Aurora Investment Trust plc

Annual Report 31 December 2020

Company No. 03300814

Aurora
INVESTMENT TRUST

Contents

Strategic Report

Governance

Financials

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 10.

Benchmark

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

Dividend

The Board proposes to pay a final dividend of 0.55p per Ordinary Share (2019: 4.5p) to be paid on 2 July 2021 to Shareholders who appear on the register as at 11 June 2021, with an ex-dividend date of 10 June 2021. During the year the Company's revenue reduced by 69%. This was due to the cuts in the dividends of the Company's underlying investments brought about by circumstances surrounding the COVID-19 pandemic.

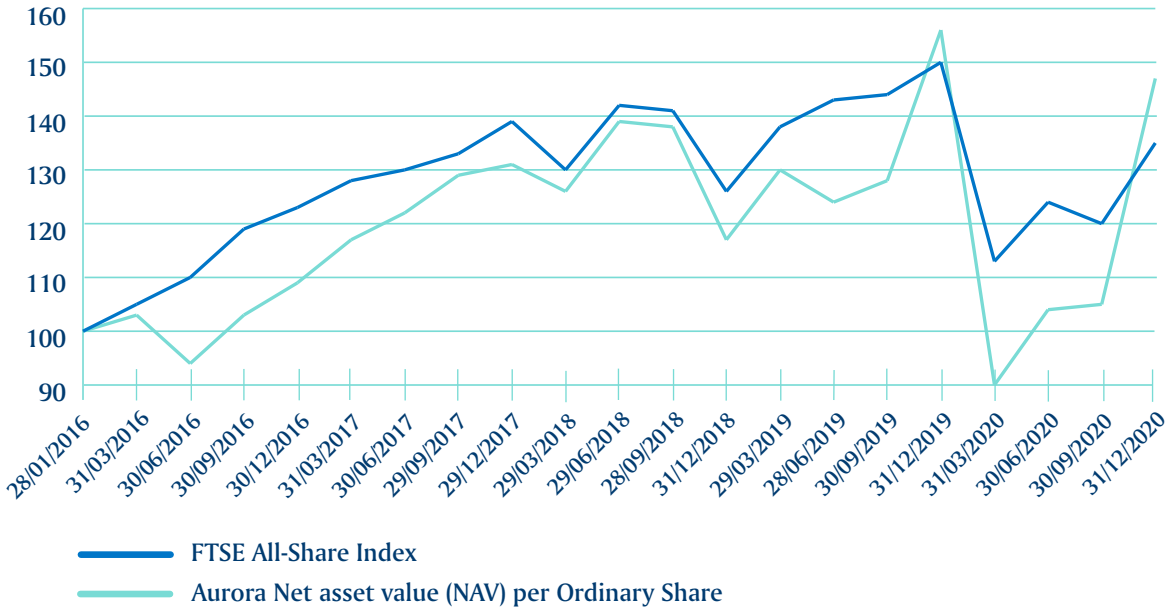
Annual General Meeting (AGM)

The AGM of the Company will be held at: Riverside Building, County Hall, Belvedere Road, London SE1 7PB on 30 June 2021 at 2.00 pm. Under normal circumstances the Board would encourage Shareholders to attend the Company's Annual General Meeting, however, in light of the continuing COVID-19 pandemic, the Company recommends that Shareholders carefully consider whether it is appropriate to attend the meeting in person. The well-being of Shareholders and service providers is a primary concern of the Directors of the Company. If necessary, in line with Government guidelines, attendance of Shareholders may be restricted or prohibited.

Shareholders should monitor the Company's website and London Stock Exchange announcements for any updates regarding the AGM.

Alternatively, Shareholders can contact the Registrar, Link Group, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details). The Board recognises that Shareholders would value the opportunity to meet the Directors and Investment Manager, therefore we shall also be holding the AGM via video conference whereby Shareholders will be able to attend the meeting virtually for a questions and answers session. If you wish to attend the AGM via video conference please use the following link to register: **https://groovygecko.eckoenterprise.net/aurora/agm2021**. Should a Shareholder have a question that they would like to raise at the AGM, the Board would ask that they either ask the question in advance of the AGM by sending it by email to auroracosec@praxisifm.com or attend virtually and ask the question at the meeting at the appropriate time. All questions raised, together with the relevant answers, will be placed on the Company's website at **www.aurorainvestmenttrust.com**.

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.

Chairman's Statement

Lord Flight
Chairman

June 2021

Performance Review

- The NAV total return for the year ended 31 December 2020, fell by 5.3% against the benchmark FTSE All-Share Index (total return) which fell by 9.8% – a 4.5% outperformance. The year was dominated by the impact of the COVID-19 pandemic and after a significant fall in the NAV in the first half of the year, it was very pleasing to see the portfolio recover strongly in the final quarter.
- This year's outperformance has added to the previous year's, so that during the five years since Phoenix took over management of the Company in 2016, the NAV has risen by 47.7% versus a 34.5% rise in the benchmark.
- One of the unique features of the Investment Management Agreement with Phoenix, and one that creates significant Shareholder alignment, is that the Investment Manager earns no management fees other than the performance fee if it qualifies for this.
- In 2020, a performance fee was earned by Phoenix. They received this fee in shares in Aurora which they cannot sell for three years. There is also a clawback mechanism, so the shares will be cancelled if the outperformance does not remain after three years.
- Whilst the NAV traded at a premium during the first half of 2020, at times it fell to a discount during the second half. The Board, along with its Advisers, and the Investment Manager, monitor the premium or discount on an ongoing basis. It was pleasing to see the discount narrow towards the end of the year. The Investment Manager continues to promote the Company proactively with the help of Liberum Capital, our Stockbroker and Frostrow Capital, our distribution adviser.

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

2020 was the fifth year of Phoenix's management, which began in January 2016. It is positive that 2020 brought continued outperformance of the NAV versus the FTSE All-Share Index (total return).

Phoenix again employed a focused, patient, investment approach during another year of significant market stress. This was highlighted by its work during the early stages of the pandemic as it sought to assess the likelihood of the companies to survive. Once comfortable that the investee companies had the financial resources to withstand the likely impact of the pandemic, the Investment Manager was able to identify opportunities to add to holdings in which it had deep knowledge at attractive prices. This was one factor supporting the strong performance at the end of the year.

Growth of the Company

Growing the Company remains a key objective of the Board. A total of 8.06 million new Ordinary Shares were issued in 2020 which raised gross proceeds of £12.4 million (excluding 530,311 issued to the Investment Manager to settle the performance fee with a value of £1.2 million). The market capitalisation of the Company rose from £157.6 million on 1 January 2020, to £186.6 million as at 28 May 2021.

Phoenix, along with Frostrow Capital, has 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, the top ten Shareholders owned 77% of the Company. As at 30 April 2021 the top 10 Shareholders account for 55% of the Company. It has also been pleasing to see the ever-increasing representation of platforms on the register. 2020 saw index funds buying the Company after it was included in the FTSE All-Share Index in June 2020.

It remains an objective of the Board and the Investment Manager to increase the value of Aurora to £250 million over the course of the next two to three years. I am pleased to see that investor demand for new shares puts the Company on a pathway to achieving this objective.

In the near future it is our intention to approach Shareholders with more information on the Castelnau Group, the new investment vehicle created by Phoenix to which we made reference last year. The Board is presently in dialogue with the Investment Manager regarding the potential inclusion of Castelnau, which can only be undertaken following a Shareholder vote as it is an entity also managed by Phoenix. We look forward to sharing more details with you soon.

Board and Committees

As part of its regular review of its operations, the Board appointed an external adviser, Board Alpha Limited, to undertake an evaluation of the Board, its Committee structure and its overall effectiveness. Consequent to this evaluation, the Board is developing a succession plan and will communicate the outcomes of this to Shareholders at the half year. In addition, the Board is considering its Committee structure for the current year, to improve the effectiveness of its operations.

Annual General Meeting ('AGM')

The Company's AGM will be held at 2.00 pm on 30 June at the Riverside Building, County Hall, Belvedere Road, London SE1 7PB. Under normal circumstances the Board would encourage Shareholders to attend the Company's Annual General Meeting, but, in view of the continuing COVID-19 pandemic, the Company recommends that Shareholders carefully consider whether it is appropriate to attend the meeting in person. If necessary, in line with Government guidelines, attendance of Shareholders may be restricted or prohibited.

Shareholders should monitor the Company's website and London Stock Exchange announcements for any updates regarding the AGM.

Alternatively, Shareholders can contact the Registrar, Link Group, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details).

The Board recognises that Shareholders would value the opportunity to meet the Directors and Investment Manager, so we shall also be holding the AGM via videoconference where Shareholders will be able to attend the meeting virtually for a questions and answers session. If you wish to attend the AGM via video conference please use the following link to register: **https://groovygecko.eckoenterprise.net/aurora/agm2021**. Should a Shareholder have a question that they would like to raise at the AGM, the Board would ask that they either ask the question in advance of the AGM by sending it by email to auroracosec@praxisifm.com or attend virtually and ask the question at the meeting at the appropriate time. All questions raised, together with the relevant answer, will be placed on the Company's website at **www.aurorainvestmenttrust.com**.

Change in Net Asset Value

You may have noticed there is a marginal difference in the Net Asset Value as at the year end that was released on 4 January 2021 and the Net Asset Value disclosed in these accounts. This is due to the performance fee adjustment under IFRS2. You can find further detail on IFRS2 in note 13 on page 95.

Dividend:

The Board proposes to pay a final dividend of 0.55p (2019: 4.5p) per Ordinary Share, to be paid on 2 July 2021 to Shareholders who appear on the register as at 11 June 2021. The ex-dividend date is 10 June 2021. This dividend will be proposed at the forthcoming AGM to be held on 30 June 2021. The Company's dividend policy, which is to distribute substantially all net revenue proceeds, remains unchanged and can be found on page 10 of this Annual Report.

Lord Flight
Chairman
2 June 2021

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 not to invest more than 10% of its gross assets in other UK listed investment companies. As a consequence of its investments, the Company may therefore itself be indirectly exposed to gearing through the borrowings from time to time of these 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.
d. The Company's performance and its ongoing charges ratio are compared to that of its peers to ensure Shareholder value is maintained and to ensure the Company's performance is supported in any given market condition.
e. The discount/premium to NAV at which the Company's Shares trade is also closely monitored in order to maintain Shareholder value.

The Chairman's Statement on pages 7 to 9 incorporates a review of the highlights during the year.

The Investment Manager's Report on pages 17 to 20 gives details on investments made during the year and how performance has been achieved.

Performance

The Investment Manager, Phoenix Asset Management Partners Limited ('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 Management Report and Outlook on page 17.

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 since Phoenix was appointed is shown below:

	Cumulative since January 2016 %	Year to 31 December 2020 %	Year to 31 December 2019 %
NAV per Ordinary Share (total return)[1]	+47.7	-5.3	+29.9
Ordinary Share price (total return)[1]	+46.3	-10.0	+32.0
Benchmark (total return)	+34.5	-9.8	+19.1

The Ongoing Charge Ratio was as follows:

	Year to 31 December 2020 %	Year to 31 December 2019 %
Ongoing Charge Ratio[1]	0.45	0.45

[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 100 and 101.

Revenue Result and Dividend

The Company's revenue profit after tax for the year amounted to £599,000 (2019: £3,289,000)

The Board is today proposing the payment of a final dividend of 0.55p per Ordinary Share (2019: 4.5p per Ordinary Share). This dividend will be paid on 2 July 2021 to Shareholders on the register as at 11 June 2021; the Ordinary Shares will be marked ex-dividend on 10 June 2021. In accordance with International Financial Reporting Standards this dividend is not reflected in the financial statements for the year ended 31 December 2020.

(Discount)/Premium to NAV

The discount of the Ordinary Share price to NAV per Ordinary Share is closely monitored by the Board. The Ordinary Share price closed at a 4.6% discount to the NAV per Ordinary Share as at 31 December 2020 (2019: 2.1% 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 2020, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies (AIC) methodology was 0.45% (2019: 0.45%). 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	Published Net Asset Value per Ordinary Share (pence)	Dividend per Ordinary Share in respective year (pence)	Ordinary Share price (mid-market) (pence)
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
Year ended 31 December 2020	213.39[1]	0.55	207.00

[1] This is an APM, calculation can be found on page 100.

