered by those Directors who are independent. Therefore, the Board has formed an Audit Committee comprised of those Directors who are independent of the Investment Manager. During the year ended 31 December 2019, the Committee comprised Lord Flight, The Honourable James Nelson, Mr Martin and Mr Stevenson until 2 December 2019. Lady Robathan and Ms Walker joined the Committee on their becoming Directors on 2 December 2019 and Lady Robathan was appointed chairman of the Committee to replace Mr Martin who stepped down as chairman from the Committee on 2 December 2019.

The Audit Committee also reviews any non-audit services provided by the auditor. Under the Revised Ethical Code, it is necessary for the tax compliance function to be separated from the audit role. Ernst & Young has been appointed to provide tax compliance services. The auditor did not perform any non-audit services during the year ended 31 December 2019.

All members of the Committee are active in the investment markets and/or the investment trust sector and the Committee considers that all have recent and relevant financial sector experience.

The work of the Audit Committee during the year ended 31 December 2019, and in relation to this annual report, is described in more detail in the Audit Committee Report on pages 55 and 56.

Nomination Committee

A Nomination Committee has been established by the Board, to identify and interview candidates for vacancies on the Board. It is established as a principle that this process should be led by the independent Directors and the Committee comprises all independent Directors of the Company. The Honourable James Nelson is chairman of the Committee, which will meet as and when required.

The Nomination Committee met once during the year ended 31 December 2019. The Committee reviewed the Company's overall policy on the size and make-up of the Board and considered the Board's performance.

The Committee considered the position of Mr Tatters following just over 20% of the votes cast at the 2019 AGM having been against his membership of the Board. The Committee recommended that the Company discontinue the practice of having an employee of the Investment Manager on the Board. Mr Tatters agreed to stand down as a Director, whilst continuing to attend board meetings as a representative on behalf of the Investment Manager.

The Committee also considered the position of Mr Martin who would no longer be an independent Director and would therefore not be able to Chair the Audit Committee once he had completed his ninth year as a Director of the Company.

Consequently, the Committee recommended two nominations be sought. Having placed an open advertisement on the Company's website and following several interviews, Lady Robathan and Ms Lucy Walker were recommended to the Board and duly appointed as Directors of the Company.

Relations with Shareholders and with Investee Companies

Relations with Shareholders

The Investment Manager regularly meets the largest Shareholders and reports back to the Board on those meetings. The Company encourages all Shareholders to attend the AGM and provides 21 days notice of those meetings. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Chairman, and where relevant, each committee chair, seeks to engage with the Company's Shareholders (and the Company's other key stakeholders) on significant issues raised by them at the AGM or at other times.

The Board seeks to understand the views of the Shareholders and the Company's other key stakeholders and how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered and especially in Board discussions and decision-making. The Board keeps engagement mechanisms under review so

that they remain effective. In fulfilling their duties, the Directors carefully consider the likely consequences of their actions over the long-term and on other key stakeholders. These include the investors, Investment Manager, Company Secretary, Administrator, Registrar, Lawyers, Auditor, Depositary and Bankers amongst others.

Internal Controls and Risk Management

Review of internal controls

The UK Corporate Governance Code requires the Board to review the effectiveness of the Company's risk management and system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of risk management and internal control and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements.

By these procedures the Directors have kept under review the effectiveness of the risk management and internal control system throughout the year and up to the date of this report. The monitoring and review include all material controls, covering financial, operational and compliance. The Board has concluded that the Company's risk management and internal control system are adequate to meet the needs of the Company.

Assessment of service providers by the Board

The Investment Manager and the Administrator are normally invited to attend each full meeting of the Board and have in practice done so. Between these meetings there is further regular contact with the Investment Manager and the Administrator. The Investment Manager reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary. Directors receive and consider regular monthly reports from the Administrator, giving full details of all holdings in the portfolio, including all transactions, and of all aspects of the financial position of the Company. The Administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures, compliance with investment trust rules and secretarial matters, highlighting any changes which have occurred. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

Contact with the Investment Manager and the Administrator enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis throughout the year and again, formally, at year end and this process of assessment has continued up to the date of this report.

Financial Aspects of Internal Control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. In accordance with the UK Corporate Governance Code, the Directors are responsible for making an assessment of the principal and emerging risks facing the Company and agree procedures for identifying emerging risks. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by the Investment Manager and the Administrator to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include monthly production of management accounts and daily NAV calculations, monitoring of performance at regular board meetings, supervision by Directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures.

The Directors' statement of responsibilities in respect of the accounts is on pages 53 and 54, a statement of going concern is on pages 36 and 37 and the report of the auditors is on pages 57 to 65.

By Order of the Board
John Luetchford
PraxisIFM Fund Services (UK) Limited
Company Secretary
13 May 2020

Directors' Remuneration Report

James Nelson
Chairman of the Remuneration and Management Engagement Committee

May 2020

The reports below on Remuneration Policy and Remuneration Policy Implementation have been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulation).

The Remuneration Policy is required to be put before Shareholders for approval once every three years (unless changed, in which case the changes must be approved). The Remuneration Policy will be proposed as an ordinary resolution at the forthcoming AGM and is binding upon the Company. At the AGM held in 2017 the resolution to approve the Remuneration Policy was passed unanimously by show of hands; the proxy voting was 5,034,384 in favour, 8,500 discretionary on the part of the chairman and 2,952 against.

An ordinary resolution for the approval of the Remuneration Policy Implementation Report will also be put forward at the forthcoming 2020 AGM. The Remuneration Policy Implementation Report is required to be put before Shareholders each year. The Shareholders' vote on the Implementation Report is not binding upon the Company, but the Board and the Committee take account of any concerns that are expressed by Shareholders. At the AGM in 2019, the resolution to approve the Remuneration Implementation Report was passed unanimously by show of hands; the proxy voting on this resolution was 7,809,087 votes in favour, 13,692 votes against and 6,101 withheld.

Shareholders are encouraged as part of the Company's engagement strategy to have the opportunity to ask questions to express their views and ask questions in respect of the Remuneration Policy and Remuneration Implementation report from time to time or at the AGM. Since the last AGM, no Shareholders have commented in respect of the Remuneration Policy or Remuneration Report.

Information not subject to audit

Remuneration Policy

Current and future policy

The Company's remuneration policy was last put forward by ordinary resolution and passed at the Company's AGM held in 2017 and it is intended that the provisions of this policy are to continue to apply after the resolution is approved.

It is linked to the Company's strategy and promoting the long-term success of the Company in accordance with the directors' duties, s 172 Companies Act 2006. This provides fees payable to the Directors to reflect the value of the time spent by the Board on the Company's affairs, the duties of the Directors and sufficient to attract and retain candidates of a high calibre. This is reviewed by the Board annually based upon market rates for non-executive directors commensurate with the growth and size of the Company and reported accordingly in their Policy implementation report.

