Aurora Investment Trust plc

Annual Report 2016

Aurora
INVESTMENT TRUST

Contents

Strategic Report

Objective

To provide shareholders with long term returns through capital and income growth.

Policy

The strategy adopted was amended upon the appointment of Phoenix Asset Management Partners (Phoenix) as Investment Manager on 28 January 2016. Phoenix seeks to achieve the Objective by investing in a portfolio of UK listed equities.

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

Benchmark

Performance is benchmarked against the FTSE All-Share Index representing the overall London market. Prior to 28 January 2016 a capital only benchmark was used. Subsequent to that date the index used has been changed to a total return basis.

Dividend

The Directors recommend a dividend of 1.00p per share (2015: 3.85p).

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Grant Thorton, 30 Finsbury Square, London, EC2P 2YU on 13 July 2016 at 12.00 noon.

Aurora Chairman's Statement

Lord Flight
Chairman

June 2016

This has been a momentous year for Aurora with Phoenix Asset Management taking over from Mars as the Investment Manager on 28th January, 2016.

The performance for the year to end February 2016 was -4.71%, outperforming the benchmark FTSE All-Share Index -10.64% by 5.93% and mostly reflecting the historic Mars' investment strategy, although the portfolio was reorganised by Phoenix in February.

After 19 years of commitment to Aurora, since it was launched, James Barstow stood down as a Director on 28th January. The Board extends its thanks to him and wishes him well.

History of Events leading to Phoenix's Appointment as Manager

Shareholders will recollect that at the AGM in July 2014 the Continuation Vote was passed, but with the undertaking not to hold a further vote in 2017, and instead to seek an alternative future for the Trust. Constructive talks were held by the Chairman with the chairmen of a number of larger Investment Trusts, with a view to a possible merger. In early September, however, Phoenix Asset Management acquired a 23.2% stake in Aurora, following which I and the Board met with Gary Channon, CIO, and Charlotte Maby, MD of Phoenix. We were greatly impressed by Phoenix's investment strategy, described in more detail below; we felt it represented a very good fit for Aurora and offered the prospect, on Phoenix's track record, of achieving significant outperformance. An announcement was made on 24th September, 2015 of the proposal that Phoenix take over as Investment Manager. A Circular was sent to shareholders on 17th November, 2015 concerning the proposed change of the Investment policy and to authorise share issues and sales from Treasury.

A General Meeting of shareholders was held on 11th December, 2015 which approved the proposals in the Circular. Phoenix took over as Manager on 28th January, 2016, following which a Prospectus was published relating to a placing and an ongoing placing programme. The re-organisation of Aurora's investment portfolio into the Phoenix "model" was completed in the course of February and March, and 4,858,750 new shares were admitted under the placing programme on 29th March, 2016.

A new Investment Management Agreement with Phoenix was entered into on 28th January 2016. Its key features are no management fees and an annual, performance only, fee equal to one-third of NAV per share total returns in excess of the FTSE All-Share return. This fee is subject to claw back and a high water mark and is capped at 4% of NAV, p.a., in the case of an absolute increase in NAV per share; and 2% in the case of a decrease. Aurora is now managed with the same investment approach as Phoenix's open-ended UK Fund. Since its inception in 1998 this has delivered net of fees, a cumulative NAV total return of 412%, and annualised returns of 9.5%, compared with 118% and 4.4% for the FTSE All-Share.

Liberum was appointed Broker to Aurora on January 25th since when, as of 2 June a total of 3,492,104 shares have been sold out of the Treasury, which together with the placing increased the NAV of Aurora. While the 17th November, 2015 Circular provided for a possible tender offer, this was not activated as departing shareholders were able to sell their shares in the market on better terms. We, thus, now have shareholders who support the new Phoenix "value investing" approach.

The Phoenix Investment Philosophy

Unlike some value investors, Phoenix does not seek to buy any businesses at distressed prices. Rather, they aim to buy great businesses at attractive prices. The Phoenix definition of a great business is, amongst other things, of it having a high return on capital (15% or above), pricing power and that it can be observed, transparently, doing business in the real world. It is from understanding why a business earns such high returns that investment outperformance can be anticipated. Phoenix builds up the required knowledge by studying the relevant industries and companies in detail – a learning process which can take several years. When it comes to price, Phoenix is disciplined in only paying half of what they believe the business is actually worth. Inevitably, the opportunities to buy great businesses at half price are rare – frequently Phoenix will identify a business which fits their objective, but at a price that does not. Inevitably, therefore, Phoenix has to be patient. Having spent considerable time identifying great businesses, they usually have to wait further years before the price reaches a level at which they are willing to invest. This often arises when there has been some bad news about a particular company and the stock falls out of favour.

The rarity of suitable investment candidates, combined with the time consuming nature of the investment process, results in a concentrated portfolio, typically of between 15 and 20 investments. The portfolio turnover is low, typically with only one or two new investments made each year.

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

The in depth and unusual nature of the research that Phoenix undertakes is the most distinguishing feature of its investment approach. They spend 80% of their time monitoring the businesses we own.

Shareholders may be interested in reading the historic track record of the Phoenix UK Fund since its inception, which is an Appendix at the back of this report and accounts.

Going Forward

As part of the recent changes, Tristan Chapple, Director of Phoenix, and the well-known investment journalist David Stevenson were appointed to the Board on 28 January and 1 February 2016 respectively. Tristan Chapple's particular role is to keep the Board fully appraised of the investment portfolio and its performance. Their biographies are described on Page 31.

The objective is to build Aurora to approximately £100m in size in the medium term. New shares can be issued under the Ongoing Placing Programme, at a premium to NAV.

The AGM will seek shareholder agreement to changing the date of the next Continuation Vote to 2019, as a consequence of the appointment of the new Investment Manager and to allow an appropriate period to assess their performance.

The Board has also changed the year end date to 31st December, to align with that of the calculation period for the performance fee.

Dividend Policy

The Board proposes a dividend of 1p per share, meeting the HMRC minimum distribution regulations.

As advised at the 11th December, 2015 General Meeting of Shareholders, future Dividend Policy will be to distribute substantially all of the net revenue, which is likely to vary from year to year.

Also, there has been an increase in the number of shares in issue (excluding Treasury Stock) of approximately 70% as a result of the placing and the sale of Treasury shares which has of itself reduced the amount available for distribution per share.

As well as extending a warm welcome to shareholders to the AGM to be held at 12 noon on Wednesday 13 July, I also invite shareholders to "save the date" for the 2017 Phoenix Annual Investors' Meeting, to be held on 2nd March 2017 at 18:00 for 18:30, to which an invitation will be sent to Aurora shareholders.

Lord Flight
Chairman
15 June 2016

Statement from the CIO of the Investment Manager

Gary Channon

June 2016

We are excited to have started managing the Aurora Investment Trust. I want to lay out for you how we are going to approach that task and why we expect that to deliver excellent returns over the long term. Although new to Aurora, the approach we will use is identical to that which we have used for over 18 years at Phoenix.

We are business-like investors, we don't think we are buying shares, but rather a piece of a whole business. So we spend our time thinking about the characteristics of that business, its prospects and value. We choose businesses with some innate quality that allows them to earn sustainably high returns on their shareholders capital, which might be from a brand, a patent, a strong market position, being the low cost producer and a number of other ways.

We choose businesses that have a long term future because our ideal holding period is forever. We want to understand the factors that drive the market they serve over the long term. That includes the competitive landscape and how that is evolving.

We choose businesses where we can monitor the factors above and we spend most of our time doing that. For example, for our retailers we continuously mystery shop their stores and those of their competitors and we monitor the cost of a basket of goods on their websites and those of their competitors. We talk to their customers, their current and ex-staff and their suppliers. We read their employee forums (if they are available), we follow all the stories about them online and in print, we monitor their planning applications for new stores and we talk to their competitors.

If you come to work at Phoenix as an analyst you will spend most of your time seeing business in action, i.e. visiting premises, attending trade shows and meeting managements. On top of that we retain an army of lowly paid friends, family and associates as well a regular stream of work experience students to help us with this work.

When people ask me about risk management, this is the key part of it for us. Knowing our businesses, especially through the eyes of their customers and seeing how they are faring against their competitors is how we reduce risk. When we do meet managements we have a completely different level of engagement to typical institutional investors, we talk about the business in the field and not about the share price.

We don't use external research. We form our own views from our own work.

We see managements as stewards of shareholders capital and we pay very close attention to how they do that. We pick managers who we trust to manage the business competently, to allocate our capital intelligently and who are aligned with the interests of their shareholders.

As with businesses, we research and monitor them. We study their backgrounds, their track records and accomplishments. Apart from the usual sources we will look at everything from social media postings to divorce filings to try to understand the people we are choosing to hand your money to. When we meet them we will use various findings from behavioural psychology to get deeper insights into their characters.

The one variable in the investment equation that we control is the price we pay. It's true that the market sets the trading price of shares, but we don't have to take it. At Phoenix we determine the price we are willing to pay and if that's not available we don't act.