Top Holdings at 31 December 2020

Company	Sector	Holding in Company	Valuation	Percentage of net assets	Date of first purchase	Average cost per share*	Share price	Market capitalisation	Net Cash/ debt
			£'000	%		£	£	£billion	£billion
Frasers Group (formerly Sports Direct International)	Retail	5,114,011	23,085	14.2	Dec-15	3.11	4.51	2.30	(0.25)
Barratt Developments	Construction	2,474,612	16,575	10.2	Jan-16	4.50	6.70	6.80	0.31
easyJet	Leisure	1,928,363	16,002	9.8	Dec-15	8.83	8.30	3.80	(1.10)
Hornby	Leisure	23,624,991	14,647	9.0	Jul-16	0.31	0.62	0.11	(0.39)
Ryanair Holdings	Leisure	928,600	13,663	8.4	Feb-16	8.34	€14.71	€18.55	(1.10)
Dignity	Retail	1,980,558	12,576	7.7	Dec-15	7.45	6.35	0.32	(0.47)
Randall & Quilter Investment Holdings	Insurance	6,220,225	10,699	6.6	Jan-18	1.28	1.72	0.40	0.14
Bellway	Construction	336,040	9,930	6.1	Dec-15	27.64	29.55	3.65	0.10
Phoenix SG*	Financial	3,277	8,066	5.0	Jun-18	2,312.44	2,487.52	n/a	n/a
Lloyds Banking Group	Financial	19,618,000	7,149	4.4	Dec-15	0.61	0.36	25.81	(9.40)
Vesuvius	Industrials	1,236,834	6,636	4.1	Dec-15	4.35	5.37	1.46	(0.22)
Redrow	Construction	1,115,186	6,373	3.9	Dec-15	5.56	5.72	2.00	0.13
GlaxoSmithKline	Pharmaceuticals	419,227	5,626	3.5	Oct-16	14.63	13.42	67.30	(23.40)
Other holdings (less than 3%)	n/a	n/a	6,867	4.1	n/a	n/a			
Total holdings			157,894	97.0					
Other current assets and liabilities			5,027	3.0					
Net assets			**162,921**	**100.0**					

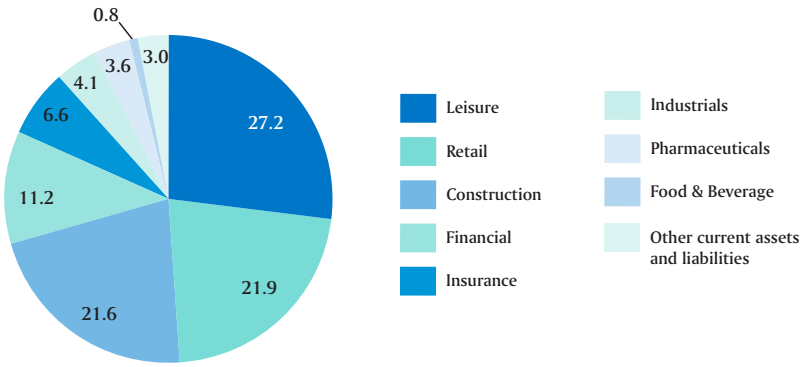
* Comprises the assets which make up the investment in Stanley Gibbons plc. No income was derived from this holding during the year.

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

Hornby	14.15%
CPP Group	5.18%
Dignity Plc	3.96%

Portfolio Analysis at 31 December 2020

Sector	Percentage of net assets
	%
Leisure	27.2
Retail	21.9
Construction	21.6
Financial	11.2
Insurance	6.6
Industrials	4.1
Pharmaceuticals	3.6
Food & Beverage	0.8
Other current assets and liabilities	3.0
Total	100.0



Analysis by Type, Market and Currency

All investments except Phoenix SG, are of listed 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, CPP Group 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 (2019: £nil) as the respective listings have been suspended.

All active holdings in the Company's portfolio are UK companies, with the exception of Ryanair (Irish) and Phoenix SG, a Cayman Islands company.

Statement from the CIO of the Investment Manager

Gary Channon
CIO Phoenix Asset Management Partners

June 2021

Warren Buffett says the first rule of investing is: Don't Lose Money. We tackled the COVID-19 challenge in that way whilst retaining our focus on upside value. We put considerable effort into ensuring we owned businesses that would survive a bad lockdown and emerge better positioned competitively, or at least no worse. We believe that worked, our intrinsic values never fell to the levels of share prices before the pandemic started, not in one holding.

Buffett's second rule is: Don't Forget Rule No.1. and so, as we sought out opportunities in 2020, it was with a heavy focus on the downside risk and the probability of our making a mistake in our evaluation. This second factor weighed heavily. There were plenty of cheap looking stocks around in Q2 of 2020 but it takes a detailed level of knowledge and expertise to be able to model what will happen to a business if the pandemic drags on and vaccines don't work. We were able to deploy our excess cash in businesses we already knew well and where we set a minimum upside of 200%. We looked at hundreds of opportunities and capital raises and passed on everything bar one small addition, which moved before we could get a proper holding.

The result is that we emerge from the pandemic with an undervalued portfolio positioned to thrive in the resumption of activity and with fewer competitors.

Our focus on risk monitoring and making the most of the downturn meant that we postponed the launch of the vehicle we mentioned last year. It is now formed and we plan to launch it this year. It is called the Castelnau Group and, as outlined in the Chairman's Statement, we are presently in dialogue with the Board for its inclusion in the Company's portfolio. Apart from containing the businesses we are seeking to grow the value of through our engagement, it also contains the companies we are using to do that in the fields of data science, software development and digital marketing. The skills they learn in the group they will be applying to external companies thereby creating additional value for our investors. We are now looking to apply that capability to new candidates. We will write with more details soon.

As the world recovers from the pandemic and support programmes end, there is the potential for opportunities in those businesses impaired by what just happened. We are always looking for opportunities and will look wherever we think we might find them. In the meantime, we expect great things of the portfolio.

Gary Channon
CIO Phoenix Asset Management Partners
2 June 2021

Investment Management Review and Outlook

Steve Tatters
Director
Phoenix Asset Management Partners

June 2021

During the year, the NAV per share reduced by 5.3% and the share price by 10.0%. The FTSE All-Share Index fell by 9.8% over the same period. Since Phoenix began managing the Company on 27 January 2016 its NAV has risen 47.7% versus 34.5% for the FTSE All-Share Index.

The outperformance in 2020 has resulted in a performance fee being earned by Phoenix. In accordance with our Investment Management Agreement, the performance fee was settled by the issuance to Phoenix of Ordinary Shares in the Company, which Phoenix must hold for 3 years. If the outperformance versus the index disappears on the third-year anniversary, these Ordinary Shares will be forfeited, and Phoenix will receive nothing. This, we believe, is one of the most aligned fee structures in the industry.

Over the course of 2020, the Company's Ordinary Shares traded at a premium to NAV which enabled Aurora to issue a total of 8.6 million new Ordinary Shares worth £13.6 million (including 530,311 issued to the Investment Manager to settle the performance fee with a value of £1.2 million). Net assets at year-end, as disclosed in the financial statements were £162.9 million (2019: £154.4 million). As we write in late May, the portfolio and the overall market have enjoyed a positive performance as confidence increases with the impact of vaccinations facilitating a return to normality. As of 30 April, the NAV has risen 8.6% for the year with the FTSE All-Share Index rising 9.8%.

Performance Review

From a performance perspective, it is stating the obvious to say that the year was defined by the impact of the COVID-19 pandemic. In Q1 2020 the NAV fell well over 40% by late March, before a small rally saw it down 38.6% at quarter end. The All-Share index was down 25% over the same period.

Q2 2020 saw a modest recovery with the Company rising 16.6% during the quarter to end the half year down 28% versus the index which was down 17.4% at the same point.

Q3 2020 was flat with significant uncertainty as the emergence from the first national lockdown was offset by the reimposition of travel bans in the late summer. At the end of the third quarter the Company was unchanged from 30 June, down 28.1% on the year with the index down 20%.

In Q4 2020 the Company and the overall market experienced a strong rally which was driven by news of the high vaccine efficacy and the likelihood of their availability by year end. The Company rose 31.5% during the quarter to end the year down 5.5% with the index ending the year down 9.7%.

From a share price perspective, there were many holdings which experienced price falls well in excess of the market in the first quarter. These included our housebuilders, **Barratt Developments, Bellway** and **Redrow,** and other holdings, **easyJet** and **Frasers Group. Hornby, Randall & Quilter** and **GlaxoSmithKline** counterbalanced these falls as they fell by only single digits during the first quarter.

Hornby's resilient performance continued throughout the year and after good results in Q4, in which it outlined its return to profitability, it ended the year up 68%. Over the full year **Ryanair, Dignity, Randall & Quilter** and **Vesuvius** had positive share price performance with **Frasers Group** close behind, only losing 2%. **Dignity's** share price benefited after the Competition and Markets Authority (CMA) produced its provisional decision report into the funeral industry in August, which did not include remedies that could be detrimental to the industry.

From a negative perspective, **Lloyds, easyJet** and **JD Wetherspoon** were among the holdings whose share prices suffered significant price falls over the whole year.

In the first quarter of 2021 we sold our entire holding in Redrow because of an accumulation of factors. It is a company again in transition following the retirement of its founder, has made some missteps of late and has a landbank with some sites that take a very long time to develop. We expect continued changes in environmental and building regulations in the coming years which will increase the cost of building. Ultimately, that cost will fall on future land sellers but for an existing landbank, it falls on the housebuilder. We prefer the shorter and faster turning landbanks of Barratt and Bellway, which are less exposed to those risks.

Activity Review

In the early months of 2020, as the extent of the pandemic became clear, our focus was on an assessment of all businesses in the portfolio to determine their ability to survive the likely slowdown. Having made an assessment that all our businesses would survive, our focus moved to identifying opportunities.

In March, we deployed cash at circa 1/3rd of intrinsic value, with 200% upside. We bought **Barratt Developments, Ryanair, easyJet** and **Lloyds**. The most significant activity was a 5.5% increase in **Barratt Developments** in cost price weight terms, as we bought stock at £4 when our estimate of intrinsic value was £12. We could not come up with a realistic scenario where £4 was the right price. It represented an enormous margin of safety.

In the 2nd and 3rd quarters activity, when measured in portfolio turnover, was extremely light. However, our work was ongoing, in a continual effort to ensure that our assessment that all our companies had the financial resource to withstand the major disruption brought about by COVID-19, was sound.

At the end of June, we wrote the following in the Aurora monthly report and the sentiments still holds true:

We went into the downturn with a view that we had strong businesses with robust balance sheets that could withstand major interruptions to their operations. So far, everything that has happened has supported those assessments. Some of them have raised capital, R&Q for opportunistic reasons, JD Wetherspoons out of caution and easyJet to repair a balance sheet for the losses to equity from the lockdown. None of them had to and so none were done at distressed levels and we didn't participate in any. Stronger balance sheets protect us from worst case scenarios at the cost of diluting some of the upside.

We also believe we have a portfolio of companies with competitive advantages and so as they emerge from lockdown, we see many opportunities to grow share. The above effects in retail mean that Frasers Group returns from lockdown to less competition, lower rents and eventually lower rates. The downturn has also given them opportunities to buy businesses at attractive prices. easyJet and Ryanair are poised to benefit from changes in air travel. Our polling during the downturn shows no loss of appetite for leisure travel, but there does seem likely to be less business travel, at least initially because of the alternative of video meetings and the economic recession. Significant amounts of capacity have been taken out of the commercial airline space in Europe, a number of marginal players have failed and those major players who have taken government support look hamstrung by the terms of that support. easyJet and Ryanair, already the no.1 and no.2 airlines in Europe and profitable lowest cost producers look set to gain share, fill the void, and satisfy the pent-up demand to travel that COVID-19 has not permanently damaged.

As well as our work on existing holdings, we looked at many new investments during the year, but we placed great store in the knowledge we had built up in businesses and industries in which we were very familiar. For us to invest outside that area in a time of great uncertainty would have required a very high degree of

confidence and significant return expectations. We determined that the probability of error in our assessments was high, therefore we passed. We did have one potential new investment which we missed as it traded just above our entry price, and we did begin to purchase a new holding, but the price moved away before we could build a meaningful position.

As reported earlier, Q4 saw markets and our portfolio recover strongly with news of the high vaccine efficacy.

In late 2020 and into the New Year we became concerned about the potential for higher inflation and the possibility of unexpected interest rate rises if higher inflation was not managed carefully by central banks. It is our belief that an unexpected series of interest rate rises could have a significant negative effect on equity values. Due to the ongoing pandemic, equity index protection remains expensive, therefore, we have investigated the use of options on short sterling futures as a means of effectively hedging at a reasonable cost. At the time of writing the hedge is not yet in place as the price moved during the time it took to determine the regulatory leverage treatment, but it is our intention to spend, at an appropriate price, no more than 1% of NAV, which would pay out circa one-third of the value of the portfolio if interest rates were 2% in September 2022. We would be buying protection, therefore the value at risk would be the money spent on the option and no more. Regulatory leverage calculations require us to report on the underlying nominal value when calculating leverage which can be much higher, but it bears no relationship to the actual risk of loss.

In early January 2021, Gary Channon wrote to Aurora Shareholders in the December factsheet with his thoughts on the portfolio going into the New Year. Those sentiments hold true today:

We enter 2021 with a portfolio of undervalued businesses that we believe are well positioned to capitalise on a competitive landscape that has been radically altered in some areas by failure and trend accelerations. Our upside to intrinsic value at circa. 100% does not properly reflect that potential because it is hard to estimate how it will play out, but the important thing is that its additive to value.

For example, Ryanair and easyJet will be serving a demand for personal travel that looks undiminished and even enhanced by pandemic lockdowns and they will be doing it with fewer competitors and reduced capacity than those that are left.

Wetherspoons will be serving a demand that, if anything, seems to have been increased by having it rationed and denied. It did not take much government encouragement in the summer to fill pubs and restaurants with casual diners, even with social distancing.

Retailing has been ravaged not just by the business interruption that has impacted travel and hospitality but because the pandemic has accelerated the trend already underway to a different way of retailing. Whilst many companies in the sector have failed, Mike Ashley and his Frasers Group have been busy seizing the opportunities thrown up and have traded profitably throughout. They look well positioned to benefit from their omnichannel offering across sports and luxury as they relentlessly experiment and adapt to the changing consumer demand.