Directors are remunerated in the form of fees only, payable quarterly in arrears, paid to the Directors personally. Directors are authorised to claim reasonable expenses in the performance of their duties.

Remuneration and Management Engagement Committee

The Company has five non-executive Directors. Mr Tatters, who is employed by the Investment Manager, resigned on 2 December 2019. The Remuneration Committee comprises the whole Board when considering Directors' fees and the remuneration of

contracted service suppliers other than the Investment Manager. Mr Tatters excused himself when issues related to the Investment Manager's fees were discussed.

Policy on Directors' fees

It is the policy of the Board and the Committee that the remuneration of non-executive Directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive Directors' fees are determined within the maximum limit set out in the Company's Articles of Association, which currently stands at £200,000 per year. The Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits and fees are not linked to Director's individual or collective performance. There are no arrangements in place with respect to compensation for loss of office (for whatever reason) or recruitment incentive remuneration and Directors have no entitlement to any such payments. No Director has waived or agreed to waive any emoluments from the Company or subsidiary undertaking.

Directors' service contracts

The Directors do not have service contracts. The Directors have appointment letters, which do not state any specific term. In accordance with the AIC Corporate Governance Code the Board put themselves forward for annual re-election.

Payments to past Directors

No payments were made during the period to any past Directors.

Remuneration Policy Implementation Report

The levels of remuneration in 2019 were:

Component	Director	Current annual rate	Purpose of reward	Operation
Annual fee	Chairman of the Board	£33,000	For services as Chairman of a plc	Determined by the Board
Annual fee	Other independent Directors	£24,000	For services as non-executive Directors of a plc	Determined by the Board
Additional Fee	Chairman of the Audit Committee	£4,000	For additional responsibility and time commitment	Determined by the Board
Expenses	All Directors	Not applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

The Remuneration Committee met during the year ended 31 December 2019. All members of the Committee attended the meeting. The Committee, in conjunction with the Chair, is responsible for setting the remuneration levels of the Directors and

considering whether to appoint an external remuneration consultant if felt appropriate. In this case it decided not to appoint an external consultant and considered the results of the review of Directors' performance together with an internal survey of board remuneration among a peer group of similar companies. It concluded that the annual increase of the consumer price index applied on 1 January 2020 was acceptable, and no other changes were recommended. These recommendations were accepted and implemented by the Board.

Mr Tatters is an employee of Phoenix and it was agreed with Phoenix and Mr Tatters that he should receive no remuneration from the Company for the year prior to his stepping down from the Board on 2 December 2019.

No other services were provided by advisers in respect of remuneration policy during the year ended 31 December 2019.

Significant Votes Against

At the AGM held on 10 June 2019, Mr Tatters election attracted just over 20% of votes cast to be cast against. Having made enquiries, the Board determined that there was a lack of appetite for a representative of the Company's Investment Manager to be a Board member. With this in mind, Mr Tatters agreed to step down once a replacement had been identified, and this occurred on 2 December 2019 when Ms Walker was appointed a Director.

Performance

The performance of the Company's Ordinary Shares, with dividends reinvested, is compared to that of the FTSE All-Share Index (total return) which is the Company's Benchmark. Phoenix took over the investment management on 28 January 2016.



Relative importance of spend on pay

The table below shows the proportion of the Company's income spent on pay (including National Insurance or VAT where applicable).

	Year to 31 December 2019 £'000	Year to 31 December 2018 £'000	Change Favourable/ (unfavourable) £'000
Revenue income receivable	3,840	2,959	881
Spend on Directors' fees	109	88	(21)
Other expenses	442	369	(73)
Dividends paid to Shareholders	2,413	1,286	1,127

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

Information subject to audit

Directors' emoluments for the year (Audited)

The following emoluments in the form of fees (excluding National Insurance or VAT) were payable to the Directors who served during the year:

	2019 £	2018 £
Lord Flight	33,000	26,250
The Hon. James Nelson	24,000	17,500
Richard Martin	28,000	20,000
Steve Tatters (resigned 2 December 2019)	–	–
David Stevenson	24,000	17,500
Lady Rachael Robathan (appointed 2 December 2019)	2,301	–
Lucy Walker (appointed 2 December 2019)	1,973	–
	113,274	81,250

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

Directors' Shareholdings (Audited)

The Directors' shareholdings in the Company, all of which were beneficially owned, were:

	At 31 December 2019 and at the date of this report Ordinary Shares	At 31 December 2018 Ordinary Shares
Lord Flight	43,000	43,000
The Hon. James Nelson	40,000	40,000
Richard Martin	30,100	30,100
Steve Tatters (resigned 2 December 2019)	–	–
David Stevenson	13,566	9,466
Lady Rachael Robathan (appointed 2 December 2019)	–	–
Lucy Walker (appointed 2 December 2019)	1,240	–

Since the year end, Mr Stevenson purchased an additional 4,700 Ordinary Shares on 9 March 2020, at a price of 190 pence per Ordinary Share.

During the year, no rights to subscribe for shares in or debentures of the Company or its subsidiary have been granted to, or exercised by, any Director or a member of his immediate family. There are no requirements or formal guidelines in effect for Directors holding shares in the Company, although the Board welcomes such holdings. The interests of each director include the interests of connected persons of which the Company is or ought reasonable upon enquiry to become aware. Connected persons are person closely associated as defined in the Market Abuse Regulations.

Annual statement

On behalf of the Board and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Reports on Remuneration Policy and Remuneration Implementation summarise, as applicable, for the year to 31 December 2019:

- a. the major decisions on Directors' remuneration;
- b. any substantial changes relating to Directors' remuneration made during the year; and
- c. the context in which the changes occurred and decisions have been taken.

James Nelson
Chairman of the Remuneration and Management Engagement Committee
 13 May 2020

Statement of Directors' Responsibilities for the Annual Report

Lord Flight
Chairman

May 2020

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

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs and 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 accounting estimates which are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website used by the Company.

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

Statement under the Disclosure and Transparency Rules 4.1.12

The Directors confirm that to the best of their knowledge and belief:

- a. the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b. this 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.

Having taken advice from the Audit Committee, the Directors consider 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 position and performance, business model and strategy.

For and on behalf of the Board

Lord Flight

Chairman

13 May 2020

Audit Committee Report

Lady Rachael Robathan
Chairman of the
Audit Committee

May 2020

Work of the Audit Committee

During the year ended 31 December 2019 the Audit Committee met three times. Mr Martin, Lord Flight, the Honourable James Nelson and Mr Stevenson attended all three meetings. The experience of the members is set out above including their performance of active roles in the investment markets and/or the investment trust sector and the Committee considers that all have recent and relevant financial experience.