The highest price we pay is the one where in our estimation if things were to go wrong in the business we will get our money back. If the business performs in line with our central case then we will make a return of 15% per annum.

These parameters mean that we never pay more than half what we think a business is worth. That discount is what Benjamin Graham called the "Margin of Safety", it's what protects us from our mistakes and the fluctuations of business outcomes.

When we are deciding how much to invest in a company we consider what the downside looks like and how well we can monitor it, what the upside scenarios will return and how probable they are, how well we know the company and how long we have been working on their industry and a number of other factors. When the stars align and we get a great, well managed business at a very attractive price then we will make a significant commitment. If the stock price keeps falling, which it usually does when we start buying, we will be prepared to keep adding to the holding. The more attractive the proposition the more we will commit. The maximum we will commit is 15% of our capital. Those kind of opportunities come along rarely.

The portfolio will typically contain around 15 holdings of which the top 5 are at least half of the portfolio. We believe this is sufficient diversification to protect us from our mistakes whilst delivering the benefits of focus. Owning lots of stocks diversifies your risk of deviating from the market average and yet that's not what we care about. Owning a few stocks that you know and follow closely reduces your risks of losing money on them. Making good risk adjusted long term returns is our goal which we expect to be in excess of the market average.

In the 18 years we've been investing this way we have averaged approximately an 80:20 split between investments that have made money versus losses. When we consider the value of gains against losses the ratio is higher than 80:20. This relationship has been fairly consistent throughout our history. This is very much higher than is typical for a fund manager and we believe it is due to the rigour of our process and our discipline in adhering to it.

We have a highly detailed manual for how we assess companies and a long checklist of factors we consider before we make an investment. This process continues after we make an investment and all these assessments are documented. This allows us to learn from our mistakes and to continually improve our process.

We run our winners. When we identify and get to invest in a great business that has a long term prospect of earning high returns on its starting and retained capital then our job is almost done, all we need to do is keep monitoring it to see that our assumptions hold true. When you make significant investments that work then sometimes their weightings become substantial; nothing in our approach forces us to reduce those. If they reach a level of weight and value where we think the overall portfolio risk is impacted then we will act to trim them but not sell entirely.

Having a rational team-based process assists us in dealing with what we believe is the biggest cause of poor investment returns and that is psychological bias. We have always paid a lot of attention to the discoveries in the field of behavioural psychology. A key one is that you can't fix subconscious biases just because you are aware of them, it requires a framework of thinking that is essentially inhuman, removed of emotion and focused on the facts. Our investment process at Phoenix, we believe, helps us to do that.

We believe that it is innate human biases that mean our approach will always work over the long term provided we keep applying it consistently. Share prices deviate from their intrinsic values for many reasons and at times the psychology of the crowd will drive a good business to an extremely undervalued price. If you don't care about share prices, (and we don't) and you don't have gearing, (which we don't) and you have patient capital, (and we believe we do) then you can take advantage of those overshoots.

One of the ironies of our track record at Phoenix is that when we were doing our very best work our returns at that time were poor. The three down years we had in 1999, 2002 and 2008, were also our most active years as we were busy buying what the market was marking down. Because we didn't fear further falls in share prices, and gearing didn't pose a risk to the portfolio and because our investors were supportive, we were able to make some great investments based upon long term values.

As it happens all those losses were recovered within 12 months but that may not have been the case, it could have taken longer, for the genuine long term investor it doesn't matter.

Our process frees us from caring about share prices, our risk management rules free us from gearing risk and so the final ingredient is to ensure that we attract the right type of investors. To that end we try to communicate very clearly what we do and what to expect. Our focused approach, combined with a willingness to invest into very unpopular stocks, can lead to significant volatility and temporary drawdowns. The test I use is to ask yourself how you will act if the portfolio halves in price. No one is happy in those circumstances but will you have the presence of mind to stick with the investment if we are doing what we have always done and the fall is due to a general crisis in the market?

To help you do that we will always communicate in an open and honest way especially about our failings and errors. We have an 18 year record of doing that. We will also be able to tell you our estimate of the underlying intrinsic value of the portfolio, regardless of the current share prices.

If you think you would be able to stick through that sort of turbulence then firstly, you are in a small minority and secondly, we would like to have you on board.

The ability to ignore the noise, focus on the long term, act rationally in times of extremity, and to run winners is the basis of great long term investment returns.

Gary Channon
CIO Phoenix Asset Management Partners
15 June 2016

Investment Manager's Review and Outlook

Tristan Chapple

June 2016

A lot of careful thought went into the naming of our firm, Phoenix Asset Management Partners. "Phoenix" was chosen because we look for companies whose shares are too cheap due to short-term problems. As the Chairman has already implied, we buy shares when we believe the business can rise Phoenix-like from the flames, with the potential to be great in the future. Only after we had printed the stationery did we realise that "Phoenix" is the "John Smith" of business names, and that perhaps if we had cast the net slightly wider into the realms of Greek mythology (or indeed anywhere else), we might have found something more distinctive. On a recent car journey, and as an alternative to "I spy" (my wife and I have a young child) we spotted Phoenix Drainage Engineers, Phoenix Fish & Chips and Phoenix Building Services. Despite these indignities, "Phoenix" sums up our investment approach perfectly and we stand by it. The "Asset Management" part of our name doesn't need explaining, although the "Partners" bit probably does. "Partners" is not a reference to our corporate structure. It is a reference to you, our investors. It is an enormous privilege and a great responsibility to be managing your money and we aspire to treat you as Partners in that endeavour. What does this mean in practise? Firstly, that our interests are aligned (that we invest our own money alongside yours) and secondly, that in our dealings with you, we behave as we would want to be treated ourselves. One of the ways we try and achieve this is to communicate in a clear, relevant, honest and transparent way. And so it is in that frame of mind that we consider the current portfolio.

Most of the time an investor's return is the result of a business being able to take three steps forward for every two steps back. In other words, business doesn't usually progress in a straight line. Certainly that has been our experience over the last 18 years (since Phoenix was founded in 1998) and when we come across an exception, we tread very carefully. **Bellway** and **Barratt Developments**, our two house-building investments, are currently experiencing very favourable trading conditions. Consumer sentiment is robust, interest rates are incredibly low and there is a housing shortage in the UK. If that's the kindling for the fire, the Government is wafting the flames with a number of favourable policies and initiatives including: the Help to Buy Scheme (whereby the Government subsidises the buyer's deposit, giving them access to more favourable mortgage terms), simplification of the planning system and the sale of land owned by the Government to house-builders. The consequence of all this is that house-builders are currently making hay; sales and profits are growing, returns on capital are at record levels and both Barratt & Bellway are buying land today on very favourable terms, which is important for future profitability. We have recently asked ourselves more than once, is this too good to be true? In answering that question, we can't help but observe that for all the tailwinds and good news, both stocks are already cheap. It would be concerning to us if the valuations reflected the current wonderful trading conditions or the attractive long term growth prospects that they both face. And yet these great, well managed businesses trade on less than 10 times earnings, with practically no debt.

We sometimes get asked how **Lloyds** meets our investment criteria. Generally, banking isn't for us. We have considered and rejected other businesses because they have investment banking operations we don't understand or overseas divisions exposed to unknown risks. Lloyds does not have either of these issues and its appeal to us today can be attributed to a few fairly simple observations. Firstly, it is a bank focused on UK domestic business: current accounts, mortgage lending and loans, i.e. nothing racy. Secondly, (as the competition commission discovered when they investigated the banking sector) Lloyds customers (and in fact UK banking customers in general) are very loyal and don't change their banking provider very often. This means that Lloyds has been able to maintain persistently high market share despite not being the cheapest provider of almost any service and product it provides. Thirdly, the hideous banking crisis of 2007/8 and its aftermath means that Lloyds is operating cautiously and under far more scrutiny than at any time in recent memory. Over the last couple of years the strong underlying profitability of the business has become apparent and the current valuation appears to be very low.

Another question that crops up quite frequently at the moment is: "have you found any investment opportunities in commodities businesses?" the implication being that distressed sectors often yield rich pickings for value investors. The short answer is no. The slightly longer answer is that Gary has been looking quite excitedly at opportunities in the oil, gas and mining sector for the last 18 months. However, our view is that there is potentially a lot more pain to come and that watchful waiting is the appropriate course of action at the moment. Having said that, in **Vesuvius** we do have some existing exposure to the steel production industry. (They sell products and services to foundries) Phoenix's MD, Charlotte Maby, is the analyst responsible for this stock and, after her most recent visit to the annual industry conference in the Black Forest, (where she was one of, if not the only, financial analyst in attendance) she assured us that this excellent, 100 year old business was in good shape, and demonstrating resilience and pricing power in what are difficult markets.