Our cyclical domestic holdings in housebuilders and Lloyds Bank have hurt the portfolio this year. They have actually been less impacted by the downturn than might have been expected and we think are very well placed for 2021. Again, the pandemic seems to have increased the demand for homes; more specifically there is a growing demand for more space and a move away from city centres of which our businesses are a beneficiary.

The final grouping within the portfolio is those businesses where we are trying to increase their value through our involvement, our control and influence holdings. Hornby benefited from the lockdown whereas the others Dignity and Stanley Gibbons were negatively impacted to varying degrees. Dignity benefited from more funerals but as they were smaller affairs the average revenue and profitability declined.

Overall, this group significantly lifted the portfolio return and Hornby was the main driver of that. A year ago, we told you of our plans to put all these holdings into a single company which would be separately listed. We paused that project during the pandemic because we didn't think it was the best use of our time. However, the work is all done and so we have recently resumed that process and will be bringing the new company to market, called The Castelnau Group, in the next few months.

As a reminder of what we are trying to achieve, these are businesses that we believe can create considerably more value if they adopt different approaches. We have pulled together the wisdom and techniques we have learned from studying and closely monitoring some great businesses and businesspeople and we are beginning to apply those to these businesses. It is still early days, but our view of the potential has only grown the more we have done this and that is despite the fact that most of the time things don't seem to go to plan, are harder to implement than we expected and we are constantly hit by setbacks. It seems that our rate of progress is accelerating at the rate at which things don't go right and we learn from that.

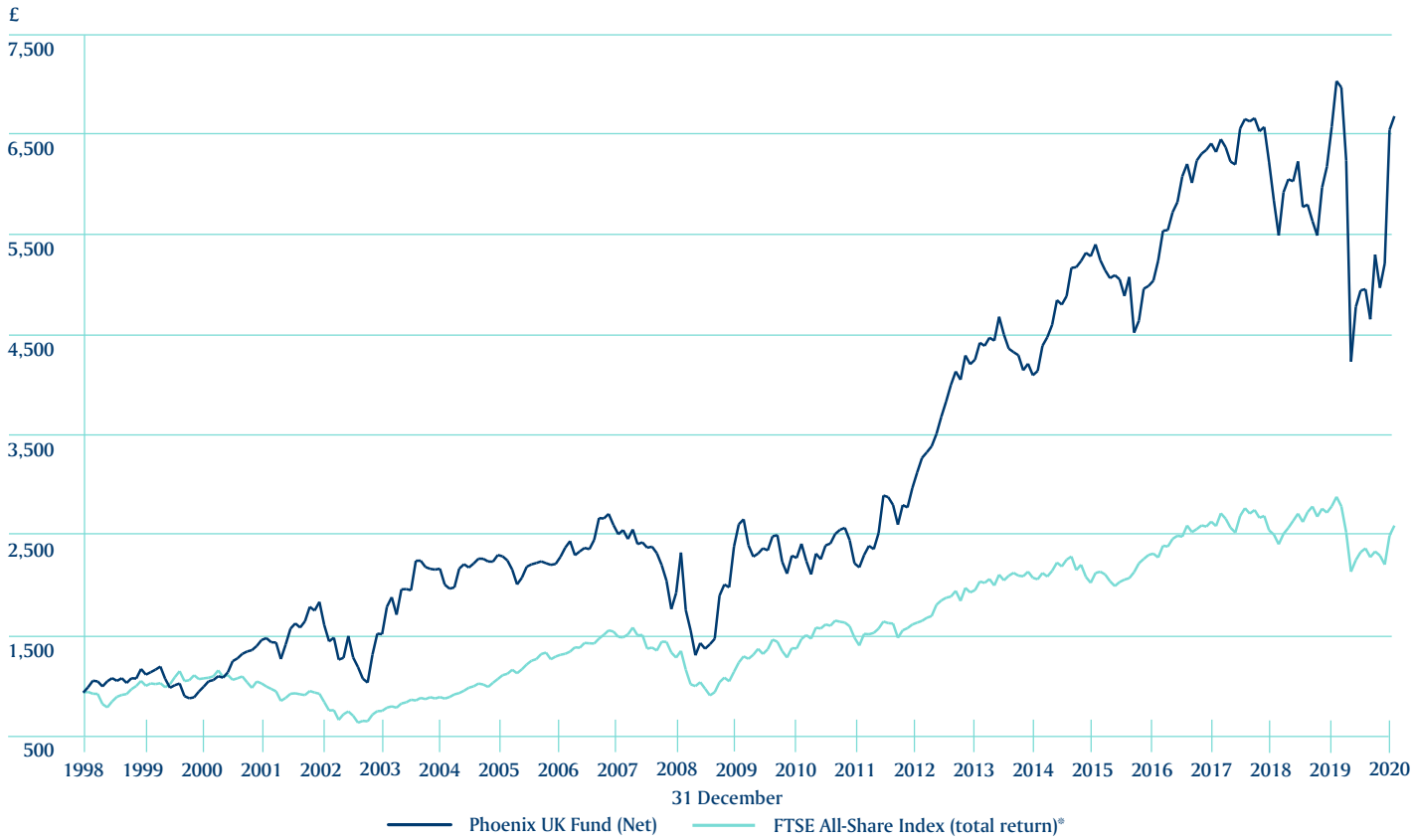
Separating those businesses where we are trying to add value through involvement will make the effects of that work much easier to measure and evaluate. The Castelnau Group won't just contain the businesses we control and influence but also those businesses we are using to create that value. One is a digital marketing and software development company that Phoenix acquired last year, and the other is a data science company that we are just in the process of setting up. These companies will be able to take the techniques and capabilities they have learned with our businesses and apply them to external companies to create further value for the group. The companies referred to above are part of the Castelnau Group.

Steve Tatters
Director
Phoenix Asset Management Partners
2 June 2021

Value of £1,000 invested in the Phoenix UK Fund at launch to 31 December 2020

Phoenix UK Fund Track Record

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



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

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

Phoenix UK Fund Track Record

Year	Investment Return (Gross)	NAV Return (Net)	FTSE All-Share Index	NAV Per Share (A Class)
	%	%	%	£
1998 (8 mths)	17.6	14.4	-3.3	1,143.71
1999	-1.3	-4.6	24.3	1,090.75
2000	24.7	23.0	-5.8	1,341.46
2001	31.7	26.0	-13.1	1,690.09
2002	-17.8	-20.1	-22.6	1,349.64
2003	51.5	49.8	20.9	2,021.24
2004	14.1	11.2	12.8	2,247.26
2005	1.4	0.3	22.0	2,254.99
2006	9.5	8.3	16.8	2,442.90
2007	3.4	2.3	5.3	2,498.40
2008	-39.5	-40.2	-29.9	1,494.31
2009	62.8	59.7	30.2	2,386.48
2010	1.1	0.0	14.7	2,386.37
2011	3.0	1.9	-3.2	2,430.75
2012	48.3	42.2	12.5	3,456.27
2013	40.5	31.3	20.9	4,539.47
2014	1.9	0.1	1.2	4,544.25
2015	20.1	14.7	0.9	5,211.13
2016	9.1	7.6	16.8	5,605.58
2017	21.5	16.3	13.1	6,518.69
2018	-13.6	-14.7	-9.5	5,558.97
2019	30.3	27.7	19.1	7,098.36
2020	-3.9	-4.9	-9.7	6,748.66
Cumulative	**1064.6**	**574.9**	**181.1**	**n/a**
Annualised Returns	**11.4**	**8.8**	**4.7**	**n/a**

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.

Identifying stakeholders

As an externally managed investment company, the Company's operational activities are all outsourced and therefore it does not have any employees. The Board has identified its key stakeholders which include 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.

Shareholders

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 Report Information and Corporate Governance Statement and through relations with Shareholders and the investee companies with the support of Frostrow and the Investment Manager. The Board communicates twice a year via the Annual Report and Half-yearly Report and more frequently via monthly factsheet. Additionally, it releases daily NAV calculations via a regulatory news service. At each of its regular meetings the Board tracks Shareholder changes and monitors the evolving Shareholder profile. Details of Shareholders owning a notifiable interest in the Company can be found on page 39.

Under normal circumstances, all Shareholders have the opportunity to attend the Company's AGM at which the Directors and representatives of the Investment Manager are available in person to meet with Shareholders and to answer their questions. Furthermore, a presentation would normally be given by the Investment Manager to those present at the AGM outlining the Company's performance. Details of the proxy votes received on each resolution are published on the Company's website shortly after the AGM.

Environmental, Social and Governance ('ESG') Matters

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

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

Key Service Providers

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 38. Each year and during the current financial year, the Board reviews the performance and terms of engagement of each of its service providers to ensure each remain competitive and to consider the quality of the service they provide.

Monitoring of Key Decisions and the outcome of those decisions

The Board meets at least quarterly and at such other times as deemed appropriate. During these meetings, the Board considers reports from the Investment Manager on the Company's portfolio, its investment activity and sector 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 stock selection where deemed appropriate. In between meetings, the Investment Manager and Board maintain contact through which they consider investment ideas, further fundraising initiatives and market outlook and strategies to consider adjusting the Company's portfolio in line with the Company's investment policy. During the year the Board debated the merits and structure of The Castelnau Group, with the Investment Manager and advisers and considered the long-term interests of the Company's Shareholders during those discussions.

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. Furthermore, the Board receives reports from its Stockbroker on the performance of the Company's peers and ad hoc reports from its other key stakeholders as deemed appropriate. During the year the Chairman, and Investment Manager met with several of the Company's Shareholders and beneficial owners to gain a greater understanding of their views and opinions and to help promote the Company and support any share issues that were undertaken. These discussions were relayed to the Board who considered these discussions at their quarterly meetings. The Board were pleased to note that Shareholders that had been met during the year had indicated that they remained supportive of the Board and the Company's Investment Manager.

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, data protection policies and each entity's business continuity arrangements to ensure they were in place and were adequate. During the current financial year, the Board reviewed the performance and terms of engagement of each of its key service providers to ensure each remained competitive and agreed that it was appropriate that they continue.

The Board expanded its Shareholder base during the period under review through the Company's block listing facility. This helped not only expand the Company's Shareholder base but provided additional funds to further diversify the Company's portfolio and helped increase the liquidity of the Company's Ordinary Shares.

Other decisions included the payment of a dividend which was paid to satisfy the Company's dividend policy which states that nearly all the Company's revenue is paid to Shareholders by way of a dividend. It was also paid to satisfy the Company's investment trust status which states that no less than 85% of the Company's qualifying revenue must be distributed to Shareholders.

Boardroom Diversity

The Board currently comprises five non-executive Directors of which two are female and three male.

The Board considers its composition, including the balance of skills, knowledge, diversity (including gender and race) and experience, amongst other factors on an annual basis and when appointing new Directors. The Board has considered the recommendations of the Davies and Parker review but does not consider it appropriate to establish targets or quotas in this regard. Summary biographical details of the Directors are set out in the Corporate Governance Statement on pages 41 to 50.

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.

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 in place.

Criminal Finances Act 2017

The Company maintains a zero-tolerance policy towards the provision of illegal services, including the facilitation of tax evasion. The Company has received assurances from the Company's main 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, Emerging Risks and Uncertainties

Procedure for Identifying Emerging Risks

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. A system has been established to identify emerging risks as they occur as detailed below. 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 Board on the Company's share register, sector, competitors and the investment company market;
3. *Company Secretary and Accounting Advisor:* briefs the Board on forthcoming legislation or regulatory changes that might impact 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 of risks

Audit Committee: The risk matrix is reviewed at least twice a year. This includes a 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 Non-Executive Directors 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.

Principal Risks, Emerging Risks and Uncertainties considered during the year

Brexit

The uncertainty arising from the UK leaving the EU at the end of the transition period on 31 December 2020 was considered by the Board during the year. Having carefully considered the impact, the Board formed the opinion that Brexit would not present a risk to the Company's viability or going concern status.

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 as discussed below and the impact to the economy, could substantially and adversely affect the Company's prospects. Other portfolio risks are outlined as follows.

- Poor stock selection, 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; and
- Concentrated portfolio.

Emerging risk

COVID-19 was identified as an emerging risk. The long-term effects of the COVID-19 pandemic remain unknown, however, the market and operational risks and financial impact as a result of the COVID-19 pandemic, and measures introduced to combat its spread, were considered by the Board. Each of the Company's key service providers was able to demonstrate operational resilience. In addition, the Investment Manager undertook a thorough review of the impact on the Company's portfolio of investments and was able to provide the Board with assurance that the Company's portfolio of investments had strong businesses with robust balance sheets that could withstand major interruptions to their operations. This is discussed further in the Investment Manager's report on pages 17 to 20. The Directors and the Investment Manager continue to monitor the situation closely.

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 reviews the engagement of the Investment Manager, including the Investment Manager's achievements with regard to the Company's performance.

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 2020, the Company held 19 (2019: 17) stocks, spread across 8 (2019: 7) main sectors. The diversification of the Company's portfolio is considered at each of the quarterly board meetings.

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 17.