In accordance with professional guidelines, a meeting was held concerning the rotation of the responsible audit partner. Christopher Smith, the senior statutory auditor, was rotated off the role having served five years. William Pointon was nominated by Grant Thornton to undertake the role as the Company's new senior statutory auditor. The Committee met Mr Pointon and agreed to his appointment.

The Committee considered and recommended for Board Approval the interim accounts to 30 June 2019 including agreeing on valuations of the Company's portfolio of investments, the Company's Risk Register and any exposure to illiquid investments.

The Committee also considered and reviewed the audit plan from Grant Thornton and the approach to the audit as set out and planned audit procedures.

Since 31 December 2019, the Committee has met on two occasions. The auditor attended those meetings to discuss in detail the results of the audit of the financial statements.

Financial statements and significant accounting matters

In its meetings since 31 December 2019, the Audit Committee as part of performing its role and meeting its objectives, considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 December 2019:

Valuation of investments

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

The Company holds a small proportion of the portfolio in an unquoted company. The valuation of this investment is based on a proportionate share of the investment's NAV. The Investment Manager provided valuation recommendations for the investment in the unquoted company held at the year end and it was discussed and approved by the Audit Committee.

Financial statement presentation

The Audit Committee obtained assurances from the Investment Manager and the Secretary that the financial statements had been prepared appropriately and questioned the external auditor on this area. There were no unresolved issues.

Going concern

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

Conclusion with respect to the annual report and financial statements

The Audit Committee has concluded that the annual report for the year ended 31 December 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Provision of non-audit services

The Audit Committee has put in place a non-audit service policy to ensure that the auditor's independence and objectivity are not impaired. The Company has appointed Ernst & Young to provide tax compliance services. No non-audit work was performed for the Company by the auditor during the year ended 31 December 2019 and the Committee has no current plans to seek any non-audit services from the auditor.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing.

In accordance with the EU Directive that a review of the auditor be carried out after 10 years' service, a full review of the audit service on a competitive basis was conducted during 2016. The Committee gave careful consideration to proposals put forward by Grant Thornton and by a competitor firm. After discussion, it concluded that the appointment of Grant Thornton should be continued, subject to approval by the Board and the Shareholders of the Company.

The renewed appointment of Grant Thornton is potentially for a further period up to 31 December 2023, the maximum permitted by the EU Directive, but always subject to annual confirmation. The Audit Committee performed a further review of the external auditor following the presentation of the results of the latest audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. The Committee subsequently confirmed to the Board it was satisfied on the basis that the independence criterion was still met, that a resolution be put to Shareholders at the AGM in 2020 for the re-appointment of Grant Thornton. The Committee will review the audit tender process each year and ensure continued compliance with the relevant CMA order to ensure a new process is carried out within 10 years of the previous tender and by 2022 at the latest.

Lady Rachael Robathan
Chairman of the Audit Committee
13 May 2020

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

William Pointon
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
London

13 May 2020

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Aurora Investment Trust Plc (the 'Company') for the year ended 31st December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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 25 to 27 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit and Covid-19);
- the Directors' confirmation, set out on page 47 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the Company (including the impact of Brexit and Covid-19), including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 72 of the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statements relating to going concern and the prospects of the Company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on pages 26 and 27 of the annual report as to how they have assessed the prospects of the Company, 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 Company 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.

In our evaluation of the Directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Overview of our audit approach

- Overall materiality: £1.5m which represents approximately 1% of the Company's net assets;
- Key audit matters were identified as completeness and occurrence of investment income and existence and valuation of investments; and
- Our audit approach was a risk based substantive audit focused on investments at year end and investment income recognised during the year. There was no significant change in our approach from the prior year.

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

Key Audit Matter	How the matter was addressed in the audit
<p>Completeness and occurrence of investment income</p> <p>The Company's investment objective is to provide shareholders with long term returns through capital and income growth. Investment income is the Company's major source of revenue and a material balance in the Statement of Comprehensive Income. Accordingly, we identified the completeness and occurrence of investment income from the investment portfolio as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • assessing whether the Company's accounting policy for revenue recognition is in accordance with IFRSs as adopted by the European Union and the Statement of Recommended Practice (the 'SORP') issued by the Association of Investment Companies ('AIC'); • substantively testing income transactions, as described below, to assess if they were recognised in accordance with the accounting policy • for investments held during the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Statement of Comprehensive Income; and • agreeing dividend income recognised by the Company to an independent source.
	<p>The Company's accounting policy on income from investments is shown in note 1 (d) to the financial statements and related disclosures are included in note 3</p> <p>Key observations</p> <p>Our testing did not identify any material misstatements in the completeness and occurrence of investment income recognised during the year.</p>

Key Audit Matter	How the matter was addressed in the audit
<p data-bbox="550 459 1005 492">Existence and valuation of investments</p> <p data-bbox="550 492 1005 660">The Company's principal investment objective is to provide shareholders with long term returns through capital and income growth by investing in a concentrated portfolio of UK equities.</p> <p data-bbox="550 683 1005 974">The investment portfolio at £139m is a significant material balance in the statement of financial position at year end and the main driver of the Company's performance. We therefore identified the existence and valuation of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p data-bbox="1005 459 1485 526">Our audit work included, but was not restricted to:</p> <ul data-bbox="1005 526 1485 1928" style="list-style-type: none"> <li data-bbox="1005 526 1485 750">• assessing whether the Company's accounting policy for investments is in accordance with IFRSs as adopted by the European Union and the SORP and testing whether management has accounted for valuation in accordance with that policy; <li data-bbox="1005 750 1485 952">• confirming the existence and ownership of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company's custodian; <li data-bbox="1005 952 1485 1176">• independently pricing 100% of the quoted equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on Company investment holdings, which was agreed to the financial statements; <li data-bbox="1005 1176 1485 1803">• assessing the valuation of the Company's unquoted investment in Phoenix SG Limited by examining the valuation report prepared by Duff & Phelps as at 5 February 2020 on the valuation of Phoenix SG Limited investments, and examining management's assessment of its valuation at 31 December 2019. This included involvement of our valuation specialists, in order to evaluate the adequacy of assumptions made by Duff & Phelps, and challenging the assumptions made by management. We also obtained Phoenix SG Limited's audited financial statements for the year ended 31 December 2019 and recomputed the Company's proportionate share in the net assets of Phoenix SG Limited; <li data-bbox="1005 1803 1485 1928">• agreeing the Company's holding in Phoenix SG Ltd at the year end to a confirmation from the Company's custodian;

Key Audit Matter	How the matter was addressed in the audit
	<ul style="list-style-type: none"> • substantively testing 100% of additions and disposals of investments during the year by agreeing to trade confirmations, agreements and bank statements, as applicable; and • examining the book cost reconciliation prepared by management for accuracy and consistency with the results of other substantive audit procedures performed on investments. <p>The Company's accounting policy on investments is shown in note 1c to the financial statements and related disclosures are included in note 2. The Audit Committee identified valuation of investments as a significant accounting issue in its report on page 55 where the Committee also described the action that it has taken to address this issue.</p> <p>Key observations Our testing did not identify any material misstatements in the valuation of the Company's investment portfolio as at the year end or in the existence of the underlying investments at the year end.</p>