Mystery shopping and gathering "scuttlebutt" keeps us in-touch with what's happening at the coalface of a business and is a very important aspect of our approach. Last year, we (meaning a very busy James Wilson and a number of bemused interns) visited approximately 200 food retail locations, dividing that effort primarily between **Tesco** and **Morrisons**. Both are making some progress towards being rehabilitated after several years of underperformance. Generally speaking, the evidence from our store visits validates the "back to basics" strategies that have been announced by both management teams. For example, some of Morrisons problems came about when, attempting to attract wealthier southern customers with flash store fittings and slick advertising, they lost the hearts and minds of their core "value" market. Now under new management and without compromising the freshness and quality for which they are renowned, Morrisons stores have a clear appeal to the value oriented shopper. Under CEO Dave Lewis, Tesco is asking its customers what they want and then making the necessary improvements to deliver things like: better service, simpler ranges and consistently low pricing. But it's not all good news for Tesco and Morrisons and the recovery stories have a long way to go. The future of online grocery shopping is an unknown quantity and a risk to be watched. But that last point is important: we have the ability to watch the risk unfold (and relatively slowly; shopping habits are persistent) and respond accordingly if we need to. We also see a lot of hand wringing about the threat from the German discount supermarkets, Aldi & Lidl. Our view is that they are very formidable competitors who have been given more freedom to compete in the UK than should have been the case; both Tesco and Morrisons have had to do some fire-fighting to respond to the threat. We think that the important point is this: there are parts of the UK where the German discounters have been trading for well over 20 years (Bristol for example) and yet their market share in these areas is bounded by the willingness of the local population to do some or all of their shopping in a discounter. Even in these areas where the Germans have been established a long time, Tesco and Morrisons (and Asda and Sainsbury) have strong market positions. We think this can be extrapolated nationally and leads us to conclude that the end is not nigh for Tesco and Morrisons. The share prices of both stocks are low; we think the long term prospects for both businesses are excellent.

Some of our peers smirk when they hear we are invested in **Sports Direct**. We can't be sure why although our best guess is that it is intended as a knowing gesture, an acknowledgement between investors that we are taking a bit of a punt on a beaten-up company with a slightly swashbuckling reputation. How strange! We are invested because it is one of the best run businesses we have ever come across. We have owned the shares a long time, (in the offshore fund we have been running since 1998) originally buying shortly after the (not very well managed) floatation. At that time (2007/8) the City narrative was something along the lines of "the stores are jumble sales and the management team are incompetent". Mike Ashley and his excellent management team then spent several years proving the City wrong, out-foxed several of their competitors and until last year the business was feted as an exemplar of retailing excellence. One or two PR snafus followed by a profit warning in January has halved the share price from 8 pounds to 4. We visit around 60 sports retail locations in the UK and Europe each year and don't see any evidence to suggest that the valuation today should be half of what is was last year.

Diageo, **Unilever** and **Glaxo** are in quite different businesses (the former sometimes making you sick, the latter making you better) and yet the investments have some similarities. Firstly, steady, long-term global population expansion and GDP growth provides a helpful tailwind and means that both businesses have more potential customers this year than last. Furthermore, as the world becomes richer, consumer demand for their products increases. Secondly, each derives a strong competitive advantage from their industrial capability. Vast distribution networks, sophisticated marketing divisions and, (especially relevant in Glaxo's case), world class research and development, are all widening the moat and helping to protect market share. Each year there will be ebbs and flows for all three businesses; notable failures and successes with particular products or in certain markets. But we expect the trends mentioned above will deliver a favourable result to us as long term shareholders.

Staying on the subject of alcohol, **JD Wetherspoon** is a good example of how a great business can prosper in the face of headwinds. The number of pubs in the UK is in steady decline and yet they open new ones every year. Wetherspoons margins have fallen because of price pressure and wage cost increases and yet return on capital (a much more important metric for us) has remained stable. Why? Because the business is run in a rational way by people who have a relentless focus on making the pubs as good as they can be. Chairman Tim Martin was recently speaking to one of his kitchen staff about serving traditional Sunday lunches (presumably a sacrosanct meal for many pub businesses). The employee told him that roasting potatoes and joints of meat was interfering with the breakfast service. On further analysis it turned out that there was more money to be made from getting breakfast right than serving "Sunday lunch". So they stopped serving "Sunday lunch".

Outlook

One or two specific potential opportunities and threats need to be acknowledged before the inevitable section on "Brexit". Interest rates will start to rise at some point and when they do, sentiment on house builders might become negative; investors are likely to fear falling house prices or stagnation in the housing market. However, as mentioned above, the valuations of Barratt and Bellway are low enough to make them very attractive long term investments even if both of those things happen. Furthermore, if we have a period of lower house prices, housebuilders will be compensated by falling land prices (their single biggest cost), cushioning the blow and protecting long term profitability. Lloyds has had two clouds hanging over it for some time: the PPI saga and the Government stake, which has created an "overhang" in the stock. It seems likely that both of these issues may be resolved in the not too distant future.

At the time of writing, "Brexit" is causing some stock market nervousness. In the short term, this is likely to persist until the vote is held. We would remind our investors to focus – as we do - on long term fundamental business performance and not on what might happen to share prices in the short or medium term. A vote not to leave is likely to be the most benign outcome for equities and may lead to a relief rally. A "leave" vote is likely to lead to either a definitive exit or, a second round of negotiations of Britain's membership terms. While those discussions rumble on, volatility seems likely. If Britain did go on to leave the EU, a prolonged period of uncertainty seems almost inevitable. A "leave" vote could have a significant negative effect on consumer confidence, in which case a recession of some kind is likely. If that happens then we would expect our cyclical businesses to be negatively impacted. A slowdown in the housing market and a tightening of belts will impact our house-builders and supermarkets. People might go to the pub less frequently or not spend as much when they do go. Drinkers might buy cheap supermarket vodka rather than Smirnoff. They might not buy as many trainers or football shirts. Yet for all this pontificating, we don't know what will happen and a "leave" vote could all play out with much less uncertainty than people expect, although we doubt it. This sounds a little gloomy and unsatisfactory until we remind ourselves that it doesn't matter that much. This sounds flippant but it isn't. Our approach is about investing for the long-term in businesses that are persistent winners and these sorts of companies can weather a storm.

We shouldn't talk about the risks of a Brexit wobble without touching on what a great opportunity it might present. Stock market fear and negative over-reaction are things we relish because we will get opportunities to make great investments. Perhaps we won't get that with Brexit and it will be a damp squib. But even if that turns out to be the case, history would suggest that we never have to wait too long for a stock market panic and the smorgasbord of potential investment opportunities that it usually presents.

Tristan Chapple
Investment Manager, Phoenix Asset Management Partners
15 June 2016

Investment Policy and Performance

This report deals with the results of Aurora Investment Trust plc. The Company's subsidiary AIT Trading Limited (AIT) is currently inactive, with no assets, or liabilities. The inclusion of the results of AIT in the Company's accounts would not be material for the purpose of giving a true and fair view.

The Company adopted a revised Investment Policy on 28 January 2016, with the appointment of Phoenix Asset Management Partners ("Phoenix") as the Company's new Investment Manager.

Investment Policy

The Company's objective is to provide shareholders with long term returns through capital and income growth by investing in a concentrated portfolio of UK listed equities. The Company seeks to achieve its investment objective by investing in a portfolio of UK listed equities. The portfolio will be relatively concentrated. The exact number of individual holdings will vary over time but typically the portfolio will consist of 15 to 20 holdings. The Company may use derivatives and similar instruments for the purpose of capital preservation. There are no pre-defined maximum or minimum exposure levels for each individual holding or sector, but these 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 investment.

While there is a comparable index for the purposes of measuring performance over material periods, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. The 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 total assets of the Company in other listed closed-ended funds other than closed-ended investment funds which themselves have published investment policies to invest no more than 15 per cent of their total assets in other listed closed-ended funds. The Company will not invest in any other fund managed by the Company's investment manager.

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 per cent 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 the shareholders.

Dividend Policy

The revised investment policy does not include any fixed dividend policy. However, 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 final dividend, but this could be lower than the level of recent dividends and may very each year. No KPI objective has been set with regard to dividend payments.

Objectives And Key Performance Indicators (KPIs)

The Company's principal investment objective is to achieve capital growth. The Company's success in attaining its objectives is measured 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 Net Asset Value (NAV) 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 reasonable.

Performance

With effect from 28 January 2016, the Investment Manager has been Phoenix Asset Management Partners Limited, replacing Mars Asset Management Limited (Mars). Both are regulated by the FCA. The main fund manager is Gary Channon, replacing James Barstow (previously managing director of Mars). Phoenix reports in detail upon the Company's activities in the IMR.

Under the new Investment Management Agreement no monthly management fees are payable. A performance fee is payable to the Investment Manager only if the benchmark is beaten. The benchmark is now the FTSE All-Share Index Total Return; previously it was the FTSE All-Share Index capital only.

In view of the change of Investment Manager, it is appropriate to note separately the Company's performance for the period from 28 January 2016 to 29 February 2016. During this period the Company achieved an absolute total return for shareholders and outperformed the total return benchmark, thereby meeting both KPI objectives:

	Period 28 January 2016 to 29 February 2016
Net Asset Value per share	+4.50%
Benchmark (total return)	+2.32%

The Company's performance from launch up to 27 January 2016, compared to the capital only benchmark then in use, was as follows:

	Period from 1 March 2015 to 27 January 2016	Period from 1 March 2011 to 27 January 2016	Since launch (1997)
Net Asset Value per share	(8.74%)	(41.91%)	+59.95%*
Benchmark (capital only)	(12.22%)	+5.79%	+52.43%

*by reference to a starting value of 97.78p (net of launch expenses).