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

Operational Risk
The Company is exposed to the operational and cyber risks of its third-party service providers and considered the risk and consequences in the event that these systems failed during the year. The Investment Manager, Registrar, Depositary, Administrator and Company Secretary each have comprehensive business continuity plans which facilitate continued operation of the business in the event of a service disruption or major disruption. The Audit Committee received the internal controls reports of the relevant service providers, where available and was able to satisfy itself that adequate controls and procedures were in place to limit the impact to the Company's operations, particularly with regard to a financial loss.

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 each agreement in the event of a breach or under certain circumstances. Each agreement also allows for the Board to terminate subject to a stated notice period. During the year under review the Board undertook a thorough review of each service provider and agreed that their continued appointment remained appropriate and in the Company's long term interest.

Regulatory risk
Poor governance, compliance or administration, including particularly the risk of loss of investment trust status and the impact this may have on the Company was considered by the Board. Having been provided with assurance from each of the key service providers, the Board was satisfied that no such breach had occurred.

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 put to Shareholders 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 2025, 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 27 to 29.

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. As part of this process the Board considered several severe but plausible scenarios, including the impact of significant market movements. The Board has considered the liquidity and solvency of the Company, the level of discount 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. Most of 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 7 to 9, and the Investment Manager's Review on pages 17 to 20.

This Strategic Report was approved by the Board on 2 June 2021.
For and on behalf of the Board
Lord Flight
Chairman
2 June 2021

Governance

Directors, Investment Manager and Advisers

Directors
Lord Flight (Chairman)
Lady R Robathan
The Honourable J Nelson
D Stevenson
L Walker

Alternative Investment Fund Manager ("AIFM") and Investment Manager
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Stockbroker
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Auditor
Grant Thornton UK LLP
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Distribution Adviser
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25 Southampton Buildings
London WC2A 1AL

Website Address: **www.aurorainvestmenttrust.com**
Registered Number – 03300814
A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Directors' Report

By Order of the Board
Jenny Thompson
PraxisIFM Fund Services (UK) Limited
Company Secretary

June 2021

The Directors present their report and Financial statements for the year ended 31 December 2020.

Strategic Report

The Directors' Report should be read in conjunction with the Strategic Report on pages 5 to 30.

Corporate Governance

The Corporate Governance Statement on pages 41 to 50 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 2020. Under Section 833 of the Companies Act 2006 the Company is an investment company and operates as such.

Future Developments

The Company's future developments are discussed in the Managers' Report and Chairman's Statement on pages 7 to 20.

The Board and Re-Election of Directors

The Directors of the Company holding office during the year are stated below. Except where indicated the Directors held office throughout the year and to the date of this report.

Lord Howard Flight (Chairman)
Lady Rachael Robathan
The Honourable James Nelson
David Stevenson
Lucy Walker
Richard Martin (resigned on 18 June 2020)

All Directors are non-executive.

In accordance with the AIC Corporate Governance Code, the entire Board will be subject to annual re-election. Accordingly, resolutions will be put to re-elect Lord Howard Flight, Lady Rachael Robathan, The Honourable James Nelson, Mr David Stevenson and Ms Lucy Walker at the Company's 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 general meetings or AGMs; interim dividends can be declared by the Directors and do not require Shareholder approval.

Purchases of the Company's own Ordinary Shares may be carried out if the relevant sanction is given by Shareholders. Resolutions at general meetings may be carried by 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 8.06 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 157.75p, raising additional gross proceeds of £12.2 million. This provided an opportunity to increase the equity base of the Company, attract new investors and help improve the liquidity of the Company.

At 31 December 2020, there were 75,103,743 Ordinary Shares in issue. The number of Ordinary Shares with voting rights was also 75,103,743.

In addition, 1,061,130 Ordinary Shares were issued to the Company's Investment Manager on 1 February 2021 at a price of 200.43 pence per share to settle the performance fee (2020: 530,311 Ordinary Shares at an average price of 198.98 pence per share), 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 page 90. The total shares that have been issued to the Company's Investment Manager since their appointment in 2016 is 1,591,441 Ordinary Shares.

Power to Issue Shares

To cater for block listings, Shareholders gave authority at the AGM on 18 June 2020 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 30 June 2021. The Directors have concluded that the approval of Shareholders should be sought at the forthcoming AGM to put in place a new, similar authority to cover the demand for Ordinary Shares by block listing issues.

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 Net Asset Value 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 up to a limit of 20%. This authority will expire at the forthcoming AGM. The Board intends to seek to renew this power.

Discount and Premium Control

The Board is aiming to achieve an Ordinary Share price over the long-term that reflects the level and movement of the Net Asset Value 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 Net Asset Value per Ordinary Share at the time of sale.

There were no Ordinary Shares held in Treasury during the year ended 31 December 2020 (2019: 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 an 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. Specifically, Phoenix must return a number of shares whose value equals the difference between the calculated Performance Fee and the Performance Fee that would have been earned had the relevant performance period included the lock-in period. Based on representations made by Phoenix, the Company then has discretion to either (i) reduce the number of shares that are clawed back or (ii) extend the lock-in period for up to a further two years.

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 proportion performance fee in the year ended 31 December 2020 was £665,000 (31 December 2019: £1,361,000). Further details on the performance fees are disclosed in Note 4 on page 90.

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 and Management Engagement 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 2020. 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 to use 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 2020	100%	100%

Financial instruments

The financial instruments of the Company generate liquidity risk, credit risk and market risk. An explanation of these risks and how they are managed and the policy and practice with regard to financial instruments are contained in note 17 of the financial statements.

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 December 2020 and 31 December 2019.

At 31 December 2020 the gross external borrowings of the Company were £nil (2019: £nil).

Market Information

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

Notifiable Interest in the Company's Voting Rights

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

	%	Date of Notification
Rothschild and Co. Wealth Management (UK) Limited	14.82	24 June 2020
Brewin Dolphin, Stockbrokers	6.19	5 July 2018

Settlement of Ordinary Share Transactions

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

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 Company consumed less than 40,000 kWh of energy during the year.

Political Donations

The Company did not make any political donations or incur any political expenditure during the year under review and does not intend to do so.

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. Notice of every general meeting shall be given to all members, 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 expenditure. As at 31 December 2020, the Company held £5,055,000 (2019: £16,602,000) in cash, £149,828,000 (2019: £130,326,000) in quoted investments and £8,066,000 (2019: £8,487,000) 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 2020 were £597,000 (2019: £551,000).

It is estimated that 60% 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 during 2020, 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 remains 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.

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 these situations under close scrutiny. The Board does not believe that these will affect the Company's going concern status.

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report

June 2021

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 (the "UK Code") which applies for the year ended 31 December 2020, 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 Code to make them relevant for investment companies.

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

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

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

Board composition

The Board currently consists of the Chairman, Lord Flight and four independent Directors (Lady Robathan, The Honourable James Nelson, Mr Stevenson and Ms Walker).

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. For 12 years he was a Commissioner of the Guernsey Financial Services Commission and a member of the House of Lords EU Finance and Economics Committee from 2010 to 2015.

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, she worked for 20 years in emerging market investment management at Invesco and AIB Govett before joining Pictet as part of the UK based Family Office team. In addition, she has been a Director of the National Lottery Community Fund since June 2015 and is a member of its Remuneration Committee. She is also a Trustee of Westminster Almshouses Foundation, a sheltered housing charity and a Trustee of The Royal Parks.

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.

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 the chairman of the Secured Income Fund Plc, and a director at Gresham House Energy Storage Fund Plc, AltFi Limited, ETF Stream and Brismo Limited and a strategy consultant to a number of asset management firms and investment banks.

Lucy Walker

Lucy Walker is a director of Henderson International Income Trust, as well as an independent member of the audit & risk committee for SportsAid. In 2020 she founded AM Insights, a start-up helping fund researchers to deliver successful client outcomes. She started her career in the investment management industry at HSBC Global Asset Management, and later became fund manager and Head of Third Party Funds at Sarasin & Partners LLP. There she managed the team responsible for researching over £1.2 billion of assets under management, and managed a range of funds, as well as the model portfolio service. She is also a CFA charterholder.

Evaluation of Board performance

The Nomination Committee arranged for an evaluation of the Board during the year ended 31 December 2020. This was carried out by Board Alpha Limited by means of interviews and observations of board meetings. Board Alpha Limited is independent of the Company, the Board and the Investment Manager. 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 include the need to improve the functionality of its Committees and further enhance the Board's relationship with its Shareholders'. To address this, the Board is currently reviewing its Committee structure and arranged for the Company's Stockbroker to facilitate a number of Shareholder meetings with the Company's Chairman in order to gauge the Shareholders views on the Company's activities.

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. Lady Robathan, The Honourable James Nelson 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 length of service and that experience is an important attribute within the Board. The Board has noted the implication of the provisions in the UK Corporate Governance Code that Non-executive Directors who have served for more than nine years should be presumed not to be independent. The AIC does not believe that this presumption is appropriate for investment companies and therefore does not recommend that long-serving directors be prevented from forming part of the independent majority of an investment trust board. Accordingly, the Directors may decide to recommend a director with more than nine years' service for re-election. The Board acknowledges that the Chairman and the Honourable James Nelson have reached their ninth anniversary of their appointment to the Board and have begun the process to recruit a new Chairman and Non-Executive Board member. In the meantime, given the value of their experience, the Board believes the effectiveness of the Board as a whole is enhanced by their length of service and have agreed to extend their tenure for a further year.

In accordance with the 2019 AIC Code of Corporate Governance, Directors stand for re-election annually. The performance of each Director is appraised by the Nomination Committee annually.

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 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 current division of responsibilities agreed by the Board. However, the Role of Committees is under review and any change will be announced at the half year.

Role of the Chairman

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

Role of Committees

Audit Committee

- To consider the Company's risk management;
- To consider the internal control reports of each of the Company's key service providers;
- To consider the need for an internal audit;
- To review the Half-yearly and the Annual Report and financial statements and recommend them to the Board for approval;
- To review the Audit Plan and recommend it for approval by the Board;
- To consider the Audit Fee and recommend the fees for approval by the Board;
- To consider the Auditors' appointment/re-appointment and the independence and objectivity of the Independent Auditor;
- To manage the Audit Tender process when deemed necessary.

Remuneration and Management Engagement Committee

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

Nomination Committee

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

Role of the Board

- To set the parameters for monitoring the investment strategy and investment policy;
- To review the Company's investment performance;
- To consider 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;
- To promote the long-term success of the Company and generate value for Shareholders;
- To establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned;
- To ensure the necessary resources are in place for the Company to meet its objectives;
- To establish key performance indicators and to measure performance against them;
- To establish a framework of prudent and effective controls, which enable risk to be assessed and managed; and
- To ensure effective engagement with and encourage participation from Shareholders and stakeholders.

Conflicts of Interest

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

- Any Board member so conflicted must recuse themself 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 long-term success and is in the best interest of the Company's Shareholders.

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

Attendance at Board meetings

The Board holds at least four meetings a year.

During the year ended 31 December 2020 there were five regular and four other ad-hoc meetings of the Board. The entire Board attended each of these meetings.

	Board	Audit Committee	Remuneration and Management Engagement Committee	Nomination Committee
Lord Flight	9/9	3/3	1/1	1/1
Lady Rachael Robathan	9/9	3/3	1/1	1/1
The Hon. James Nelson	9/9	3/3	1/1	1/1
David Stevenson	9/9	3/3	1/1	1/1
Lucy Walker	9/9	3/3	1/1	1/1
Richard Martin*	7/9	1/3	–	–

* Mr Martin resigned on 18 June 2020.

In addition, there were a number of Board and committee ad-hoc meetings with delegated authority from the Board or relevant committee to deal with administrative matters and the formal approval of documents.

Board Committees

The Board has formed three committees: the Audit Committee, Remuneration and Management Engagement Committee and the Nomination Committee. The role, responsibilities and activities during the year of the Audit Committee are detailed in its report on page 58 and the Remuneration and Management Engagement Committee and the Nomination Committee are shown below.

Since all Directors are independent, non-executive Directors, including the Chairman, the Board considers that all Directors may be members of each Committee. 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 the Investment 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 work of the Committee on Remuneration is further described in the Directors' Remuneration Report.

The Committee met once in 2020 and considered the Directors' remuneration and discussed the appraisal of the Investment Manager and other key service providers. Subsequent to the year end, the Remuneration and Management Engagement Committee met once to consider the results of the appraisal of the Investment Manager and other key service providers.

The Committee concluded that the automatic adjustment in the Directors' remuneration by the increase of the Consumer Price Index on 1 January each year remained acceptable and that the continued appointment of each of the service providers, especially the Investment Manager, remained in the best interest of Shareholders.

Audit Committee

It is considered appropriate that issues relating to the review of the annual financial statements, the appointment of the auditor, including those of the Investment Manager, the administrator and the Secretary, should be considered by those Directors who are independent. Therefore, the Board has formed an Audit Committee comprised of the Non-Executive Directors, all of whom are independent of the Investment Manager. During the year ended 31 December 2020, the Committee comprised Lord Flight, Lady Robathan, The Honourable James Nelson, Mr Stevenson, Mr Martin, and Ms Walker. Mr Martin retired from the Committee and the Board on 18 June 2020. Lady Robathan is the chairman of the Committee.

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 2020.

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.

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. 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 2020. The Committee considered a number of items of business including:

1. The Board appraisal process;
2. A Diversity Policy;
3. Board Tenure;
4. The overall policy on the size and make-up of the Board.