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

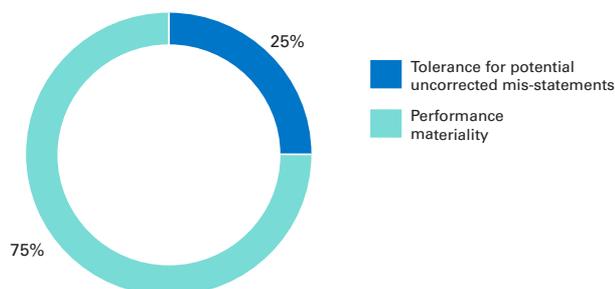
We determined materiality for the audit of the financial statements as a whole to be £1.5m, which is approximately 1% of net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2018 to reflect the increase in the Company's net assets at the current year end.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We also determine a lower level of specific materiality for certain areas such as investment income, Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £77k. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on an understanding of the Company's business, its environment and risk profile. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third party service providers. Therefore, our audit work was focused on:

- obtaining an understanding of, and evaluating, relevant internal controls at the Company's third-party service providers;
- performing substantive testing by obtaining direct confirmations on existence and valuation of quoted investments; and agreeing the investment income to an independent source for completeness and occurrence; and
- performing substantive testing of the Company's unquoted investment in Phoenix SG Limited by agreeing the holding to direct confirmation from the custodian, obtaining the audited financial statements of Phoenix SG Limited for the year ended 31 December 2019 and use of our valuation specialists.

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

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the financial services sector in which it operates. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, AIC SORP, Listing regulations, UK Corporate governance code and taxation laws.

- We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to the Administrator and the Company secretary and those charged with governance. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee. We identified whether there is culture of honesty and ethical behaviour and whether there is a strong emphasis of prevention and deterrence of fraud.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the potential of fraud given our understanding of an externally managed investment trust Company;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
 - assessing matters reported through the group's whistleblowing programme and the results of management's investigation of such matters;
 - challenging assumptions and judgments made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this 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 54 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 page 55 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 page 38 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.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 53 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.

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

Other matters which we are required to address

We were appointed by the members on 1 January 2000. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 20 years.

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 our audit.

Our 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.

William Pointon
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 May 2020

Finance

Statement of Comprehensive Income

For the year ended
31 December 2019

Notes	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
2	–	31,654	31,654	–	(14,585)	(14,585)
3	3,840	–	3,840	2,959	–	2,959
	3,840	31,654	35,494	2,959	(14,585)	(11,626)
4	–	(1,361)	(1,361)	–	–	–
4	(551)	–	(551)	(457)	–	(457)
	3,289	30,293	33,582	2,502	(14,585)	(12,083)
6	–	–	–	–	–	–
	3,289	30,293	33,582	2,502	(14,585)	(12,083)
8	5.41p	49.80p	55.21p	4.99p	(29.09p)	(24.10p)

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

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All revenue is attributable to the equity holders of the Company.

The notes on pages 72 to 86 form part of these accounts.

Statement of Financial Position

At 31 December 2019

Approved by the Board of Directors
on 13 May 2020 and signed on its
behalf by:
Lord Flight
Lady Rachael Robathan
Company no. 03300814

	2019	2018	
Notes	£'000	£'000	
NON-CURRENT ASSETS			
2	Investments held at fair value through profit or loss	138,813	98,619
CURRENT ASSETS			
	Receivables	422	459
	Cash and cash equivalents	16,602	2,008
		17,024	2,467
	TOTAL ASSETS	155,837	101,086
CURRENT LIABILITIES:			
4	Investment management fees payable	(1,361)	–
	Other operating expenses payable	(116)	(90)
		(1,477)	(90)
	NET ASSETS	154,360	100,996
EQUITY			
9	Called up share capital	16,628	13,855
	Capital redemption reserve	179	179
	Share premium account	97,186	77,764
11	Investment holding gains/(losses)	23,231	(5,218)
11	Other capital reserve	13,417	11,573
	Revenue reserve	3,719	2,843
	TOTAL EQUITY	154,360	100,996
	Number of Ordinary Shares in issue	66,513,561	55,418,716
12	NAV per Ordinary Share	232.07p	182.24p

The notes on pages 72 to 86 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2019

	Share capital	Capital redemption reserve	Share premium account	Un-realised capital gains	Other capital gains	Revenue reserve	Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	13,855	179	77,764	(5,218)	11,573	2,843	100,996
Profit for the year	-	-	-	28,449	1,844	3,289	33,582
7 Dividends paid	-	-	-	-	-	(2,413)	(2,413)
9 Issue of new Ordinary Shares	2,773	-	19,706	-	-	-	22,479
Ordinary Share issue costs	-	-	(284)	-	-	-	(284)
Closing equity	16,628	179	97,186	23,231	13,417	3,719	154,360

The notes on pages 72 to 86 form part of these accounts.

Statement of Changes in Equity continued

Year to 31 December 2018

	Share capital	Capital redem- tion reserve	Share premium account	Un- realised capital gains	Other capital gains	Revenue reserve	Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	10,618	179	54,009	10,887	10,053	1,627	87,373
Profit/(loss) for the year	-	-	-	(16,105)	1,520	2,502	(12,083)
7 Dividends paid	-	-	-	-	-	(1,286)	(1,286)
9 Issue of new Ordinary Shares	3,237	-	24,016	-	-	-	27,253
Ordinary Share issue costs	-	-	(261)	-	-	-	(261)
Closing equity	13,855	179	77,764	(5,218)	11,573	2,843	100,996

The notes on pages 72 to 86 form part of these accounts.

Cash Flow Statement

For the year ended
31 December 2019

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
NET OPERATING ACTIVITIES CASH FLOW		
Cash inflow from investment income and interest	3,877	2,801
Cash outflow from management expenses	(525)	(389)
Payments to acquire non-current asset investments	(36,950)	(90,875)
Receipts on disposal of non-current asset investments	28,410	60,258
NET OPERATING ACTIVITIES CASH FLOW	(5,188)	(28,205)
FINANCING ACTIVITIES CASH FLOW		
Net proceeds from issues of new Ordinary Shares	22,195	26,992
Dividends paid	(2,413)	(1,286)
FINANCING ACTIVITIES CASH FLOW	19,782	25,706
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,594	(2,499)
Cash and cash equivalents at beginning of year	2,008	4,507
Increase/(Decrease) In Cash and Cash Equivalents	14,594	(2,499)
Cash and cash equivalents at end of year	16,602	2,008

The notes on pages 72 to 86 form part of these accounts.