The Company outperformed its then benchmark during the period since launch and in the eleven months ended 27 January 2016, but underperformed in the period of approximately five years from 1 March 2011.

The Ongoing Charges ratio is shown for the full years 2016 and 2015 respectively:

	Year ended 29 February 2016	Year ended 28 February 2015
Ongoing Charges Ratio	2.48%	2.25%

The ratio is calculated excluding finance costs but including operating expenses charged to capital and applied to the average NAV of the year. Expenses of a type not expected to recur under normal circumstances are excluded from the calculation.

Revenue Result And Dividend

The Company's revenue profit after tax for the period amounted to £203,622 (2015: £415,841). In arriving at this result for the year 2016, income due for the year from AIT of £38,758 was written off.

At the Annual General Meeting on 13 July 2016, a resolution will be proposed to approve a final dividend of 1.00p (2015: 3.85p) per ordinary share, Based on the number of shares in issue on 2 June 2016 (excluding treasury shares) this will absorb £187,479 (2015: £400,287). The final dividend will be paid on 22 July 2016 to shareholders on the register at 24 June 2016; the ordinary shares will go ex-dividend on 23 June 2016. In accordance with International Financial Reporting Standards this dividend is not reflected in the financial statements for the year ended 29 February 2016.

Risk Analysis

The Board considers that the principal risks faced by the shareholders of the Company fall into two categories:

External Risks

Poor performance in the UK and/or world economies; poor corporate profits and dividends. Poor stock market performance caused by market-specific factors, such as rising interest rates, the unwinding of "bubbles" or disinvestment by institutions, superimposed on general economic factors, or caused by shocks, wars, disease etc. The Board does not consider, however, that short-term volatility represents a risk for the long-term shareholder, since it regards long-term performance to be of primary importance.

Internal Risks

Poor asset management, which may include poor stock selection, excessive concentration of the portfolio, mistakes regarding currency movements, speculation in shares of companies without sound or established businesses and speculation in derivatives. Poor governance, compliance or administration, including particularly the risk of loss of investment trust status.

All these and other risks can result in shareholders not making acceptable returns from their investment in the Company.

Risk Controls

External risks

As described in the Investment Policy section above, external risks are mitigated by diversification of the portfolio and by not utilising gearing.

Risk diversification

An element of risk is inherent in investment undertaken on a selective basis. The Company seeks to mitigate the degree of risk by investing in securities in substantial organisations, normally listed and traded on the London Stock Exchange, and by spreading its investments across a range of such securities. At 29 February 2016 the Company held 18 stocks, spread across 11 main sectors.

Gearing

The Company has discontinued the use of gearing as an element of its investment policy. Under the articles, borrowings are permitted up to a maximum of 30% of NAV. The Company's agreement with BNP also permits borrowing of up to 30% of NAV, but there is currently no intention to make use of this allowance.

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 19.

Internal risks

The control of risks related to governance, compliance and administration is dealt with in the report on Corporate Governance.

Viability Statement

The Company is subject to continuation votes every three years. The Company announced that, as a consequence of the appointment of a new Investment Manager, the continuation vote that would have been held in 2017 should not take place and should be superseded by the inauguration of a new three-year schedule with the next vote falling due in 2019. (This would be subject to a proposed change to the articles, to be submitted for approved by shareholders at the AGM this year).

The Directors consider that a three-year time frame, being the period up to the proposed date of the next continuation vote, is an appropriate period over which to assess the Company's viability.

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 three years from the date of approval of this document.

In reaching this conclusion, the directors have considered each of the principal risks and uncertainties set out above. They have considered the liquidity and solvency of the Company, the level of discount at which its shares trade, its income and expenditure profile including the absence of monthly management fees and the discontinuation of the use of gearing as an instrument of normal investment policy. The Company's investments comprise readily realisable securities which could, if necessary, be sold to meet the Company's funding requirements. The Company's plan to expand by the issue of new share capital and the sale of shares from treasury 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 directors do not expect there to be any material increase in the annual ongoing charges of the Company over the period of their assessment. 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.

Social, Ethical, Human Rights And Environmental Matters

Being an investment company, with no staff, premises, manufacturing or other operations of its own, the Company does not have any direct influence on social, ethical, human rights and environmental matters.

Boardroom Diversity

The Company has no employees other than the Directors. At 29 February 2016 the Company had five directors, all of whom were male. The Company's policy is that the Board should have a broad range of skills; while keeping this in mind, consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

Five Year Summary

The following data are all expressed as pence per share. NAV figures are all calculated at bid prices. They are shown both as previously published and as adjusted by adding back the final dividend for each year.

Year ended 28 or 29 Feb	NAV p	Dividend in respect of year p	Share price (mid market) p
2012	214.84	3.55	175.75
2013	186.13	3.75	152.75
2014	191.78	3.80	166.00
2015	171.37	3.85	147.50
2016	162.30	1.00	158.00

Outlook

The outlook for Aurora is discussed in the Chairman's Statement and the Manager's Review and Outlook.

Top Holdings (as at 29 February 2016)

Stock	Date of First Purchase	Weight 29 Feb 2016 %	By Valuation (£)	Avg. Net Cost per share Incl Sales (£)	Share Price 29 Feb 2016 (£)	Market Cap £	Net Cash / (Debt) £	Enterprise Value £
Lloyds Banking Group	Dec-15	13.0	2,397,526	0.63	0.72	51.5bn	(11.5bn)	63bn
Tesco	Dec-15	11.8	2,179,890	1.62	1.80	15.8bn	(5.1bn)	20.9bn
Barratt Developments	Dec-15	9.2	1,690,097	5.92	5.90	5.9bn	24.2m	5.8bn
Bellway	Dec-15	6.5	1,196,688	26.53	25.68	3.1bn	(60m)	3.1bn
Morrisons	Dec-15	6.2	1,136,316	1.66	1.99	4.7bn	(1.7bn)	6.4bn
GlaxoSmithKline	Dec-15	4.8	889,764	14.33	14.00	68.7bn	(10.7bn)	79.4bn
JD Wetherspoon	Jan-16	4.7	875,023	6.70	7.20	855m	(626m)	1.5bn
Sports Direct	Dec-15	4.6	844,400	3.95	4.05	2.4bn	(20m)	2.4bn
Vesuvius	Dec-15	4.1	759,217	2.99	3.00	818m	(292m)	1.1bn
Diageo	Dec-15	4.0	743,400	18.65	18.59	46.1bn	(9.5bn)	55.6bn
Unilever	Dec-15	3.9	713,790	30.05	30.92	40.5bn	(9.0bn)	49.5bn
Other (<3%)		5.5						
Total		78.3						
Cash		21.7						
Overall Total		100.0						

Portfolio Analysis
At 29 February 2016

	Percentage of Portfolio
Agriculture	1.3
Construction	20.0
Mining	0.5
Retail	28.8
Financial	17.4
Consumer	6.1
Pharmaceuticals	6.2
Fast Moving Consumer Goods	10.0
Materials	5.3
Leisure	3.8
Oil & Gas	0.6
	100.0%

Analysis By Type, Market And Currency

All investments are of Ordinary Shares, denominated in sterling. All holdings carried at a value are in listed companies with the exception of Asian Citrus and Randall & Quilter, which are both quoted on AIM. The Company also has registered holdings in Naibu Global and China Chaintek, but these have each been written down to a valuation of £Nil.

This Strategic Report was approved by the Board on 15 June 2016.
For and on behalf of the Board
Lord Flight
Chairman
15 June 2016

Governance

Directors, Investment Manager And Advisers

Directors
Lord Flight (chairman)
The Honourable James Nelson
RM Martin
T Chapple
D Stevenson

Banker
Coutts & Co
440 Strand
London WC2R 0QS

Depository & Custodian
BNP Securities Services
London Branch
55 Moorgate
London EC2R 6PA

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Stockbroker
Liberum Capital Limited
25 Ropemaker Street
London EC2Y 9LY

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

Secretary & Registered Office
Cavendish Administration Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Administrator
Cavendish Administration Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Directors' Report

Legal And Taxation Status

The Company has sought and obtained ongoing approval from HM Revenue and Customs of its status as an investment trust under Section 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 29 February 2016.

Under Section 833 of the Companies Act 2006 the Company is an investment company and operates as such.

The Company's wholly-owned subsidiary AIT Trading Limited ("AIT") has become currently inactive. AIT undertook purchases of investments for re-sale in the shorter term, with the objective of achieving a trading profit. At 29 February 2016 AIT held no investments (2015:investments to a value of £385,440). The inclusion of the results of AIT in the Company's accounts would not be material for the purpose of giving a true and fair view.