The Committee discussed the tenure of the Chairman and of the Honourable James Nelson, both of whom had reached their ninth anniversary on the Board and agreed that their independence was not compromised by length of service. Given the value of their experience, the Board believes the effectiveness of the Board as a whole is enhanced by their length of service. Consequently, the Nomination Committee decided, with the agreement of Lord Flight and the Honourable James Nelson, that their tenure be extended for a further year. The Nomination Committee has begun the process of seeking to identify replacement Board members.

Subsequent to the year end the Nomination Committee met to consider the results of the Board appraisal process, particularly the effectiveness of the Chairman, the Board and each of the Company's Committees. The Board evaluation was undertaken by Board Alpha Limited, an independent Company, who suggested a number of actions particularly with regard to Board Tenure, Committee structures, marketing, PR and Shareholder communications which the Board are currently considering with a view to implementing during the forthcoming year.

The Board's policy on diversity can be found on page 25 and its policy on tenure can be found on page 43.

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. Under normal circumstances, the Company encourages all Shareholders to attend the Annual General Meeting ('AGM'). 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 AIC Code, the Directors are responsible for making a robust assessment of the principal and emerging risks facing the Company including those that would threaten its company's business model, future performance, solvency or liquidity and reputation. 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 56 and 57, a statement of going concern is on pages 39 and 40 and the report of the independent auditor is on pages 60 to 73.

Principal and emerging risks

The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report.

By Order of the Board
Jenny Thompson
PraxisIFM Fund Services (UK) Limited
Company Secretary
2 June 2021

Directors' Remuneration Report

James Nelson
Chairman of the Remuneration and Management Engagement Committee

June 2021

The report below is the Annual Report on Remuneration which has 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 is binding on the Company and was last put to Shareholders at the Annual General Meeting held in 2020. At that meeting the resolution to approve the Remuneration Policy was passed unanimously. The proxy voting was 18,058,233 in favour, representing just under 100% of the votes cast, and 5,127 against, representing just over 0% of the votes cast and 4,712 votes withheld.

The Remuneration Report is required to be put before Shareholders each year and will be put forward at the forthcoming AGM. The Shareholders' vote on the Remuneration Policy 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 2020, the resolution to approve the Remuneration Implementation Report was passed unanimously. The proxy voting on this resolution was 18,046,699 votes in favour, representing 99.92% of votes cast, and 15,127 votes against, representing 0.08% of votes cast and 6,255 withheld.

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

Information not subject to audit

Remuneration Policy

Current and future policy

The Company's remuneration policy is linked to the Company's strategy and promotes the long-term success of the Company in accordance with S172 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 is 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 Remuneration 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. The Remuneration and Management Engagement Committee (the "Committee") comprises the whole Board.

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 and their time commitment. 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 year to any past Directors.

Remuneration Policy Implementation Report

The levels of remuneration in 2020 were:

Component	Director	Current annual rate	Purpose of reward	Operation
Annual fee	Chairman of the Board	£33,500	For services as Chairman of a plc	Determined by the Board
Annual fee	Other independent Directors	£24,500	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 Committee met once during the year ended 31 December 2020. 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 2021 was acceptable, and no other changes were recommended. These recommendations were accepted and implemented by the Board.

No other services were provided by advisers in respect of remuneration policy during the year ended 31 December 2020.

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.

	Year to 31 December 2020 £'000	Year to 31 December 2019 £'000	Change Favourable/ (unfavourable) £'000
Revenue income	1,207	3,840	(2,633)
Spend on Directors' fees	150	109	(41)
Other expenses	447	442	(5)
Dividends paid to Shareholders	3,295	2,413	882

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

Single Total Figure of Remuneration for The Year (Audited)

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

	2020 £	2019 £	% Change of basic fee %[1]
Lord Flight	33,500	33,000	1.52
Lady Rachael Robathan[2]	28,500	2,301	1138.59
The Hon. James Nelson	24,500	24,000	2.08
David Stevenson	24,500	24,000	2.08
Lucy Walker[3]	24,500	1,973	1141.76
Richard Martin[4]	14,500	28,000	n/a
	150,000	**113,274**	32.42

1 In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, this column has been included to show the annual percentage change over the preceding financial year by comparison to the current financial year in respect of each Director. The Board will publish this annual percentage change cumulatively each year going forward until there is an annual percentage change over the five financial years preceding the relevant financial year in accordance with the new regulation.

2 Appointed as the replacement Audit Chair on 2 December 2019;
The high annual change increase of Lady Rachael Robathan's fees reflects the fact that Lady Robathan joined the Board and became Audit Chair part way through 2019, on 2 December 2019. Lady Robathan's fee increase would have been 1.79% if she had served as Audit Chair for the whole of the previous year.

3 Appointed as a non-executive Director on 2 December 2019. The high annual change in Lucy Walker's fees reflects the fact that Ms Walker became a non-executive Director part way through 2019, on 2 December 2019. Ms Walker's fee increase would have been the same as the other non-executive Directors if she had been a non-executive Director for the whole of the previous year.

4 Resigned from the Board on 18 June 2020.

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

Directors' Shareholdings

The Directors' shareholdings in the Company were:

Director	At 31 December 2020 and at the date of this report Ordinary Shares	At 31 December 2019 Ordinary Shares
Lord Flight	43,000	43,000
Lady Rachael Robathan	–	–
The Hon. James Nelson	40,000	40,000
David Stevenson	18,266	13,566
Lucy Walker*	12,000	1,240

* Shares held non-beneficially on behalf of connected person.

Since the year end, the following transaction was undertaken by the Board:

Director	Amount Purchased	Price Paid	Date of Transaction
The Hon. James Nelson	10,000	210.00 pence	4 January 2021

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 2020:

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
2 June 2021

Statement of Directors' Responsibilities for the Annual Report

Lord Flight
Chairman

June 2021

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

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) in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the financial statements in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 have delegated responsibility to the Investment Manager for the maintenance and integrity of the Company's page of the Investment Manager's website.

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

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance section confirm that, to the best of their knowledge:

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

In the case of each Director in office at the date the Directors' report is approved:

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

For and on behalf of the Board
Lord Flight
Chairman
2 June 2021

Audit Committee Report

Lady Rachael Robathan
Chair of the
Audit Committee

June 2021

Work of the Audit Committee

During the year ended 31 December 2020 the Audit Committee formally met three times. One additional meeting was held to consider the accounting treatment of the Company's performance fee, this meeting was attended by the Audit Chair and Mr Martin.

The Committee considered and recommended for Board Approval the interim accounts to 30 June 2020 and Annual Accounts for the year to 31 December 2019 including agreeing on valuations of the Company's portfolio of investments, the Company's Risk Register, the Company's exposure to illiquid investments, and the internal control report of its service providers.

The Committee also considered and reviewed the Audit Plan from Grant Thornton UK LLP ("Grant Thornton") and the approach to the audit as set out and planned audit procedures. It also considered the appointment of Mazars to provide guidance around the accounting treatment of the performance fee and specifically the accounting treatment of the clawback provisions and to undertake a valuation of the performance fee. Mazars are independent of the Company and the Company's auditors.

Since 31 December 2020, the Committee has met twice. The auditor and representatives of Mazars attended these meetings to discuss in detail the accounting treatment of the performance fee clawback provisions and separately the results of the audit of the financial statements.

Financial statements and significant accounting matters

In its meetings during the year ended 31 December 2020, the Audit Committee in 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 2020:

Performance Fee and clawback provisions

The Company awarded shares to the Investment Manager in settlement of a performance fee during the year ended 31 December 2020. The shares are subject to a clawback at the end of a 36 month period following the date the shares were awarded. The valuation of the clawback provisions and the accounting treatment of those provisions was considered by the Audit Committee. The Board agreed to appoint Mazars to provide guidance on the accounting treatment of the Company's performance fee and to provide a valuation in accordance with the Company's Investment Management Agreement. The results were discussed with Mazars, and the auditor together with the Audit Committee.

Valuation of investments

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

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

The Company's unquoted investment in Phoenix SG Limited is valued by Duff & Phelps.

Financial statement presentation

The Audit Committee obtained assurances from the Investment Manager, the Administrator and 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 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position, 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 and Mazars to value the clawback provisions included in the Company's Annual Accounts. No non-audit work was performed for the Company by the auditor during the year ended 31 December 2020 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 2021 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
Chair of the Audit Committee
2 June 2021

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

June 2021

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 31 December 2020 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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006; 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 listed 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease or continue as a going concern.

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

- Obtaining management's assessment of going concern and supporting information which covers the going concern period to 31 December 2022, including forecasts on future performance and net asset position. We assessed how the forecasts were compiled and assessed their accuracy by validating the appropriateness of underlying assumptions;

- Critically evaluating the revenue and cost projections underlying the model with reference to market information, past performance of the company as well as any known post balance sheet events;
- Performing analysis on the forecasts prepared by management and review of the reverse stress test scenario, evaluating the likelihood of this; and
- Assessing the adequacy of the going concern disclosures included within the financial statements.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including affects arising from COVID-19. We assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. Specifically, we performed the following procedures as a result of the recent development of macro-economic uncertainties such as COVID-19 and its potential impact on going concern:

- Assessed the ability of the company to continue to operate as a going concern under a stress case scenario of no income being received in the going concern assessment period;
- Confirmed the liquidity of the investment portfolio, to confirm the ability of the company to realise cash from the portfolio to settle any expected expenses and creditors, based upon past trends, as they fall due; and
- Assessed the ability of the Investment Manager and other service providers to continue to provide their contracted services in a remote working environment, in the case of extended lockdowns.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach
Overall materiality: £1.6m which represents 1% of the company's net assets

Key audit matters were identified as:

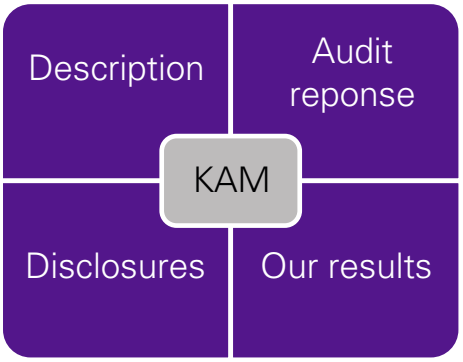
- Completeness and occurrence of investment income (same as previous year)
- Valuation and existence of investments measured at fair value through profit or loss (same as previous year)
- Accuracy, occurrence, valuation and presentation of performance fee (new in the current year)

Our auditor's report for the year ended 31 December 2019 did not include any key audit matters that have not been reported as key audit matters in our current year's report.

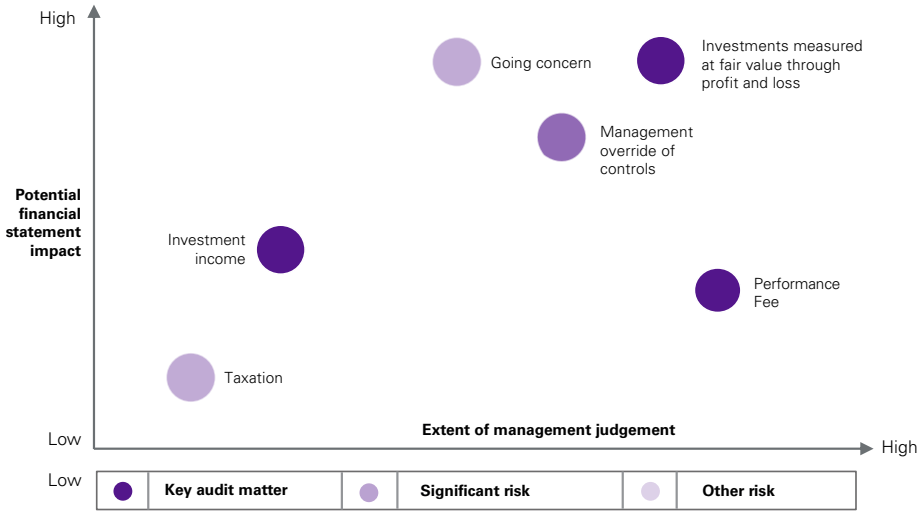
Our audit approach was a risk based substantive audit focused on investments at year end and investment income recognised during the year. Other than inclusion of the performance fee as a key audit matter, there was no significant change in our approach from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. 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.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter	How our scope addressed the matter
Completeness and occurrence of investment income 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. This is as under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Investment income recognised in the year was £1.2m (PY £3.8m). 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 is a material balance in the Statement of Comprehensive Income. There is a risk associated with the judgemental allocation of returns between the revenue and capital return accounts.	In responding to the key audit matter, we performed the following audit procedures: • assessed whether the company's accounting policy for revenue recognition is in accordance with relevant accounting standards and the Statement of Recommended Practice (the 'SORP') issued by the Association of Investment Companies ('AIC'); • substantively tested all income transactions, as described below, to assess if they were recognised in accordance with the accounting policy; • for investments held during the year, obtained the ex-dividend dates and rates for dividends declared during the year from an independent source and agreed the expected dividend entitlements to those recognised in the Statement of Comprehensive Income; and – agreed dividend income recognised by the company to an independent source – agreed dividend income recognised to the bank statements – performed an evaluation of special dividends to determine the appropriateness of the accounting treatment and classification as either revenue or capital
Relevant disclosures in the Annual Report and its Financial Statements • 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.	**Our results** Our testing did not identify any material misstatements in the completeness and occurrence of investment income.