Notes to the Financial Statements

1. Reporting entity

Aurora Investment Trust plc is a closed-ended investment company, registered in England and Wales on 10 January 1997 with Company number 03300814. The Company's registered office is Mermaid House, 2 Puddle Dock, London EC4V 3DB. Business operations commenced on 13 March 1997 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange.

The Company invests predominantly in a portfolio of UK listed companies and may from time to time also invest in companies listed outside the UK and unlisted securities, with the objective providing Shareholders with long-term returns through capital and income growth.

Details of the Directors, Investment Manager and Advisers can be found on page 29.

The financial statements of the Company are presented for the year ended 31 December 2019 and were authorised for issue by the Board on 13 May 2020.

Basis of Accounting

The financial statements of the Company has been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent that they have been adopted by the European Union.

Under IFRS, the AIC Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued in October 2019 has no formal status, but the Company adheres to the guidance of the SORP.

Going concern

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

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. Further information on the Company's going concern can be found on pages 36 and 37.

Significant accounting policies

The accounting policies adopted are described below:

a. Accounting Convention

The accounts are prepared under the historical cost basis, except for the measurement of fair value of investments.

b. Standards, amendments and interpretations to existing and/or new accounting standards

At the date of authorisation of these financial statements, there were no new relevant standards, amendments and interpretations to existing standards that have been published, but are not yet effective.

c. Investments

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

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

Upon the sale of Phoenix SG in part or wholly, the fair value would be the expected sale price where this is known or can be reliably estimated.

d. Income from Investments

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

e. Capital Reserves

The Company is not precluded by its Articles from making any distribution of capital profits by way of dividend, but the Directors have no current plans to do so. Profits and losses on disposals of investments are taken to the other capital (gains on disposal) reserve. Revaluation movements are taken to the investment holding reserve via the capital column of the Statement of Comprehensive Income.

f. Investment Management Fees and Other Expenses

Performance fees are charged to Other capital reserves on the Statement of Financial Position via the capital column of the Statement of Comprehensive Income. The

1. Reporting entity continued

performance fees are recognised as expenses in profit or loss with a corresponding provision based on the cash equivalent of the performance fees due when it becomes payable. When payment of the performance fees become due, the Company's Ordinary Shares (equity) are issued based on the prevailing NAV on the issue date. Further details on the performance fees can be found in Note 4 on pages 78 and 79.

Other costs are normally charged to revenue, unless there is a compelling reason to charge to capital. Tax relief in respect of costs allocated to capital is credited to capital via the capital column of the Statement of Comprehensive Income on the marginal basis.

g. Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply at their respective period of realisation, provided they are enacted or substantively enacted at the year end date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

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

h. Foreign currency

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each year end date, monetary items and non-monetary assets and liabilities, which are fair valued and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Statement of Comprehensive Income and allocated to capital if of a capital nature or to revenue if of a revenue nature. Exchange differences allocated to capital are taken to gains on disposal or investment holding losses, as appropriate.

i. Cash and cash equivalents

Cash and Cash Equivalents in the Cash Flow Statement comprise cash held at bank.

j. Dividends payable to equity Shareholders

Dividends payable to equity Shareholders are recognised in the Statement of Changes in Equity when they are paid or have been approved by Shareholders in the case of a

final dividend. Interim dividends payable are recognised in the period in which they are paid.

k. Judgements, estimations or assumptions

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

The critical judgement, estimate or assumption that may have a significant risk of causing a material adjustment to the Company's NAV relate to the valuation of the Company's unquoted (Level 3) investment in Phoenix SG, which is approximately 5.5% of the Company's NAV.

The Level 3 holding is valued in line with accounting policy as disclosed in Note 1(c). Under the accounting policy, the reported NAV methodology has been adopted in valuing the Level 3 investment. As the Company has judged that it is appropriate to use the reported NAV in valuing the unquoted investment, the Company does not have any other key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the Company's NAV within the next financial year.

Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted investments are reasonable and robust, because of the inherent uncertainty of the valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of revaluation of the unquoted investments fair value within the next year.

If the fair value of the Level 3 investment changed by 10% the impact on the Company's NAV would be £848,700 (2018: £701,000), representing 0.5% (2018: 0.7%) of NAV.

2. Investments held at Fair Value Through Profit or Loss

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
UK listed securities	122,272	84,922
Securities traded on AIM	8,054	6,687
Unquoted securities	8,487	7,010
Total non-current investments held at fair value through profit or loss	138,813	98,619
Movements during the year:		
Opening balance of investments, at cost	103,837	71,700
Additions, at cost	36,950	90,875
Disposals – proceeds received or receivable*	(28,410)	(60,258)
– realised profits	3,205	1,520
– at cost	(25,205)	(58,739)
Cost of investments held at fair value through profit or loss at 31 December	115,582	103,837
Revaluation of investments to market value:		
Opening balance	(5,218)	10,887
Increase/(decrease) in unrealised appreciation credited/(debited) to investment holding reserve	28,449	(16,105)
Balance at 31 December	23,231	(5,218)
Market value of non-current investments held at fair value through profit or loss at 31 December	138,813	98,619

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

Transaction Charges

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Transaction costs on purchases of investments	14	39
Transaction costs on sales of investments	11	12
Total transaction costs included in gains or losses on investments at fair value through profit or loss	25	51

Fair Value Hierarchy

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

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

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

Classification	2019	2018
	£'000	£'000
Level 1	130,326	91,609
Level 2	–	–
Level 3	8,487	7,010

There were no transfers between levels during the year.

The movements in the level 3 investments during the year is shown below:

	2019	2018
Opening balance	7,010	–
Additions during the year	2,000	5,578
Movement in unrealised gains at year end	(523)	1,432
Closing balance	8,487	7,010

The Company's unquoted investment represents investment in Phoenix SG Limited (Phoenix SG). The fair value of the investment in Phoenix SG includes its shares in Stanley Gibbons Group Plc (Stanley Gibbons) and some other assets related to Stanley Gibbons.

Phoenix SG direct investments in Stanley Gibbons Group Plc include the following;
Quoted equity shares in Stanley Gibbons, trading on the Alternative Investment Market branch of the London Stock Exchange (the "Equity Investment"). Phoenix SG holds 58.1 per cent in the total equity of Stanley Gibbons;

A loan agreement with Stanley Gibbons for a principal amount of £13.0 million over a term of 5 years (the "Debt Investment"). The loan will accrue interest at a rate of 5.0 percent compounding annually and will be repaid in full at maturity. The loan structure also gives Phoenix SG a first charge over the assets and brands of Stanley Gibbons.

The total fair value attributable to the Company's investment in Phoenix SG as of 31 December 2019 is £8.48 million. The Company held 30.36 percent of the share capital of Phoenix SG.