The Board And Re-Election Of Directors

The Directors of the Company and of AIT at any time during the year are stated below. Except where indicated they held office throughout the year.

a. Lord Flight (Chairman)
b. The Honourable James Nelson
c. James Barstow FCA (resigned 28 January 2016)
d. Richard Martin
e. Tristan Chapple (appointed 28 January 2016)
f. David Stevenson (appointed 1 February 2016)

All directors are non-executive, in as much as Mr Chapple (and previously Mr Barstow) is an employee of the Investment Manager and not of the Company.

Directors are required by the Company's Articles to retire by rotation at the Annual General Meeting (AGM) so that each director is subject to re-election at a maximum interval of three years. Mr Chapple and Mr Stevenson, having been appointed by the Board since the last AGM, would be subject to re-election this year in accordance with Company Law. Mr Chapple, being a representative of the Manager, will be subject to annual re-election. The Board has determined as a matter of policy, however, that all directors should in any case submit to annual re-election.

Accordingly, resolutions will be put to re-appoint Lord Flight, The Honourable James Nelson, Mr Martin, Mr Chapple and Mr Stevenson.

The report on Corporate Governance below contains a description of the Board's composition, of its method of operation, of its work during the year and that of its Committees and of how its performance has been evaluated. The Board recommends that all directors should be re-elected.

Under the Articles, the Directors are indemnified by the Company against losses and liabilities incurred in the performance of their duties. The Articles permit insurance cover against directors' and officers' liabilities to be arranged by the Company and such a policy is maintained.

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 7 in the Notice of Meeting.

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 the AGM; interim dividends can be paid by the Directors, but it is not the Board's policy to do so. Purchases of the Company's own shares may be carried out if the relevant sanction is given by shareholders. Resolutions at general meetings may be carried by show of hands, when each shareholder present in person or by proxy has one vote, or by poll, when each shareholder present in person or by proxy has one vote for every share.

At 29 February 2016, there were 14,391,389 shares in issue, of which 3,029,520 were held in Treasury. Therefore the number of shares with voting rights was 11,361,869.

On 29 March 2016 a Placing was accomplished and an Ongoing Placing Programme set in place. Further details are given in note 22 to the financial statements.

Holding Shares In Treasury

The Board monitors on an ongoing basis whether shares should be repurchased and, if so whether they should be held in Treasury, or whether they can and should be sold from Treasury. Sales of shares from Treasury have been and are being made at prices not less than the latest available NAV per share at the time of sale.

Issues Of Shares And Sales Of Treasury Shares

At the General Meeting held on 11 December 2015 the directors were granted authority to issue up to 30 million Ordinary Shares on a non pre-emptive basis. As at 2 June 2016 the Company has authority to issue up to 25,141,250 Ordinary Shares on a non pre-emptive basis but such authority will expire at the upcoming AGM.

The Prospectus published on 22 March 2016 set in place an ongoing Placing Programme whereby the Company may issue up to 55 million new Ordinary Shares (provided it has authority to do so).

The directors are therefore seeking authority to renew their existing power to allot Ordinary Shares on a non pre-emptive basis and to extend it to 55 million Ordinary Shares (being approximately 293% of the issued share capital excluding treasury shares as at 2 June 2016). This is to allow the Company to continue to issue Ordinary Shares in accordance with the terms of the Placing Programme and when they believe it is in the best interests of shareholders to do so.

Resolution 11 in the Notice of the Annual General Meeting will, if passed, give the Directors the general power to allot securities up to an aggregate nominal amount of £13.75 million.

Resolution 12 which is a special resolution will, if passed, empower the Directors to make allotments of shares other than according to the statutory pre-emption rights which require all shares to be offered first to all existing shareholders. This Resolution also gives the Directors power to sell shares held in Treasury other than according to the statutory pre-emption rights.

Purchase Of Own Shares

A resolution is to be proposed at the AGM to renew the Company's powers to purchase its own shares. This is item 10 in the Notice of Meeting, which is a special resolution.

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 Contract

The Company entered into a new Investment Management contract with Phoenix Asset Management Partners ("Phoenix") on 28 January 2016.

As previously announced, Phoenix will 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 net asset value total return (including dividends and adjusted for the impact of share buybacks and the issue of new shares) over the FTSE All-Share Total Return for each financial year. The first performance fee period will end on 31 December 2016 to coincide with the new financial year end. The Company's net asset value return will be based on the weighted number, and net asset value, of the shares in issue over the relevant period.

The total annual performance fee will be capped at 4 per cent. per annum of the net asset value of the Company at the end of the relevant financial year, in the event that the net asset value per share has increased in absolute terms over the period, and 2 per cent., in the event that the net asset value per 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 will be subject to a high water mark so that no performance fee will be payable in any year until all underperformance of the Company's net asset value since the last performance fee was payable has been made up. The performance fee will also be subject to a clawback if over a rolling period of three years following the end of the last financial year for which a performance fee was payable the Company underperforms.

The performance fee will be paid to Phoenix in ordinary shares (issued at the net asset value per share on the date of issue) and such shares must be retained by Phoenix for a minimum period of three years from the date of issue.

A provision for a performance fee of £124,821 has been made based on the performance of the portfolio from 28 January 2016 to 29 February 2016. As described above, no performance fee will fall due for payment until the performance up to 31 December 2016 has been determined and if any performance fee then falls due it will be paid in shares.

Previous Investment Management Contract

Previously, Mars was appointed under a contract subject to twelve months' notice, and was remunerated at a rate of 0.75% per year of the Group's Total Assets, payable monthly in arrears. Mars was also entitled to an annual performance-related fee equal to 10% of any outperformance by the Group's NAV over the FTSE All-Share Index. If the Group's NAV underperformed the Index, the amount of that underperformance would be carried forward and no further performance-related fee would be payable until the NAV had both recovered the underperformance carried forward and exceeded the performance on a cumulative basis (and such performance fee would then be calculated only on the amount of the cumulative outperformance). Any performance fee in excess of 0.75% of NAV was required to be invested by the Manager, net of tax, in the Company's ordinary shares, which must then be held by the Investment Manager for at least five years. No performance fee was earned in respect of the Mars contract during the year ended 29 February 2016 (2015: £Nil).

Investment Management Engagement

The Remuneration Committee and the Board reviewed the position of the Investment Manager at the time of appointing Phoenix to replace Mars. The process of evaluation is described in the report on Corporate Governance. Having taken into account the long-term performance of Phoenix and the prospects for the Company, the Committee and the Board have concluded that entering into, and continuing with, the Phoenix investment management contract is in the interests of shareholders.

Revision To Articles – Continuation Votes

The Company's articles of association were amended by a resolution at the Annual General Meeting (AGM) in 2011 to provide for an ongoing schedule of three-yearly continuation votes. A continuation was passed at the AGM in 2014. The next such vote would have been due to be held in 2017, but the directors announced at the time of the AGM in 2014 that they would not seek a further continuation vote on the basis of the then existing investment policy, but instead would seek an alternative future for the Company.

Following the change of investment policy and appointment of Phoenix the directors have reviewed the position regarding continuation votes. They believe that the new investment policy must be given time to prove itself, but also that the principle of regular continuation votes should be maintained. It is therefore proposed to amend the Company's articles to provide for a revised three-yearly schedule of votes, with the next such vote to be held in 2019. This is resolution 13 in the Notice of Meeting.

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 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). Prior to 28 January 2016 Mars was the AIFM of the Company. Mars was classified as a small AIFM.

Phoenix has taken over the role of AIFM from Mars. 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 renumeration in respect of the AIFM's relevant reporting period, which is the year ended 31 December 2015. These disclosures are available on the AIFM's website or are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set 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 equites to nil leverage. As described in the Strategic Report the Phoenix policy is not to use leverage. The Company's leverage under each of these methods at its year end is show below:

	Gross method	Commitment method
Maximum leverage limit	100%	100%
Actual leverage at 29 February 2016	100%	100%

Depository And Custodian

Prior to the appointment of Phoenix, the Northern Trust Company was custodian to the Group and there was no requirement under AIFMD for a depositary to be appointed. From 28 January 2016 the positions of Depository and Custodian to the Company have been taken up by BNP.

Retail Distribution Of Investment Company Shares

The Company has concluded that the distribution of its 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 shares to ordinary retail investors when the adviser deems it appropriate.

Company Secretary And Administrator

Cavendish Administration Limited ("Cavendish") was the secretary of the Company for the entire year under review, and remains so. Cavendish is also responsible for all administrative matters. Cavendish is appointed under a contract subject to 180 days' notice. Prior to 28 January 2016 Cavendish received a fee of £5,000 per month, plus VAT. With effect from 28 January 2016, 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.

Cavendish was acquired by PraxisIFM Fund Services (UK) Limited ("Praxis") in November 2015. The Board has agreed that the agreement with Cavendish will be novated to Praxis with effect from 1 July 2016

Banking And Borrowings

The Company's banker is Coutts & Co (Coutts). The borrowing facilities provided by Coutts were cancelled on 2 November 2015 following a policy decision by the Board to discontinue gearing as an instrument of investment policy.