Key Audit Matter	How our scope addressed the matter
Existence and valuation of investments We identified the existence and valuation of investments as a significant risk, which was one of the most significant assessed risks of material misstatement due to error. 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. The investment portfolio at £158m (PY: £139m) is the largest balance on the company's statement of financial position at year end and the main driver of the company's performance. Incorrect asset pricing or failure to maintain proper legal title of the investments held by the company could have an impact on the portfolio valuation and therefore, the return generated for Shareholders.	In responding to the key audit matter, we performed the following audit procedures: • assessed whether the company's accounting policy for investments is in accordance with relevant accounting standards and the AIC SORP, and testing whether management have accounted for valuation in accordance with that policy; • confirmed the existence and ownership of all investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the company's custodian; • examined the independent service auditor's assurance report on the custodian's controls over assets under custody; • independently priced 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; • assessed the valuation of the company's unquoted investment in Phoenix SG Limited by examining the valuation report prepared by Duff & Phelps as at 17 March 2021 and examining management's assessment of its valuation at 31 December 2020. 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 2020 and recomputed the company's proportionate share in the net assets of Phoenix SG Ltd; • agreed the company's holding in Phoenix SG Ltd at the year end to a confirmation from the company's custodian; • substantively tested all additions and disposals of investments during the year by agreeing to trade confirmations, agreements and bank statements, as applicable; and • examined the book cost reconciliation prepared by management for accuracy and consistency with the results of other substantive audit procedures performed on investments.

Key Audit Matter	How our scope addressed the matter
Relevant disclosures in the Annual Report and its Financial Statements • 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 matter in its report on page 58 where the Committee also described the action that it has taken to address this issue.	Our testing did not identify any material misstatements in the valuation of the company's investment portfolio as at the year-end or any issues with regards to the existence of the underlying investments at the year end.
Accuracy, occurrence, valuation and presentation of performance fee We identified the accuracy, occurrence, valuation and presentation of performance fee for the year as one of the most significant assessed risks of material misstatement. Under the provisions of the investment management agreement the investment manager is not entitled to annual management fees. The investment manager is entitled to a performance fee if the company outperforms the selected benchmark in accordance with the provisions of the investment management agreement. The performance fee is settled by the company issuing a variable number of ordinary shares equal to the value of performance fee. Such shares rank pari-passu with the existing ordinary shares of the company but are subject to certain restrictions under a lock-in period of 3 years starting from the calculation date. The lock in period can be extended further subject to certain conditions as per the investment management agreement. If at the end of a relevant lock-in period the company's performance calculated over a period including the lock-in period is less than the amount calculated at the relevant calculation date, the company can claw-back performance fee equal to that amount. This transaction falls within the scope of IFRS 2 Share Based Payments and involves significant judgements on the part of management, particularly in relation to the claw-back provisions, in order to comply with the provisions of IFRS 2. The Audit Committee identified valuation of investments as a significant accounting matter in its report on page 58 where the Committee also described the action that it has taken to address this issue.	**Our results** Our testing did not identify any material misstatements in the valuation of the company's investment portfolio as at the year-end or any issues with regards to the existence of the underlying investments at the year end. In responding to the key audit matter, we performed the following audit procedures: • obtained management's computation and reperformed the calculation to gain comfort over the occurrence, completeness and accuracy of the performance fee; • tested the key inputs by: – agreeing the performance fee calculation basis to the source document - signed Investment Management Agreement – agreeing the performance of the benchmark to London Stock Exchange data – examining the performance of the company from the starting net asset value (NAV) from the prior year signed financial statements compared to the current year end NAV as disclosed in the financial statements – confirming the performance fee average net asset base by testing a sample of daily NAV values in the year to supporting audit evidence • obtained and examined the accounting advice obtained by management and challenged whether the accounting treatment and disclosures of the performance fee are in accordance with the requirements of the applicable IFRS. This involved input from our technical experts; • evaluated management's key judgements and estimates in arriving at the value of the clawback provision by involving our accounting and financial reporting experts; • obtained management's valuation of share-based payment award to be recognised in the current year. Management's valuation model and key assumptions were evaluated using our valuation experts; and • evaluated adequacy of disclosures in line with the applicable provisions of IFRS 2.

Key Audit Matter	How our scope addressed the matter
Relevant disclosures in the Annual Report and its Financial Statements • The company's accounting policy on the performance fee is shown in note 1f to the financial statements and related disclosures are included in note 4, note 5 and note 11.	**Our results** Our testing did not identify any material misstatements in the performance fee recorded at the year end.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

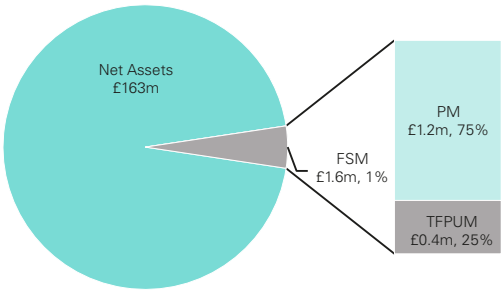
Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1.6m which comprises 1% of company's net assets.

Materiality measure	Company
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • Net assets, which primarily comprise the company's investment portfolio, are considered to be the key driver of the company's total return performance and form a part of the net asset value calculation. • The performance of the business is assessed based on the value of the investments and the net asset value (NAV) of the company. We note that valuation of the investments is a key concern for stakeholders / users of the financial statements and the driver of performance as opposed to profit. This is based on the sector understanding of the audit team in general and more specifically based on reading of the strategic report where the company's performance is measured in terms of its NAV and NAV increase relative to FTSE All-Share Index (total return). • As the company invests predominantly in liquid investments and so by benchmarking against other entities in the same industry, 1% is considered appropriate. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the increase in the company's net assets in the year from £154m to £163m.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£1.2m which is 75% of financial statement materiality.

Materiality measure	Company
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: We set performance materiality at 75% (as in the previous year) as: • our risk assessment procedures – there have been no changes to business activities, systems and controls nor an increase in fraud risk indicators during the year. • the strength of the control environment and our experience auditing the financial statements of the Company, including the effect of misstatements identified in previous audits.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: • investment Income • related party transactions and directors' remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£81,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality



FSM: Financial Statements materiality

PM: Performance materiality

TFPUM: Tolerance for potential uncorrected mistatements

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:

- the engagement team obtaining an understanding of the company and its environment, including the controls, and assessed the risks of material misstatement;
- obtaining an understanding of, and evaluating, the relevant internal controls at the company's third-party service providers. This included obtaining and reading internal controls reports prepared by the third-party service providers on the description, design, and operating effectiveness of the internal controls at the investment manager, custodian and administrator;
- 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;
- 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 year end net asset value from CIBC; administrator and custodian of Phoenix SG Limited and use of our valuation specialists;
- performing substantive testing of the performance fee, by reperforming the calculation. Verifying the formula used for the calculation of the performance fee, along with the inputs to the calculation to determine the year end performance fee due to Phoenix Asset Management Partners Ltd; and
- evaluating the adequacy of accounting treatment adopted by management to account for performance fee. This included involvement of our accounting and valuation experts.

Changes in approach from previous period

- The performance fee has been included as a Key Audit Matter in the current year, differing from the prior year. This is due to the fee being a material value with significant management judgement involved in the estimation of the value. In the prior year, the value of the performance fee was immaterial and therefore the judgements applied by management were less impactful on the financial statements.

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.

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.

Corporate governance statement

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

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

- the directors' statement in 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;
- the directors' explanation in 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;
- the directors' statement 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;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the company (including the impact of COVID-19) and the disclosures in the annual report 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 COVID-19);
- the section of the annual report that describes the review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of directors for the financial statements

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

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. 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).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates. We determined that the following laws and regulations were most significant; International Financial Reporting Standards ('IFRS'), Companies Act 2006, AIC Code of Corporate governance, and s1158 and s1159 of the Corporation Tax Act 2010. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit Committee. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the company operates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the company's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
  - the company's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.
- 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:
  - determining completeness of journal entries and identifying and testing journal entries, in particular manual journal entries processed at the year-end for financial statements preparation.

As per International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements, we also maintained the presumed fraudulent revenue recognition risk for investment income because it is a significant balance in the financial statements. Please refer to the revenue key audit matter for details of work performed.

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 21 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
2 June 2021

Finance

Statement of Comprehensive Income

		Year ended 31 December 2020			Year ended 31 December 2019		
		Revenue	Capital	Total	Revenue	Capital	Total
Notes		£'000	£'000	£'000	£'000	£'000	£'000
2	(Losses)/gains on investments	–	(2,123)	(2,123)	–	31,654	31,654
	Losses on currency	–	(20)	(20)	–	–	–
3	Income	1,207	–	1,207	3,840	–	3,840
	Total income	1,207	(2,143)	(936)	3,840	31,654	35,494
4	Investment management fees	–	(665)	(665)	–	(1,361)	(1,361)
4	Other expenses	(597)	–	(597)	(551)	–	(551)
	Profit/(loss) before tax	610	(2,808)	(2,198)	3,289	30,293	33,582
7	Tax	(11)	–	(11)	–	–	–
	Profit/(loss) and total comprehensive income for the period	599	(2,808)	(2,209)	3,289	30,293	33,582
9	Earnings per share – Basic and diluted	0.83p	(3.87p)	(3.04p)	5.41p	49.80p	55.21p

The total column represents the statement of comprehensive income of the Company.

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

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

The notes on pages 80 to 99 form part of these accounts.

Statement of Financial Position

Approved by the Board of Directors on 2 June 2021 and signed on its behalf by:
Lord Flight
Company no. 03300814

Notes		31 December 2020 £'000	31 December 2019 £'000
	NON-CURRENT ASSETS		
2	Investments held at fair value through profit or loss	157,894	138,813
	CURRENT ASSETS		
	Trade and other receivables	258	422
	Cash and cash equivalents	5,055	16,602
		5,313	17,024
	TOTAL ASSETS	163,207	155,837
	CURRENT LIABILITIES:		
	Investment management fees payable	(171)	(1,361)
	Other operating expenses payable	(115)	(116)
		(286)	(1,477)
	NET ASSETS	162,921	154,360
	EQUITY		
10	Called up share capital	18,776	16,628
	Capital redemption reserve	179	179
	Share premium account	108,438	97,186
	Other reserve	665	–
12	Investment holding gains	20,621	23,231
12	Other capital reserve	13,219	13,417
	Revenue reserve	1,023	3,719
	TOTAL EQUITY	162,921	154,360
10	Number of Ordinary Shares in issue	75,103,743	66,513,561
13	NAV per Ordinary Share	216.93p	232.07p

The notes on pages 80 to 99 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2020

Notes		Called up share capital	Capital redemp-tion reserve	Share premium account	Other reserve	Invest-ment holding gains	Other capital reserve	Revenue reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Opening equity	16,628	179	97,186	–	23,231	13,417	3,719	154,360
	(Loss)/profit for the year	–	–	–	–	(2,610)	(198)	599	(2,209)
5	Performance fee charge for the year	–	–	–	665	–	–	–	665
8	Dividends paid	–	–	–	–	–	–	(3,295)	(3,295)
10	Issue of new Ordinary Shares	2,148	–	11,408	–	–	–	–	13,556
	Ordinary Share issue costs	–	–	(156)	–	–	–	–	(156)
	Closing equity	18,776	179	108,438	665	20,621	13,219	1,023	162,921

The notes on pages 80 to 99 form part of these accounts.

Statement of Changes in Equity continued

Year to 31 December 2019

Notes		Called up share capital	Capital redemp-tion reserve	Share premium account	Invest-ment holding gains	Other capital reserve	Revenue reserve	Total
		£'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
8	Dividends paid	–	–	–	–	–	(2,413)	(2,413)
10	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 80 to 99 form part of these accounts.

Cash Flow Statement

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
NET OPERATING ACTIVITIES CASH FLOW		
Cash inflow from investment income and interest	1,358	3,877
Cash outflow from management expenses	(597)	(525)
Losses on currency	(20)	–
Payments to acquire non-current asset investments*	(33,756)	(36,950)
Receipts on disposal of non-current asset investments*	12,316	28,410
Capital distributions received	236	–
NET OPERATING ACTIVITIES CASH FLOW	(20,463)	(5,188)
FINANCING ACTIVITIES CASH FLOW		
Proceeds from issue of new Ordinary Shares	12,367	22,479
Ordinary Share issue costs	(156)	(284)
Dividends paid	(3,295)	(2,413)
FINANCING ACTIVITIES CASH FLOW	8,916	19,782
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(11,547)	14,594
Cash and cash equivalents at beginning of year	16,602	2,008
(Decrease)/increase in cash and cash equivalents	(11,547)	14,594
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,055	16,602

* Payments to acquire investments and receipts from the disposal of investments have been classified as components of cash flow from operating activities because they form part of the Company's operating activities.

The notes on pages 80 to 99 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 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB. 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 of providing Shareholders with long-term returns through capital and income growth.

Details of the Directors, Investment Manager and Advisers can be found on page 32.

The financial statements of the Company are presented for the year ended 31 December 2020 and were authorised for issue by the Board on 2 June 2021.

Basis of Accounting

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 financial statements have been prepared on a going concern basis. In forming this opinion, the Directors have considered any potential impact of the COVID-19 pandemic on the going concern and viability of the Company. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience particularly in light of COVID-19.