3. Income

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Income from investments:		
Dividends from listed or quoted investments	3,829	2,956
Other income:		
Deposit interest	11	3
Total income	3,840	2,959

4. Investment Management Fees and Other Expenses

	Year ended 31 December 2019			Year ended 31 December 2018		
	Revenue*	Capital	Total	Revenue*	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fees**	–	1,361	1,361	–	–	–
Administration fee	146	–	146	139	–	139
Auditor's fees*	53	–	53	33	–	33
Broker's fees	48	–	48	30	–	30
Depositary and custody fees	68	–	68	66	–	66
Directors' fees	113	–	113	81	–	81
Printing	15	–	15	13	–	13
Professional fees	38	–	38	46	–	46
Registrar's fees	39	–	39	32	–	32
Miscellaneous expenses	31	–	31	17	–	17
Total other expenses	551	–	551	457	–	457

* All expenses include any relevant irrecoverable VAT. The amounts excluding VAT paid or accrued for the audit of the Company are £44,000 (2018: £26,800).

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

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

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

Performance fees are settled by issuance of the Company's Ordinary Shares. Such Ordinary Shares are issued at the NAV per Ordinary Share on the date of issue, so that the then current value of the Ordinary Shares equates in terms of NAV to the performance fees liability.

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

All other performance fees are subject to a review and claw-back procedure if the Company has underperformed its benchmark during a period of three years following the end of the financial year in respect of which the relevant fee was paid. Ordinary Shares received by the Investment Manager under this arrangement must be retained by the Investment Manager throughout the three year period to which the claw-back procedure applies.

As a result of the above review procedures all or any part of the performance fees might become recoverable, but the Company accrues for them in full and would not recognise any asset or diminution of liability relating thereto unless a recovery had become reasonably certain.

The performance fee accrued for the year ended 31 December 2019 was 1,360,824 (2018: £nil). On 3 February 2020 469,696 Ordinary Shares were issued to the Investment Manager, representing 80% of the total fee due. The Ordinary Shares were issued at the latest prevailing Net Asset Value as at 28 January 2020 of 231.78 pence per Ordinary Share. An accrual of £171,440 will be retained in the Company's balance sheet in respect of that part of the fee related to Phoenix SG in accordance with the claw-back mechanism. The remaining £100,725 will be paid in Ordinary Shares once the Final Results are released.

5. Directors' Fees

The fees paid or accrued for the year to 31 December 2019 were £113,000 (2018: £81,250). There were no other emoluments. The figures shown for Directors' fees in note 3 above does not include employers' National Insurance contributions or VAT, as appropriate. Full details of the fees of each Director are given in the Directors' Remuneration Report.

6. Taxation

	Year to 31 December 2019			Year to 31 December 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporation tax	-	-	-	-	-	-
Overseas tax	-	-	-	-	-	-
Tax charge in respect of the current year	-	-	-	-	-	-

Current taxation

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

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Total profit/(loss) before tax	33,582	(12,083)
Theoretical tax at UK corporation tax rate of 19.0% (2018: 19.0%)	6,381	(2,296)
Effects of:		
Capital (gains)/losses that are not taxable	(6,015)	2,771
UK dividends which are not taxable	(728)	(561)
Increase in excess tax losses	362	86
Actual current tax	-	-

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

Deferred Tax

The Company has £11,536,000 (2018: £9,635,000) in respect of excess unutilised management expenses, equivalent to a potential tax saving of £1,961,000 (2018: £1,638,000) at the prospective tax rate of 17% and £1,491,000 (2018: £1,491,000) in respect of loan interest, equivalent to a potential tax saving of £253,000 (2018: £253,000) at the prospective tax rate of 17%.

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

7. Ordinary Dividends

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Dividends reflected in the financial statements:		
Final dividend for the year ended 31 December 2018 at 4.00p per Ordinary Share (2017: 2.75p)	2,413	1,286
Dividends not reflected in the financial statements:		
Interim dividend for the year ended 31 December 2019 at 4.50p per Ordinary Share (2018: 4.00p)	3,295	2,398

8. Earnings Per Ordinary Share

Earnings per Ordinary Share are based on the profit of £33,582,000 (2018: loss of £12,083,000) attributable to the weighted average of 60,830,284 (2018: 50,131,873) Ordinary Shares of 25p in issue during the year.

Supplementary information is provided as follows: revenue earnings per Ordinary Share are based on the revenue profit of £3,289,000 (2018: profit of £2,502,000); capital earnings per Ordinary Share are based on the net capital profit of £30,293,000 (2018: loss of £14,585,000), attributable to the weighted average of 60,830,284 (2018: 50,131,873) ordinary voting shares of 25p.

9. Share Capital

		At 31 December 2019	At 31 December 2018
<i>Allotted, called up and fully paid</i>	Number	66,513,561	55,418,717
Ordinary Shares of 25p	£'000	16,628	13,855

The Company did not purchase any of its own shares during the year ended 31 December 2019 or the year ended 31 December 2018. No shares were cancelled during either year (2018: nil).

No shares were held in Treasury or sold from Treasury during the year ended 31 December 2019 (31 December 2018: nil).

Placings

There were no placings during the year ended 31 December 2019.

Block listings

The Company had established on 6 June 2018 a block listing facility for up to 9,650,118 new Ordinary Shares to meet market demand arising from time to time. Under this facility a total of 5,553,506 new Ordinary Shares were issued during the period 1 January 2019 – 10 June 2019, raising £11,359,946, net of commission.

A new block listing facility for up to 12,194,444 new Ordinary Shares was established on 11 June 2019. Under this facility a total of 5,541,339 new Ordinary Shares were issued during the period 11 June 2019 – 31 December 2019, raising £11,120,454, net of commission.

At 31 December 2019, the Company had 66,513,561 (2018: 55,418,716) Ordinary Shares in issue. The number of voting shares at 31 December was 66,513,561 (2018: 55,418,716).

10. Total Equity

Total Equity includes, in addition to Share Capital, the following reserves:

Capital Redemption Reserve. When any shares are redeemed or cancelled, a transfer of realised profit must be made to this reserve in order to maintain the level of capital that is not distributable.

Share Premium Account. When shares are issued at a premium to their nominal value, the "capital profit" arising on their allotment must be held in a Share Premium Account, which is not distributable in the ordinary course and may be utilised only in certain limited circumstances.

Capital profits arising from the Company's investment transactions are held as Capital Reserves, subdivided between Gains on Disposal for profits arising upon sales of investments and Investment Holding gains/losses for portfolio revaluations. The movements on this account are analysed in note 11.

The Company's Revenue Reserves are the net profits that have arisen from the Company's revenue income in the form of dividends and interest, less operating expenses and dividends paid out to the Company's Shareholders.