At 29 February 2016 the gross external borrowings of the Company were £Nil (2015: £4,000,000). There were no borrowings in foreign currency (2015: £Nil). The Company holds cash balances with Coutts and the overall net position vis-a-vis Coutts at 29 February 2016 was a positive cash balance of £54,557 (2015: net debt £4,033,048).

The Company had advanced funds to AIT to finance AIT's purchases of investments and had also charged interest to AIT on the balance outstanding, at the same rate of interest as that charged by Coutts to the Company. These advances to and interest receivable from AIT were written off in their entirety during the year ended 29 February 2016. At 29 February 2016 the Company recorded a debt of £Nil due from AIT (2015:£1,966,375) and interest of £Nil due from AIT (2015:£196,113).

Market Information

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

Significant Shareholdings

The directors have been notified of, or have identified, at 2 June 2016 the following shareholdings comprising 3% or more of the issued voting shares of the Company:

	At 29 February 2016		At 2 June 2016	
	Ordinary shares	%	Ordinary shares	%
Phoenix Asset Management Partners	2,412,246	21.2	2,412,246	12.9
Rothschild Wealth Management	2,163,310	18.8	3,531,207	18.8
Miton Asset Management	1,065,161	9.4	1,065,161	5.7
Cannacord Genuity Wealth Management	1,042,685	9.2	1,042,685	5.6
MJ Barstow	900,000	7.9	900,000	4.8
Mr J. Booth	839,985	7.4	839,985	4.5
Clients of Brewin Dolphin	395,764	3.5	1,317,382	7.0

Settlement Of Ordinary Share Transactions

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

Donations

The Company did not make any donations during the year under review.

Going Concern

The financial statements have been prepared on the going concern basis. The directors have a reasonable expectation, after making enquiries, that the Company has adequate resources to continue in existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 29 February 2016, the Company held £4,144,654 in cash and £14,445,291 in quoted investments. It is estimated that the majority of the portfolio could be realised within five days under normal conditions. The total operating expenses for the year ended 29 February 2016, including those charged to capital, were £598,564; there were in addition £113,211 of finance costs, including those charged to capital. At the date of approval of this document, the Company has in excess of 43 years' cover of operating and finance costs. The Company's net assets at 2 June 2016 were £30,951,661.

Corporate Governance

The Corporate Governance Statement forms part of the Directors' Report.

June 2016

By order of the Board
John Luetchford
For Cavendish Administration Limited
Company Secretary

Corporate Governance Statement

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is appropriate for the Company. In doing so, the Board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting in line with the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

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

The UK Corporate Governance Code includes provisions relating to:

a. The role of the chief executive
b. Executive directors' remuneration
c. The need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being 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 executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

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

The size and structure of the Board is such that it is considered unnecessary to identify a senior independent director other than the Chairman, who is de facto the senior independent director.

The Board has considered the issue of boardroom diversity and in principle supports a policy of greater diversity. With only a small number of independent positions to fill, it has not to date proved possible to give practical effect to such a policy.

The Board

Board composition

The Board currently consists of a Chairman, Lord Flight, three independent directors, Mr Martin, The Honourable James Nelson and Mr Stevenson, and Mr Chapple, who is an employee of the Investment Manager.

Mr Chapple joined the Board on 28 January 2016 and Mr Barstow left the Board on the same date. These changes reflected the replacement of Mars by Phoenix as Investment Manager. Mr Stevenson joined the Board on 1 February 2016. Mr Martin has served on the Board since 8 September 2010. Lord Flight and The Honourable James Nelson joined the Board on 18 July 2011 and the Board appointed Lord Flight as Chairman from that date.

With the exception of Mr Chapple, all Board members are independent of the Investment Manager, Phoenix. Previously, all directors with the exception of Mr Barstow were independent of Mars. Mars and subsequently Phoenix supplied fund management services to the Company throughout the period under contracts described under the "Management" section in the Directors' Report. With this exception, there were no contracts subsisting during or at the end of the year in which a director was or is materially interested.

Lord Flight

Lord Flight has worked for over forty years in the financial services industry, starting his career at Rothschilds as an investment adviser. He was co-founder and joint managing director of Guinness Flight, formed in 1986 and acquired by Investec Asset Management in 1998, of which he remains a director. He is also chairman of CIM Investment Management, Downing Four VCT and Flight and Partners and a director of Metro Bank. He is a Commissioner of the Guernsey Financial Services Commission and a consultant to Arden Partners and Duff & Phelps. Lord Flight was the Member of Parliament for Arundel and South Downs from 1997–2005, Shadow Chief Secretary to the Treasury and was a member of the Shadow Cabinet. He was appointed to the House of Lords in 2010 and is a working Conservative peer, focusing mainly on Treasury and EU affairs.

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) in investment management with Foreign & Colonial, where he was a director of F & C Management Limited, and in private equity with Graphite Capital Management LLP 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 BVCA and is currently chairman of the McGill University Trust.

Richard Martin

Richard Martin is an adviser to various family groups as well as chairman of F & C Managed Portfolio Trust Plc and a director of Odysseus Capital Management Limited. He was previously CIO and adviser to T. Bailey Asset Management Limited for fourteen years. Previously he was chairman of the investment committee of the National Trust for Scotland.

Tristan Chapple

Tristan Chapple is a Director of Phoenix Asset Management Partners. He joined Phoenix in 2001 as a Business manager, providing support to the firm during a period of growth. In 2004 he became a research analyst and in 2010 he became a partner of Phoenix. Tristan holds a BA (War Studies) from King's College, London.

David Stevenson

David Stevenson is a columnist for the Financial Times, Investment Week and Money Week and author of a number of books on investment matters. He was founding director of Rocket Science Group. Currently he is a director of GLI Alternative Finance Plc, a listed investment fund, AltFi Limited and AltFi Data Limited, a partner in Hindsight Publishing LLP, a member of the investment committee of Parala and a strategy consultant to a number of asset management firms and investment banks.

As described below 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 trusts through the other relevant directorships that he holds and has held. The Honourable James Nelson and Mr Martin have a long track record of success in the fields of investment and asset management. The attributes that Mr Chapple and Mr Stevenson are able to bring to the Board were carefully considered at the time of their appointments. Mr Chapple is a member of what has been a highly successful investment management team, while 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, and that the backgrounds and seniority of the independent directors provide the Board with a high overall level of independence.

Evaluation of Board performance

The Board arranged for an objective evaluation of its performance during the year ended 28 February 2013 to be carried out by an external consultant, Lintstock Limited, which is wholly independent of the Company. This evaluation was completed during March 2013. The Board gave careful consideration to the detailed report by Lintstock Limited and concluded that no major changes were required to the composition and operation of the Board. Since that time the Board has not arranged for another external evaluation, but has reviewed and discussed the position internally, with each director confirming his view that the conclusions of the Lintstock report remain valid. Another external review would have been due in 2016, but has been deferred until 2017 in view of the changes that have recently taken place.

Policy with regard to tenure and reappointment

The Board considers the benefits of experience and seniority to be particularly important and generally help promote independent performance by directors in carrying out their duties. Therefore the Board's policy will not be to follow rigid procedures in the matter of requiring directors to cease to act either at the end of nine years' service or on reaching the age of 70.

The Directors have appointment letters which do not state any specific term. The Company's Articles of Association state that a third of the directors, or the nearest whole number not exceeding one-third, retire by rotation at each Annual General Meeting. The Company's Articles require that directors are subject to re-election at a maximum interval of three years. Also, the Listing Rules of the UK Listing Authority require a director representing the Manager, in the Company's case Mr Chapple, to stand for re-election at the AGM each year.

Further to the above requirements, the Board recognises that different shareholders may have different views on issues of tenure and reappointment. Bearing this in mind, the Board has decided as a matter of Company policy that each director will be subject to annual re-election by shareholders, although this is not a requirement of the Articles.

How the Board operates

The Board has contractually delegated to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the 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 undertakes no executive functions, 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 most 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.

Attendance at Board meetings

The Board holds at least four meetings a year. During the year ended 29 February 2016 there were five full meetings of the Board. Lord Flight, The Hon James Nelson, Mr Martin and Mr Barstow attended all these meetings. Mr Chapple attended one meeting, whose date coincided with his appointment. There was also a telephone meeting attended by Lord Flight and Mr Barstow, and two Board discussions not convened as formal Board meetings. There were also two meetings of the Board's committees, as detailed below.

Board Committees

Since all directors are non-executive and the Chairman is both non-executive and independent, the Board considers that all directors may normally be present at Committee meetings even if not formally part of the quorum. On certain occasions, as described below, it is inappropriate for the representative of the Investment Manager to be involved. The main purpose of the Committees in the context of the Company's structure is that their existence ensures that 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.

Remuneration and Management Engagement Committee

The Board has formed Remuneration and Management Engagement Committees, 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:

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

When considering issues related to directors' fees and the remuneration of service providers other than the Investment Manager, the Committee comprises all the directors. Mr Chapple stands down from the Committee when the management contract is under discussion.