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 39 and 40.

Significant accounting policies

The accounting policies adopted are described below, all other than the performance fee have been consistently applied in the current and preceding year.

a. Accounting Convention

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

b. Adoption of new IFRS standards

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2020. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

IAS 1 and IAS 8 Amendments

Definition of Material. The International Accounting Standards Board has refined its definition of 'material' and issued practical guidance on applying the concept of materiality. These amendments have no impact on the financial statements of the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. This amendment is unlikely to have any impact on the financial statements of the Company as such will not early adopt.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. These amendments have no impact on the financial statements of the Company.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. Reporting entity continued

c. Investments

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

In the current year, the Company has revised its accounting policy in respect of the recognition and measurement of Investment Management Fees. In the prior year, the fee payable to the Investment Manager was not considered material, therefore the change in accounting policy has not been applied retrospectively. Set out below is the policy applied in the current and prior year.

Current year

The performance fee, which is equity settled, has been recognised and measured in accordance with IFRS 2. The performance fee is recognised as an expense in the capital column of profit and loss with a corresponding entry to equity over the period which the Investment Manager is required to perform services to the Company in order to be entitled to receive unrestricted Ordinary Shares in the Company.

The amount recognised as an expense is adjusted to reflect the number of Ordinary Shares for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of Ordinary Shares that meet the related service and non-market performance conditions at the vesting date at the end of the four-year service period.

Restricted Ordinary Shares are issued to the Investment Manager at the end of the first year of service.

Further details on the judgements that the Board has made on the recognition and measurement of the performance fee can be found in Note 1 on pages 84 and 85, and further details on the performance fees can be found in Note 4 on page 90.

Prior year

The performance fee is recognised as an expense in the capital column of profit and loss with a corresponding provision based on the cash equivalent of the performance fee due when it becomes payable. When payment of the performance fee becomes due, the Company's Ordinary Shares are issued based on the prevailing NAV on the issue date, which settles the provision created on the recognition of the expense. Retrospective application of the current year policy to prior year would have resulted in reduction in the charge to the profit and loss account of £1,020,750, and the elimination of the performance fee liability of £1,361,000, and the recording of the share-based payment charge to other reserves of £340,250 in relation to the 2019 performance fee earned.

Prior year amount is immaterial as such comparatives have not been restated.

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.

1. Reporting entity continued

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 Statement of Comprehensive Income, 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.

Performance fees

The recognition and measurement of the performance fee earned by Aurora's Investment Manager. The performance fee earned by the Investment Manager is calculated on the Company's NAV outperformance against its benchmark. In the current financial year, this resulted in the issue of 530,311 Ordinary Shares during

the year and a further 1,061,130 Ordinary Shares issued on 3 February 2021. These issued Ordinary Shares are subject to a fixed three-year clawback period. If the outperformance versus the index reverses on the third-year anniversary, subject to the Board's discretion, the shares will be returned, and the Investment Manager will receive nothing.

The Board has considered that the settlement of the performance fee in the Ordinary Shares of the Company is in the scope of IFRS 2 'Share-based Payment'. Further, due to the nature of the service being provided, the Board considers that measuring the performance fee indirectly with reference to the fair value of the Ordinary Shares is more appropriate as it is not possible to reliably measure the fair value of the services received.

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

However, as the performance fee calculates a fixed fee which is settled in a variable number of shares, the cumulative charge over the four-year period will equate to either the amount calculated at the end of the first year where the performance of the Investment Manager remains on target, or potentially nil where it is considered that the clawback will take effect. This is as a result of the performance fee charge being trued-up during the service period, which is a requirement of IFRS 2 where there is a non-market based performance condition.

The performance fee is recognised on a straight line basis in the statement of comprehensive income and is based on the outcome of the performance fee calculation as stated in the Investment Management Agreement. This amount excludes the projection of whether the clawback may occur at the end of the performance period, and only takes account of the clawback when, and if, it occurs. Management have verified that the amount recognised is materially accurate by analysing what the performance fee may be using a Monte Carlo model which projects possible movements in the share price of the Company and the return of the benchmark index. The difference between the straight line basis and the Monte Carlo valuation method is not considered material to the financial statements.

The Board has considered it necessary to make certain judgements in relation to the recognition and measurement of the performance fee, which it considers are reasonable and supportable, because of the lack of specific guidance in IFRS 2 in this area. However, it is acknowledged that if alternative judgements were made, for accounting purposes, the measurement of the performance fee charge to the income statement may be significantly different, either in timing within the four-year service period, or in its totality.

Valuation inputs and assumptions

Valuation is based on Monte Carlo simulation techniques to project changes in the NAV and the Index over a three-year period from 31 December 2020. Monte Carlo modelling was based on the inputs and assumptions such as NAV Volatility of 19.8% and FTSE All-Share Index (Total Return) volatility of 17.0%.

It is possible for the Company to elect (at its own discretion) not to claw back any of the performance fee already paid or to extend the period of the claw back measurement by a further two years. These events are within the control of management and are not factored into the Monte Carlo model. As such, the result does not take into account the probability that the Company would choose not to claw back any of the performance fee even where it had rights to do so. On that basis, the adjustment derived from the expected performance fee could be regarded as the maximum possible adjustment as at 31 December 2020.

1. Reporting entity continued

Performance fee Sensitivities

The impact of a 10% movement to the NAV volatility and FTSE All Share Index (total return) volatility on the amount of expected performance fee is as below:

	Performance fee valuation
NAV and FTSE All Share Index volatility increase by 10%	£1.6million
NAV volatility increase by 10% and FTSE All Share Index volatility decrease by 10%	£1.4million
NAV volatility decrease by 10% and FTSE All Share Index volatility increase by 10%	£2.3million
NAV and FTSE All Share Index volatility decrease by 10%	£1.8million

Sensitivities have not been performed for 2019 as a result of the change in accounting policy from prior year.

Investment valuation

The critical judgement, estimate or assumption that may have a significant risk of causing a material adjustment to the Company's NAV relates to the valuation of the Company's unquoted (Level 3) investment in Phoenix SG, which is approximately 5.0% 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 £806,600 (2019: £848,700), representing 0.5% (2019: 0.5%) of NAV.

2. Investments held at Fair Value Through Profit or Loss ('FVTPL')

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
UK listed securities	133,858	122,272
Securities traded on AIM	15,970	8,054
Unquoted securities	8,066	8,487
Total non-current investments held at fair value through profit or loss	157,894	138,813
Movements during the year:		
Opening balance of investments, at cost	115,582	103,837
Additions, at cost	33,756	36,950
Disposals – proceeds received or receivable*	(12,316)	(28,410)
– realised profits	251	3,205
– at cost	(12,065)	(25,205)
Cost of investments held at fair value through profit or loss at 31 December	137,273	115,582
Revaluation of investments to market value:		
Opening balance	23,231	(5,218)
Decrease)/increase in unrealised appreciation (debited)/credited to investment holding reserve	(2,610)	28,449
Balance at 31 December	20,621	23,231
Market value of non-current investments held at fair value through profit or loss at 31 December	157,894	138,813

* 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.

(Losses)/gains on investments

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
Realised gains on disposal of investments	251	3,205
Movement in unrealised (losses)/gains on investments held	(2,610)	28,449
Capital distributions received	236	–
Total (losses)/gains on investments	(2,123)	31,654

2. Investments held at Fair Value Through Profit or Loss ('FVTPL') continued

Transaction Charges

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
Transaction costs on purchases of investments	15	14
Transaction costs on sales of investments	1	11
Total transaction costs included in gains or losses on investments at fair value through profit or loss	16	25

Fair Value Hierarchy

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

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

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

Classification	Year to 31 December 2020	Year to 31 December 2019
Level 1	149,828	130,326
Level 2	–	–
Level 3	8,066	8,487
Total non-current investments held at 'FVTPL'	157,894	138,813

There were no transfers between levels during the year.

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

	Year to 31 December 2020	Year to 31 December 2019
Opening balance	8,487	7,010
Additions during the year	–	2,000
Unrealised losses at year end	(421)	(523)
Closing balance	8,066	8,487

The Company's unquoted investment represents investment in Phoenix SG Ltd (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% in the total equity of Stanley Gibbons.

The total fair value attributable to the Company's investment in Phoenix SG as of 31 December 2020 is £8.07 million (2019: £8.48 million). The Company held 30.12% of the share capital of Phoenix SG.

3. Income

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
Income from investments:		
Dividends from listed or quoted investments	1,164	3,829
Unfranked income from overseas dividends	39	–
Other income:		
Deposit interest	4	11
Total income	1,207	3,840

4. Investment Management Fees and Other Expenses

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue*	Capital	Total	Revenue*	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fees	–	665	665	–	1,361	1,361
Administration fee	153	–	153	146	–	146
Depository and custody fees	65	–	65	68	–	68
Registrar's fees	40	–	40	39	–	39
Directors' fees	150	–	150	113	–	113
Auditors' fees*	49	–	49	53	–	53
Printing	18	–	18	15	–	15
Broker's fees	48	–	48	48	–	48
Professional fees	27	–	27	38	–	38
Miscellaneous expenses	47	–	47	31	–	31
Total other expenses	597	–	597	551	–	551

* The amounts excluding VAT paid or accrued for the audit of the Company are £41,200 (2019: £44,000).

4. Investment Management Fees and Other Expenses continued

The Company has an agreement with its Investment Manager. 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 following year until all underperformance of the Company's NAV 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 calculated at the end of the first relevant financial period.

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

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 reviewed procedures all or any part of the performance fees might become recoverable, the Company reflects this in the charge recognised in subsequent accounting periods within the vesting period of the Investment Manager through the true-up mechanism in IFRS 2.

The proportion of performance fee for the year ended 31 December 2020 was £665,000 (2019: £1,361,000). During the current year, based on the outcome of the Investment Manager's performance, the Company granted, and the Investment Manager became entitled to £2,659,000 worth of restricted Ordinary Shares in the Company. On 3 February 2021, a total of 1,061,130 Ordinary Shares were issued to the Investment Manager, representing 80% of restricted Ordinary Shares. The restricted Ordinary Shares were issued at the latest prevailing NAV as at 28 January 2021 of 200.43 pence per Ordinary Share. The Share based payment expense in relation to Phoenix SG in accordance with the clawback period is £3,000 will be retained in the Company's Statement of Financial Position. The remaining £532,000 will be paid by issuing restricted Ordinary Shares once the Final Results are released.

5. Share-based Payment arrangements

The Company settles its performance fee to its Investment Manager in Ordinary Shares. Further description of the arrangement is included in Note 4 on page 90.

Restricted Ordinary Shares are awarded to the Investment Manager conditional upon the following non-market performance and service conditions:

- 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) over a one-year service period.

Restricted Ordinary Shares become unrestricted upon completion of the following non-market performance and service conditions:

- 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) over a service period of four years.

Restricted Ordinary Shares provide the Investment Manager with rights to dividends and voting rights, however it is not entitled to sell, pledge, transfer or otherwise dispose of the shares until they become unrestricted.

During the current year, based on the outcome of the Investment Manager's performance, the Company granted, and the Investment Manager became entitled to £2,659,000 worth of restricted Ordinary Shares in the Company. No unrestricted Ordinary Shares were due to the Investment Manager in the current year as the outstanding service period of three years still needed to be served on Ordinary Shares held by the Investment Manager. At 31 December 2020, the Board expects that all restricted Ordinary Shares issued will ultimately vest in unrestricted Ordinary Shares.

The remaining vesting period at 31 December 2020 is three years in respect of the 2020 performance fee and the Ordinary Shares will vest immediately with the Investment Manager at the end of the vesting period, subject to meeting the performance conditions attached to the share awards.

The fair value of the equity instruments granted was based on the outcome of the performance fee calculation (based on the non-market performance set out above), which determined a fixed monetary amount expected to be due to the Investment Manager which is settled in a variable number of Ordinary Shares based on the prevailing NAV per share at the date on which the restricted Ordinary Shares vest with the Investment Manager.

The total expense recognised in the current year was £665,000 (2019: £1,361,000).

6. Directors' Fees

The fees paid or accrued for the year to 31 December 2020 were £150,000 (2019: £113,000). There were no other emoluments. The gross figures shown for Directors' fees in note 4 above does not include employers' National Insurance charges. Full details of the fees of each director are given in the Directors' Remuneration Report. The Company has paid National Insurance contributions of £11,800 (2019: £7,755) in respect of the Directors remuneration.

7. Taxation

	Year to 31 December 2020			Year to 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporation tax	–	–	–	–	–	–
Overseas withholding tax	11	–	11	–	–	–
Tax charge in respect of the current year	11	–	11	–	–	–

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 2020	Year to 31 December 2019
	£'000	£'000
Total (loss)/profit before tax	(2,198)	33,582
Theoretical tax at UK corporation tax rate of 19.0% (2019: 19.0%)	(418)	6,381
Effects of:		
Capital profits/(losses) that are not taxable	408	(6,015)
UK dividends which are not taxable	(221)	(728)
Overseas withholding tax	11	–
Overseas dividends that are not taxable	(7)	–
Movement in unutilised management expenses	238	362
Tax charge in respect of the current year	11	–

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

Deferred Tax

The Company has £12,795,000 (2019: £11,536,000) in respect of excess unutilised management expenses, equivalent to a potential tax saving of £2,175,000 at the prospective tax rate of 19% (2019: £1,961,000) and £1,491,000 (2019: £1,491,000) in respect of loan interest, equivalent to a potential tax saving of £253,000 at the prospective tax rate of 19% (2019: £253,000).