11. Capital Reserves

	31 December 2019	31 December 2018
	£'000	£'000
<i>Investment holding gains/(losses)</i>		
Opening balance	(5,218)	10,887
Revaluation of investments – listed	28,449	(16,105)
Balance of investment holding gains/(losses) at 31 December	23,231	(5,218)
<i>Other capital reserves</i>		
Opening balance	11,573	10,053
Net gains on realisation of investments	2,864	1,520
Capital distributions received	341	–
Investment management fees to capital	(1,361)	–
Total gains of other capital reserves	1,844	1,520
Balance of other capital reserves at 31 December	13,417	11,573
Total capital reserve at 31 December	36,648	6,355

12. Net Assets Per Ordinary Share

The figure for net assets per Ordinary Share is based on £154,360,000 (2018: £100,996,000) divided by 66,513,561 (2018: 42,471,503) voting shares in issue at 31 December 2019.

13. Reconciliation of Profit before Finance Costs and Tax to Net Operating Activities Cash flow

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Profit/(loss) before finance costs and tax	33,582	(12,083)
Increase in non-current investments	(40,194)	(16,032)
Decrease/(increase) in other receivables	37	(108)
Increase in other payables	1,387	18
Net cash outflow used in operating activities	(5,188)	(28,205)

14. Related Party Transactions

Details of the management, administration and secretarial contracts can be found in the Directors' Report. Mr Tatters was a Director of the Company and an employee of Phoenix. There were no transactions with Directors other than disclosed in the Directors' Remuneration Report. Fees payable to Phoenix are shown in note 4.

A £1,361,000 provision has been made for a performance fee as at 31 December 2019 (2018: £Nil). Any performance fee would be payable in Ordinary Shares at the prevailing NAV on the issue date. In accordance with the Management Agreement, 469,695 of the Company's New Ordinary Shares were issued, representing 80% of the £1,361,000 provision. Further details on the issuance of the remaining 20% can be found in Note 4 on pages 78 and 79. Other than the performance related fees, the Investment Manager does not receive any financial benefits derived from its relationship with the Company. There are measures in place to avoid the double charging of fees and expenses as a result of the Company's holdings in Phoenix SG, which also have Phoenix as its Investment Advisor.

Other payables include accruals of administration fees of £12,900 (2018: £11,800). All figures include any appropriate VAT.

15. Financial Assets/Liabilities

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

Financial assets

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

At 31 December	2019			2018		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current investments at fair value through profit or loss:						
£ sterling equities	–	138,813	138,813	–	98,619	98,619
	–	138,813	138,813	–	98,619	98,619
Cash at bank:						
Floating rate – £ sterling	–	16,602	16,602	–	2,008	2,008
	–	16,602	16,602	–	2,008	2,008
Current assets:						
Receivables	–	422	422	–	459	459
	–	155,837	155,837	–	101,086	101,086

Cash at bank includes £16,601,860 (2018: £2,008,000) held by the Company's Depository, BNP Paribas.

Financial liabilities

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

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

16. Financial Instruments – Risk Analysis

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

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

Each is considered in turn below:

a (i) Currency Risk

The portfolio as at 31 December 2019 was invested predominantly in sterling securities, with the exception of Ryanair (Irish) and there was no significant currency risk arising from the possibility of a fall in the value of sterling impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 31 December 2019 or 31 December 2018 and no sensitivity analysis is presented for this risk.

a (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 31 December 2019 or 31 December 2018.

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

The Company had no borrowings at 31 December 2019 or 31 December 2018.

a (iii) Other Price Risk

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

b Liquidity Risk

Liquidity Risk is considered to be small, because most of the portfolio is invested in readily realisable securities. As a consequence, cash flow risks are also considered to be immaterial. The Investment Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, 70% of the portfolio could be liquidated in a non-market impacting way within 7 days, based on 15% of average daily volume. This is conservative as it does not include the ability to access liquidity through block trades.

c Credit Risk

The Company invests in quoted equities and fixed interest securities. The Company's investments are held by BNP ("the Depository"), which is a large international bank with a high reputation. The Company's normal practice is to remain fully invested at most times and not to hold very large quantities of cash. At 31 December 2019, cash at bank comprised £16,601,860 (2018: £2,008,000) held by the Depository.

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

16. Financial Instruments – Risk Analysis continued

Capital management policies and procedures

The Company's capital management objectives are:

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

by pursuing investment policies commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Shareholders (within the statutory limits applying to investment trusts), return capital to Shareholders, issue new shares, or sell assets.

17. Post Balance Sheet Date Events

Since 31 December 2019, the Company has made further issues from its block listing facility of 6,709,566 new Ordinary Shares. This includes 469,696 Ordinary Shares issued to the Investment Manager on 3 February 2020, representing 80% of the total fee due. The Ordinary Shares were issued at the latest prevailing Net Asset Value as at 28 January 2020 of 231.78 pence per Ordinary Share. An accrual of £171,440 will be retained in the Company's balance sheet in respect of that part of the fee related to Phoenix SG in accordance with the claw-back mechanism. The remaining £100,725 will be paid in Ordinary Shares once the Final Results are released.

As at 12 May 2020 (being the latest practicable business day prior to the publication of this report), the Company has 73,223,127 Ordinary Shares in issue and the number of voting shares is 73,223,127.

Due to the impact of COVID-19 pandemic on stock markets, the value of the investment portfolio has fallen since the year end as reflected in the post year end daily NAV announcements. The movement between the year end and 30 April 2020 are shown in the table below.

	At 31 December 2019	At 30 April 2020	Change
Investment held at fair value through profit or loss (£'000)	138,813	106,959	-22.95%
NAV per Ordinary Share (pence)	232.07p	159.25p	-31.38%
Ordinary Share price (pence)	237.00p	161.50p	-31.86%
Premium	2.12%	1.41%	-0.71%
FTSE All-Share Index (Benchmark)	7,837.96	6,156.82	-21.45%

For the period from 1 January 2020 to 30 April 2020, the performance fee accrual is nil. If the performance period was extended to 12 May 2020 (being the latest practicable date) the performance fee accrual would be nil.

Alternative Performance Measures ('APMs')

Gearing

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

			As at 31 December 2019
		Page	
Total assets	a	68	155,837
Cash and cash equivalents	b	68	16,602
Total assets less cash and cash equivalents	c=a-b		139,235
Loan	d	n/a	-
Gearing	d÷c	26	Nil

Ongoing charges

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

			As at 31 December 2019
		Page	£'000
Average NAV	a	n/a	123,756
Annualised expenses	b	n/a	551
Ongoing charges figure	b÷a	10	0.45%

Premium

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

			As at 31 December 2019
		Page	
NAV per Ordinary Share	a	11	232.07
Ordinary Share price	b	11	237.00
Premium	(b÷a)-1	10	2.12%

Total return

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

Year ended 31 December 2019		Page	NAV per Ordinary Share	Ordinary Share price
Opening at 1 January 2019	a	11	182.24	183.00
Closing at 31 December 2019	b	11	232.07	237.00
Price movement (b ÷ a) - 1	c	n/a	27.34%	29.51%
Dividend reinvestment	d	n/a	2.51%	2.45%
Total return	(c+d)	10	29.9%	32.0%

n/a = not applicable.