The work of the Committee during the year ended 29 February 2016 is further described, including the number of meetings and attendance at those meetings, in the Directors' Remuneration Report.

Audit Committee

It is considered appropriate that issues related to the review of the annual financial statements, the appointment of the auditor and internal control procedures, including those of the Investment Manager and the Secretary, should be considered by those directors who are independent. Therefore the Board has formed an Audit Committee, which is comprised of directors who are independent of the investment manager, namely Lord Flight. The Honourable James Nelson and Mr Martin. Mr Martin is chairman of the Committee. Mr Stevenson has joined the committee since 29 February 2016.

The Audit Committee also reviews any non-audit services provided by the auditor. Such services have been, and are, limited to the provision of advice on tax compliance. The Committee considers that such advice can be more efficiently and economically provided by the same firm as that conducting the audit, particularly in view of the fact that the audit of an investment trust cannot be completed without a review of its tax status. The Committee is satisfied that the provision of such advice does not in any way prejudice the objectivity and independence of the auditor.

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 experience.

The work of the Audit Committee during the year ended 29 February 2016, and in relation to this annual report, is described in more detail in the Audit Committee Report.

Nominations Committee

A Nominations Committee has been established by the Board, to identify and interview candidates for vacancies on the Board. It is established as a principle that this process should be led by the independent directors and the Committee comprises all independent directors of the Company. The Honourable James Nelson is chairman of the Committee, which will meet as and when required. In view of the importance of the change of Investment Manager, and the related Board changes, these matters were dealt with by the Full Board during the year ended 29 February 2016 and the Nominations Comittee was not convened.

Relations With Shareholders And With Investee Companies

Relations with shareholders

The Investment Manager and Chairman have a programme of meetings with the largest shareholders and report back to the Board on these meetings. The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. 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.

Exercise of voting powers

Since the Company's investments are usually in large companies and form only a small proportion of their issued capital, the Company does not have a fixed policy always to vote its holdings, but treats each case on its merits. The Board is opposed to "mindless" voting carried out merely as a box-ticking exercise and prefers that all voting should be carefully considered. The Board delegates voting of a routine nature to the Investment Manager, but retains ultimate control and the Investment Manager consults the Board with regard to any voting on controversial issues.

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.

Assessment by the Board of service providers

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 and of 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 that applicable rules and regulations are complied with.

This 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 through 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 item C.2.1 of the UK Corporate Governance Code, the directors are responsible for making a robust assessment of the principal risks facing the Company. 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. In addition, the Board keeps under its own direct control all material payments out of the company other than for investment purposes.

The directors' statement of responsibilities in respect of the accounts, a statement of going concern and the report of the auditors are set out elsewhere in this document.

The Corporate Governance Statement forms part of the Directors' Report.
15 June 2016
By order of the Board, John Luetchford, For Cavendish Administration Limited, Company Secretary

Directors' Remuneration

James Nelson
Chairman of the Remuneration and Management Engagement Committee

June 2016

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

Ordinary resolutions for the approval of these reports will be put forward at the forthcoming Annual General Meeting. 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) and shareholder approval is mandatory. The Remuneration Policy Implementation Report is required to be put before shareholders each year. The shareholders' vote on the Implementation Report is not binding upon the Company, but the Board and the Committee take account of any concerns that are expressed by shareholders. At the Annual General Meeting in 2015, the resolution to approve the Implementation Report was passed unanimously by show of hands; the proxy voting on this resolution was 5,756,242 in favour, 3,000 against and 267,100 withheld.

Information not subject to audit

Remuneration Policy

Remuneration Committee

The Company has four wholly independent non-executive directors and a fifth director, Mr Chapple, who is employed by the Investment Manager. The Remuneration Committee comprises the whole Board when considering directors' fees and the remuneration of contracted service suppliers other than the Investment Manager. Mr Chapple stands down when issues related to the Investment Manager's fees are discussed.

Policy on directors' fees

It is the policy of the Board and the Committee that the remuneration of non-executive directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive directors' fees are determined within the maximum limit set out in the Company's Articles of Association, which currently stands at £150,000 per year. They are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. There are no arrangements in place with respect to compensation for loss of office or recruitment incentive remuneration and directors have no entitlement to any such payments.

The Committee will keep the position under review and will consider an increase in the levels of remuneration if general market rates of remuneration for non-executive directors increase and if the Company's performance warrants it. No change is anticipated for the coming year.

Directors' service contracts

The directors do not have service contracts. The directors have appointment letters which do not state any specific term. However, the Company's Articles require that directors are subject to re-election by shareholders at a maximum interval of three years.

Current and future policy

Component	Director	Current annual rate1	Purpose of reward	Operation
Annual fee	Chairman of the Board	£26,250	For services as Chairman of a plc	Determined by the Board
Annual fee	Other independent directors	£17,500	For services as non-executive directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit Committee	£2,500	For additional responsibility and time commitment	Determined by the Board
Annual fee	Non-independent director*	£15,000	For service as director	Determined by the Board
Expenses	All directors	Not applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

*Unless employed by the Investment Manager

Statement of consideration of conditions elsewhere in the Company

The Company has no employees other than the non-executive directors of the Company. Therefore the process of consulting with employees on the setting of Remuneration Policy does not apply.

Remuneration Policy Implementation Report

The Remuneration Committee met once during the year ended 29 February 2016. It concluded that the level of fees should remain unchanged, at £26,250 per year for the Chairman, at £17,500 per year for non-executive directors other than the chairman of the Audit Committee and at £20,000 for the chairman of the Audit Committee. These recommendations were accepted by the Board.

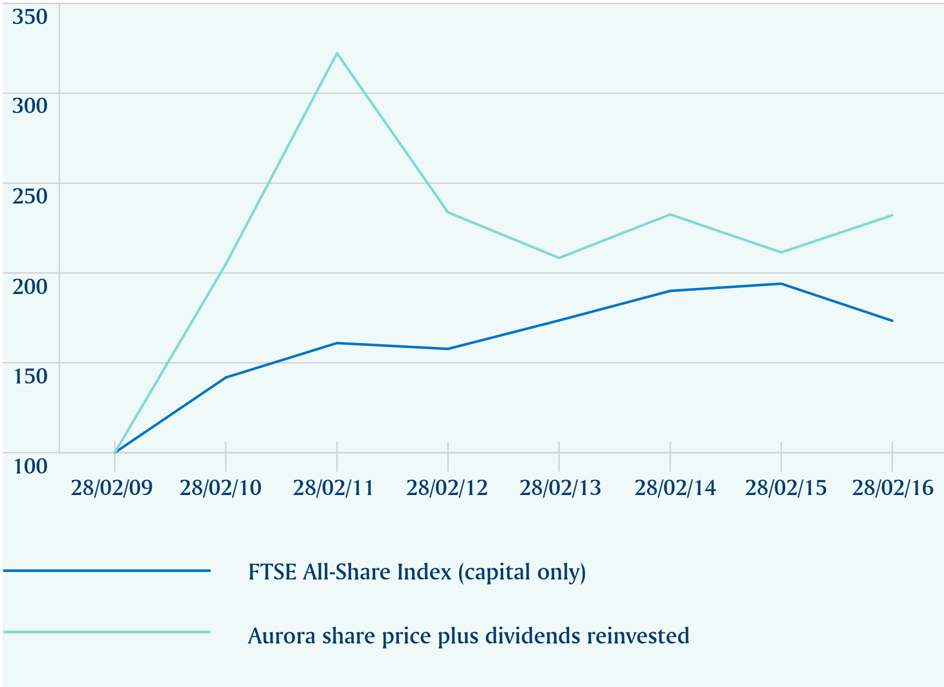
Mr Barstow had continued to disclaim the increase in fees determined on his behalf in 2007 and was remunerated at £11,000 per year up to the time of his resignation. Mr Chapple, who joined the Board on 28 January 2016, is an employee of Phoenix and it was agreed with Phoenix and Mr Chapple that he would take no remuneration from the Company.

No director receives any remuneration from AIT Trading Limited.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 29 February 2016.

Performance

The performance of the Company's shares, with dividends reinvested, is compared to that of the FTSE All-Share Index (capital only) which is the Company's Benchmark.



Relative importance of spend on pay

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

	2016 £'000	2015 £'000	Difference £'000
Revenue income receivable	671	846	(175)
Spend on Directors' fees*	84	79	5
Management fees and other expenses	407	334	73
Dividends paid to shareholders	400	395	5

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

**including NI or VAT where applicable*

Information subject to audit

Directors' emoluments for the year

The following emoluments in the form of fees were payable to the directors who served during the year:

	2016 £	2015 £
Lord Flight	26,250	26,250
The Hon. James Nelson	17,500	17,500
Richard Martin	20,000	20,000
James Barstow	10,033	11,000
Tristan Chapple	–	–
David Stevenson	1,458	–
	75,241	**74,750**

Directors' Shareholdings

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

	At 29 February 2016 and at the date of this report Ordinary shares	At 28 February 2015 Ordinary shares
Lord Flight	43,000	30,000
The Hon. James Nelson	20,000	20,000
MJ Barstow	N/A	900,000
R Martin	30,100	10,100
T Chapple	–	–
D Stevenson	–	–

Mr Barstow had ceased to be a director by 29 February 2016, but continued to hold 900,000 shares at that time.