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.

8. Ordinary Dividends

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
Dividends reflected in the financial statements:		
Final dividend for the year ended 31 December 2019 at 4.00p per share (2018: 4.00p)	–	2,413
Interim dividend for the year ended 31 December 2019 at 4.50p per share	3,295	–
Dividends not reflected in the financial statements:		
Final dividend for the year ended 31 December 2020 at 0.55p per share (2019: 4.50p)	413	3,295

9. Earnings Per Ordinary Share

Earnings per share are based on the loss of £2,209,000 (2019: profit of £33,582,000) attributable to the weighted average of 72,555,357 (2019: 60,830,284) Ordinary Shares of 25p in issue during the year.

Supplementary information is provided as follows: revenue earnings per share are based on the revenue profit of £599,000 (2019: profit of £3,289,000); capital earnings per share are based on the net capital loss of £2,808,000 (2019: profit of £30,293,000), attributable to the weighted average of 72,555,357 (2019: 60,830,284) ordinary voting shares of 25p. There is no difference between the weighted average Ordinary diluted and undiluted number of Shares. There is no difference between basic and diluted earnings per share as there are no diluted instruments.

10. Share Capital

		At 31 December 2020	At 31 December 2019
Allotted, called up and fully paid	Number	75,103,743	66,513,561
Ordinary Shares of 25p	£'000	18,776	16,628

The Company did not purchase any of its own shares during the year ended 31 December 2020 or 2019. No shares were cancelled during either year.

No shares were held in Treasury or sold from Treasury during the year ended 31 December 2020 or 2019.

Placings

There were no placings during the year ended 31 December 2020.

Block listings

The Company had established on 11 June 2019 a block listing facility for up to 12,194,444 new shares to meet market demand arising from time to time. A total of 8,059,871 (excluding 530,311 issued to the Investment Manager to settle the performance fee) new Ordinary Shares were issued during the year 1 January 2020 to 31 December 2020, raising gross proceeds of £12.4 million.

10. Share Capital continued

A new block listing facility for up to 14,450,605 new Ordinary Shares was established on 17 April 2020.

At 31 December 2020, the Company had 75,103,743 (2019: 66,513,561) Ordinary Shares in issue. The number of voting shares at 31 December 2020 was 75,103,743 (31 December 2019: 66,513,561).

On 3 February 2021, a total of 1,061,130 Ordinary Shares were issued to the Investment Manager, representing 80% of the total fee due. The Ordinary Shares were issued at the latest prevailing NAV as at 28 January 2021 of 200.43 pence per Ordinary Share.

11. 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 12.

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.

The Company's Other Reserve represents the share-based payment expense in relation to the performance fee payable to the Investment Manager combined with the effect of issuing restricted Ordinary Shares to the Investment Manager.

12. Capital Reserves

	31 December 2020	31 December 2019
	£'000	£'000
Investment holding gains/(losses)		
Opening balance	23,231	(5,218)
Revaluation of investments – listed	(2,610)	28,449
Balance of investment holding gains at 31 December	20,621	23,231
Other capital reserves		
Opening balance	13,417	11,573
Net gains on realisation of investments	251	2,864
Capital distributions received	236	341
Losses on currency	(20)	–
Investment management fees to capital	(665)	(1,361)
Balance of other capital reserves at 31 December	13,219	13,417
Total capital reserve at 31 December	33,840	36,648

13. Net Assets Per Ordinary Share

The figure for net assets per Ordinary Share is based on £162,921,000 (2019: £154,360,000) divided by 75,103,743 (2019: 66,513,561) voting Ordinary Shares in issue at 31 December 2020.

The table below is a reconciliation between the NAV per Ordinary share announced on the London Stock Exchange and the NAV per Ordinary share disclosed in these financial statements. The difference is as a result of amortising the performance fees over the vesting period in accordance with IFRS 2 - Share based payment, in these financial statements, whereas the NAV as 31 December 2020, published on 4 January 2021 treated the performance fees as earned on 31 December 2020, in accordance with the IMA.

	Net assets	NAV per Ordinary share
	£'000	(p)
NAV as published on 4 January 2021	160,262	213.39
Performance fees adjustment	2,659	3.54
NAV as disclosed in these financial statements	162,921	216.93

14. Reconciliation of Profit after Finance Costs and Tax to Net Operating Activities Cash flow

	Year to 31 December 2020	Year to 31 December 2019
	£'000	£'000
(Loss)/profit after finance costs and tax	(2,209)	33,582
Increase in investments held at fair value through profit or loss	(19,082)	(40,194)
Decrease in other receivables	164	37
(Decrease)/increase in other payables	(1)	26
Increase in Investment management fee payable	665	1,361
Net cash outflow used in operating activities	(20,463)	(5,188)

15. Related Party Transactions

Details of the management, administration and secretarial contracts can be found in the Directors' Report. There were no transactions with directors other than disclosed in the Directors' Remuneration Report. Fees payable to Phoenix are shown in note 4.

A £665,000 charge has been made for the proportion of performance fee related to 31 December 2020 performance period (2019: £1,361,000). Any performance fee would be payable in Ordinary Shares at the prevailing NAV on the issue date. During the current year, based on the outcome of the Investment Manager's performance, the Company granted, and the Investment Manager became entitled to £2,659,000 worth of restricted Ordinary Shares in the Company. In accordance with the Management Agreement, 1,061,130 of the Company's New Ordinary Shares were issued, representing 80% of the £2,659,000. Further details on the issuance of the remaining 20% can be found in Note 10 on page 94. Other than the performance related fees, the Investment Manager does not receive any financial benefits derived from its relationship with the Company. The Investment Manager has controls 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 £13,000 (2019: £12,900). All figures include any appropriate VAT.

16. 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			2020			2019
	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	–	157,894	157,894	–	138,813	138,813
	–	157,894	157,894	–	138,813	138,813
Cash at bank:						
Floating rate – £ sterling		5,055	5,055	–	16,602	16,602
		5,055	5,055	–	16,602	16,602
Current assets:						
Receivables	–	258	258	–	422	422
		163,207	163,207	–	155,837	155,837

Cash at bank includes £5,055,374 (2019: £16,601,860) held by the Company's Depository, BNP Paribas Securities Services.

Financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. 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).

17. 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 2020 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 2020 or 31 December 2019 and no sensitivity analysis is presented for this risk.

	2020	2019
	% Change[1]	% Change[1]
Euro	-5.5	+5.8

[1] Percentage change of sterling against local currency from 1 January to 31 December of relevant year.

Based on the financial assets and liabilities at 31 December 2020 and all other things being equal, if sterling had strengthened by 10%, the profit after taxation for the year ended 31 December 2020 and the Company's net assets at 31 December 2020 would have decreased by the amounts shown in the table below. If sterling had weakened by 10% this would have had the opposite effect.

	2020	2019
	£'000	£'000
Euro	1,369	682

A (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 31 December 2020 or 31 December 2019.

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 2020 or 31 December 2019.

A (iii) Other Price Risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. As described in the Investment Manager's Review, the Company

spreads its investments across different sectors and geographies, but, as shown by the Portfolio Analysis in the Business Review, the Company may maintain relatively strong concentrations in particular sectors selected by the Investment Manager.

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £17,789,000 (2019: £13,881,000) in the investments held at fair value through profit or loss at the period end, which is equivalent to 9.5% (2019: 8.9%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

B Liquidity Risk

Liquidity Risk is considered to be small, because most of the portfolio is invested in readily realisable securities. As a consequence, cash flow risks are also considered to be immaterial. The Investment Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, 60% 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 Paribas Securities Services ("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 2020, cash at bank comprised £5,055,374 (2019: £16,601,860) 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.

D Capital management policies and procedures

The Company's capital management objectives are:

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

by pursuing investment policies 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.

18. Post Period End Events

On 3 February 2021, a total of 1,061,130 Ordinary Shares were issued to the Investment Manager, representing 80% of the total fee due. The Ordinary Shares were issued at the latest prevailing NAV as at 28 January 2021 of 200.43 pence per Ordinary Share.

Subsequent to the year end the Company's holding in Redrow was disposed in its entirety for £6.2 million.

Alternative Performance Measures ('APMs')

Discount

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

		Page	As at 31 December 2020
NAV per Ordinary Share	a	76	216.93
Share price	b	13	207.00
Discount	(b÷a)-1		4.58%

Gearing

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

		Page	As at 31 December 2020
			£'000
Total assets	a	76	163,207
Cash and cash equivalents	b	76	5,055
Total assets less cash and cash equivalents	c=a-b	76	158,152
Loan	d	n/a	–
Gearing	d÷c		Nil

NAV per Ordinary Share

The Company's assets less its liabilities, as adjusted for total performance fees earned in the corresponding performance period, divided by the Company's number of Ordinary Shares in issue (excluding any shares held in treasury).

		Page	As at 31 December 2020
			£'000
Total assets (excluding performance fees)	a	76	163,207
Less liabilities (excluding performance fees)	b	76	(286)
Performance fees earned for the year to 31 December 2020	c		(2,659)
Net assets (a+b+c)	d	n/a	160,262
Number of Ordinary Shares in issue	e	95	75,103,743
NAV per Ordinary Share published	d÷e		213.39p

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.

		Page	As at 31 December 2020
			£'000
Average NAV	a	n/a	131,925
Annualised expenses	b	n/a	597
Ongoing charges figure	b÷a		0.45%

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 2020		Pages	NAV per Ordinary Share	Ordinary Share price
Opening at 1 January 2020	a	13	232.07	237.00
Closing at 31 December 2020	b	76/13	216.93	207.00
Price movement (b÷a)-1	c	n/a	-6.5%	-12.7%
Dividend reinvestment	d	n/a	13.9%	2.7%
Total return	(c+d)		7.4%	-10.0%

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 100 and 101.
Articles	The Company's Articles of Association adopted on 10 June 2019.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, *inter alia*, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets
Investment Manager 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	An alternative word for "Gearing". 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. 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.
Liquidity	The extent to which investments can be sold at short notice.
Net assets	An investment company's assets less its liabilities.
Net asset value per Ordinary Share (NAV)	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:
1st Floor
Senator House
85 Queen Victoria Street
London EC4V 4AB

June 2021

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

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

Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of Aurora Investment Trust plc (the "Company") is to be held at the Riverside Building, County Hall, Belvedere Road, London SE1 7PB on 30 June 2021 at 2.00 p.m.

The well-being and safety of Shareholders and service providers is a primary concern for the directors of the Company. Under normal circumstances the Board would encourage Shareholders to attend the Company's Annual General Meeting, however, in light of the continuing COVID-19 pandemic, the Company recommends that Shareholders carefully consider whether it is appropriate to attend the meeting in person. If necessary, in line with Government guidelines, attendance of Shareholders may be restricted or prohibited.

Shareholders should monitor the Company's website and London Stock Exchange announcements for any updates regarding the AGM.

Alternatively, Shareholders can contact the Registrar, Link Group, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details). Recognising the importance of the AGM to Shareholders the Board invites Shareholders to attend the meeting by way of a webinar, where they will have the opportunity to hear a presentation from the Investment Manager and to ask questions of the Board and the Manager.

Instructions on how to access the webinar are set out in note 14 of the Notes to the Notice of AGM on page 110. Shareholders are encouraged to submit any questions they may have been planning to raise at the AGM to the Company's email address at auroracosec@praxisifm.com in advance of the meeting and by 28 June 2021 at the latest. Alternatively, shareholders who attend the meeting via webinar can ask questions at the meeting at the appropriate time. Answers to all questions will be published on the Company's website after the AGM, together with the proxy results.

AGM voting

Shareholders are requested to vote by proxy. Given the nature of the AGM this year, Shareholders are strongly encouraged to appoint the "Chair of the Meeting" as their proxy rather than another person who may not be able to attend the meeting. 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 107 to 110.

The outcome of the resolutions will as usual be determined by Shareholder vote based on the proxy votes received. The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, as soon as practicable after the conclusion of the AGM.

The Board would like to thank all Shareholders for their continued support and understanding in these extraordinary times.

Notice of Annual General Meeting

Notice is given for the Annual General Meeting to be held 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 2020, with the reports of the Directors and auditors thereon.
2. To approve the Directors Remuneration Implementation Report.
3. To approve a final dividend of 0.55 pence per share in respect of the year to 31 December 2020.
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 re-elect Lucy Walker as a Director of the Company.
8. To re-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 auditors' 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 as 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 2022 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 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 Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL 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.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 28 June 2021 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

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**. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, not later than on 28 June 2021. 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 2 p.m. on 28 June 2021 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 – https://www.cgi.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 1 June 2021 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 76,164,873 Ordinary Shares, carrying one vote each. No shares were held in treasury. The total available voting rights in the Company as at that date are 76,164,873.

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 1st Floor, Senator House, 85 Queen

Victoria Street, London, EC4V 4AB.

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

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID RA10) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

A Shareholder may submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office or via email to auroracosec@praxisifm.com. 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. Webinar Details

To attend the AGM via webinar please firstly register by following the instructions that can be found via https://groovygecko.eckoenterprise.net/aurora/agm2021.