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or AGM	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Alternative Performance Measures ('APMs')	See definitions on pages 87 and 88.
Articles	The Company's Articles of Association issued on 11 July 2012.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depository	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depository's duties include, <i>inter alia</i> , safekeeping of the Company's assets and cash monitoring. Under AIFMD the depository is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets
Investment Manager or Phoenix	Phoenix Asset Management Partners Limited.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.

Leverage	<p>An alternative word for “Gearing”</p> <p>Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.</p> <p>Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company’s positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.</p>
Liquidity	The extent to which investments can be sold at short notice.
Net assets	An investment company’s assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ordinary Shares	The Company’s ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Secretary or Administrator	PraxisIFM Fund Services (UK) Limited.
Share buyback	A purchase of a company’s own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Tracking error	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
Treasury shares	A company’s own shares which are available to be sold by a company to raise funds.
Value at Risk	A statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Notice of Meeting



**PraxisIFM Fund Services Limited
Company Secretary**

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

13 May 2020

Annual General Meeting

In line with the requirements of the Companies Act 2006, the Company will hold an AGM of Shareholders to consider the resolutions laid out in the Notice of Meeting below and on the next page. There will be no presentation from the Investment Manager and the sole business of the meeting will be to propose the resolutions set out.

In response to the current COVID-19 pandemic, the UK Government has established stay at home measures prohibiting public gatherings, amongst other restrictions. In light of these measures, the AGM will be held as a closed meeting and Shareholders will not be able to attend in person.

The Board will make necessary arrangements such that the legal requirements to hold the meeting can be satisfied through the attendance of two Shareholders. The AGM will be held at the location, date and time as set out in the Notice of Meeting.

Shareholders should therefore vote by proxy. Given the restrictions on attendance, Shareholders are encouraged to appoint the "Chairman of the Meeting" as their proxy rather than another person. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 94 to 97.

The outcome of the resolutions will as usual be determined by Shareholder vote based on the proxy votes received. All valid proxy appointments (whether submitted electronically or in hard copy form) will be included in the poll to be taken at the AGM. The results of the poll will be announced to the London Stock Exchange and placed on the Company's website, in the usual way, as soon as practicable after the conclusion of the AGM.

Should a Shareholder have a question that they would have raised at the AGM, either to the Board or the Investment Manager, the Board would ask that they send it by email to auroracosec@PraxisIFM.com by close of business on the 15 June 2020. Such questions will be considered and answers to relevant questions or a summary of responses, subject to any regulatory restrictions and as determined by the Board, will be published on the Company's website in advance of the AGM.

This situation is constantly evolving, and the UK Government may change the current restrictions or implement further measures during the affected period. Shareholders should monitor the Company's website at

www.aurorainvestmenttrust.com and London Stock Exchange announcements for any updates regarding the AGM. Alternatively, Shareholders can contact the Registrar, Link Asset Services, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details).

Notice is hereby given that the Annual General Meeting of Aurora Investment Trust plc will be held at The Norrest, Leigh Sinton, MALVERN, WR13 5EH, at 2.00 pm on 18 June 2020, for the following purposes:

To consider, and if thought fit to pass, the following resolutions, of which resolutions 1 to 11 inclusive will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive and adopt the financial statements for the year ended 31 December 2019, with the reports of the Directors and auditors thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors Remuneration Implementation Report.
4. To re-elect Lord Flight as a Director of the Company.

5. To re-elect The Honourable James Nelson as a Director of the Company.
6. To re-elect Mr David Stevenson as a Director of the Company.
7. To elect Lucy Walker as a Director of the Company
8. To elect Lady Rachael Robathan as a Director of the Company
9. To re-appoint Grant Thornton UK LLP as auditors to the Company.
10. To authorise the Directors to fix the auditor's remuneration.
11. THAT in addition to any pre-existing power to allot or grant rights to subscribe for or convert any securities into Ordinary Shares in the Company the directors be and are hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Act, to exercise all powers of the Company to allot Ordinary Shares in the Company up to a maximum of 20% of the issued share capital in the Company as at the date of passing this resolution. This authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever should first occur, save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or enter into an agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

12. THAT, subject to the passing of resolution 11, and in addition to all existing powers, the Directors be and are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 11 or by way of a sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power:
 - a. shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months from the passing of this resolution, or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities (including by way of sale of treasury shares) as if such expiry had not occurred; and
 - b. shall be limited to the allotment of equity securities up to a maximum of 20% of the issued share capital of the Company at the date of passing this resolution.
13. THAT, in substitution to any pre-existing authority that will have expired on the date hereof, but without prejudice to the exercise of such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 25p each in the capital of the Company ("Ordinary Shares") provided that:
 - a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the issued share capital of the Company at the date of passing this resolution;
 - b. the minimum price which may be paid for an Ordinary Share is 25p;
 - c. the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the Daily Official List of the UK Listing Authority for the 5 business days immediately preceding the day on which the Ordinary Share is purchased; and

- d. unless varied, revoked or renewed the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2021 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary Shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

Notes

1. Proxies

A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. Forms of proxy need to be deposited with the Company's registrar, Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours (excluding non-working days) before the time of the meeting. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting. CREST members may utilise the CREST proxy appointment service by following the Directions set out in the form of proxy enclosed with this document.

2. Form of Proxy

To appoint a proxy you may use the form of proxy which has been mailed to Shareholders or can be downloaded from the Company's website at **www.aurorainvestmenttrust.com**. You may request a hard copy form of proxy directly from the registrars, Link Asset Services on Tel: 0371 664 0300. Calls may be charged per minute at the applicable local rate plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar, Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than on 2.00 pm on 15 June. Amended instructions must also be received by the Company's registrar by the deadline for receipt of forms of proxy. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. Right to attend and vote

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at 6.00 p.m. on 15 June 2020 or, in the event of any adjournment, at 6.00 p.m. on the date which is two business days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Corporate members

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

5. Nominated persons

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

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

6. Total number of shares and voting rights

As at 12 May 2020 (being the last practicable business day prior to the publication of this notice) the Company’s issued share capital consists of 73,223,127 Ordinary Shares, carrying one vote each. No shares were held in Treasury. The total available voting rights in the Company as at that date are 73,223,127.

7. Documents

The Company’s Articles of Association will be made available at the meeting and can be viewed at the Company’s registered office at Mermaid House, 2 Puddle Dock, London EC4V 3DB.



8. Website

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

9. Joint Shareholders

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

10. CREST Shareholders

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

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

11. Chairman's Discretion

If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

12. Questions and Answers

Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A Shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's

registered office. Under section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless:

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

13. Website Statements from Shareholders

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

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

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

14. Shareholder Resolutions

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

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

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

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

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

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