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. AIT Trading Limited is a wholly owned subsidiary of the Company and no shares in AIT were held by any director.

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 29 February 2015:-

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
15 June 2016

Statement Of Directors' Responsibilities For The Annual Report

For and on behalf of the Board
Lord Flight
Chairman

June 2016

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

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements under IFRS as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates which are reasonable and prudent;
- state whether applicable IFRSs 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 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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 auditors are aware of that information.

Statement under the Disclosure and Transparency Rules 4.1.12

The directors confirm that to the best of their knowledge and belief;

a. This annual report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces;
b. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer; and

Having taken advice from the Audit Committee, the Directors consider that the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board, Lord Flight, Chairman
15 June 2016

Audit Committee Report

Richard Martin
Chairman of the Audit Committee

June 2016

Work of the Audit Committee

During the year ended 29 February 2016 the Audit Committee met once. Mr Martin, Lord Flight and The Honourable James Nelson attended the meeting. Since 29 February 2016 the Committee has again met, on one occasion. The auditor attended this meeting, as in the corresponding meeting in the previous year, and the Committee discussed with him in detail the results of the audit of the financial statements.

Financial statements and significant accounting matters

In its meeting since 29 February 2016, the Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 29 February 2016:

Valuation of investments

The Company holds virtually all 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 Manager and the Secretary. The results of the audit in this area were discussed with the external auditor and there were no significant issues arising from this.

Financial statement presentation

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

Allocation of management fees and finance costs to capital

The Audit Committee reviewed the basis of allocating management fees and finance costs to capital and agreed that allocating 50% of such costs to capital remained an appropriate basis.

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 29 February 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Provision of non-audit services

The Audit Committee reviewed the non-audit work of the auditor and does not consider that this compromises its independence. Non-audit work during the year ended 29 February 2016 consisted of tax compliance services. Such services are considered on a case-by-case basis and may only be provided to the Company if their provision is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

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. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. It was noted that Grant Thornton UK LLP has served as auditor to the Company and Group for fifteen years, including the period when its predecessor Robson Rhodes LLP was in office, and Mr Smith has served for his second year as the partner responsible.

Following the above review, the Audit Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the shareholders of the Company.

The Committee has concluded, however, in view of the lengthy period during which Grant Thornton has served (including the period when its predecessor was in office) that the audit should be placed out to tender before another year lapses. A full review of the audit service on a competitive basis will therefore be conducted during the year commenced on 1 March 2016.

Richard Martin, Chairman of the Audit Committee
15 June 2016

Independent Auditors' Report To The Members Of Aurora Investment Trust Plc

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

June 2016

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

give a true and fair view of the state of the company's affairs as at 29 February 2016 and of its loss for the year then ended;
have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

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.

What we have audited

Aurora Investment Trust plc's financial statements for the year ended 29 February 2016 comprise of the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Overview of our audit approach

- Overall materiality: £186,000, which represents 1% of the company's total assets; and
- Key audit risks were identified as management override of controls, the calculation of the performance fee and the valuation of investments.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Investment Manager Fees The company changed investment manager during the year and introduced a new Performance fee contract with the new manager. We identified the transition as a risk that required particular audit attention.	**Our work included, but was not restricted to:** • reviewing the fee payable to the previous manager; and • recalculating the performance fee using relevant inputs in line with the new management agreement and comparing that to management's calculation. • The Company's accounting policy on investment management fees is shown in note 1(f), disclosures are included in note 17. • Our findings: we have no matters report in relation to this risk.
Valuation of investments The company's principal investment objective is to achieve capital growth. Virtually all the Company's assets are held in quoted investments. We therefore identified the valuation of investments as a risk that required audit as the most material matter in the financial statements.	**Our work included, but was not restricted to:** • understanding management's process to recognise and measure investments; and • comparing quoted investment valuations to an independent source of market prices. • The Company's accounting policy on investment is shown in note 1 (c), disclosures are included in notes 10 and 18. The Audit Committee identified investment valuation as the most material matter in its report on page 44, where the Committee also described the action it has taken to address this matter. • Our findings: we have no matter to report in relation to this risk.

Our application of materiality and an overview of the scope of our audit

Materiality

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

We determined materiality for the audit of the financial statements as a whole to be £186,000, which is 1% of total assets. This benchmark is considered the most appropriate because it is a key component of and impacts on the company's performance benchmark of Net Asset Value per share.

Materiality for the current year is lower than the level that we determined for the year ended 28 February 2015 to reflect a lower total assets amount, although the benchmark used was the same.

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

We determined the threshold at which we will communicate misstatements to the audit committee to be £9,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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

We are independent of the company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the company's business and is risk based, and in particular included:

Obtaining an understanding of and evaluating internal controls at the company;

Substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the use of service organisations, the design effectiveness of controls over individual systems and the management of specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is 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; and

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

The information given in the Corporate Governance section set out on pages 32 to 37 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

Under the Listing Rules, we are required to review:

the directors' statements in relation to going concern and longer-term viability set out on

page 16 and 17 respectively; and
the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

materially inconsistent with the information in the audited financial statements; or
apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
otherwise misleading.

In particular, we are required to report to you if:

we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or

the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- 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.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page X, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Christopher Smith, Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants, London
15 June 2016

Finance

Statement Of Comprehensive Income

For The Year Ended 29 February 2016

		Year ended 29 February 2016			Year ended 28 February 2015		
		Revenue	Capital	Total	Revenue	Capital	Total
Note		£'000	£'000	£'000	£'000	£'000	£'000
	Losses on investments designated at fair value through profit or loss	–	(826)	(826)	–	(1,626)	(1,626)
2	Investment income	671	–	671	846	–	846
	Total income	671	(826)	(155)	846	(1,626)	(780)
3	Investment management fees	(66)	(191)	(257)	(85)	(85)	(170)
3	Other expenses	(341)	–	(341)	(249)	–	(249)
	Profit/(loss) before finance costs and tax	264	(1,017)	(753)	512	(1,711)	(1,199)
6	Finance costs	(57)	(57)	(114)	(95)	(95)	(190)
	Provision for gains/ (losses) on investment in subsidiary	–	380	380	–	(337)	(337)
	Profit/(loss) before tax	207	(644)	(487)	417	(2,143)	(1,726)
7	Tax	(3)	–	(3)	(1)	–	(1)
	Profit/(loss) and total comprehensive income for the year	204	(694)	(490)	416	(2,143)	(1,727)
9	Earnings per share	1.95p	(6.66p)	(4.71p)	4.00p	(20.61p)	(16.61p)

The revenue and capital columns, including the revenue and capital earnings per 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 Board recommends a final dividend of 1.00p per share (see note 8)

The notes on pages 57 to 73 form part of these accounts

Balance Sheet

At 29 February 2016

Approved by the Board of Directors on 14 June 2016 and signed on their behalf by:
Lord Flight
RM Martin
Company no. 03300814

The notes on pages 57 to 73 form part of these accounts

Notes		2016 £'000	2015 £'000
	NON-CURRENT ASSETS		
10	Investments designated at fair value through profit or loss	14,445	21,243
11	Investment in subsidiary	–	194
		14,445	21,437
	CURRENT ASSETS		
	Other receivables	51	308
	Cash and cash equivalents	4,145	145
		4,196	453
	TOTAL ASSETS	18,641	21,890
	CURRENT LIABILITIES:		
	Other payables	201	73
	Bank loan and overdraft	–	4,000
		201	4,073
	TOTAL ASSETS LESS CURRENT LIABILITIES	18,440	17,817
	EQUITY		
12	Called up share capital	3,598	3,598
	Capital redemption reserve	179	179
	Share premium account	12,510	10,997
14	Investment holding losses	(4,371)	(8,505)
14	Other capital reserves	6,038	10,866
	Revenue reserve	486	682
	TOTAL EQUITY	18,440	17,817
15	Net assets per ordinary share	162.30p	171.37p

Statement Of Changes In Equity

For The Year Ended 29 February 2016

2016	Notes	Share capital	Capital redemption reserve	Share premium account	Investment holding losses	Other capital reserves	Revenue reserve	Total
		£,000	£'000	£,000	£,000	£,000	£,000	£,000
Opening equity		3,598	179	10,997	(8,505)	10,866	682	17,817
Total comprehensive income/(loss) for the year		–	–	–	2,363	(3,057)	204	(490)
Provision for losses on investment in subsidiary	11	–	–	–	1,771	(1,771)	–	–
Sale of shares from treasury		–	–	1,513	–	–	–	1,513
Dividends paid	8	–	–	–	–	–	(400)	(400)
Closing equity		3,598	179	12,510	(4,371)	6,038	486	18,440

The notes on pages 57 to 73 form part of these accounts

Statement Of Changes In Equity Continued

For The Year Ended 29 February 2016

2015	Notes	Share capital	Capital redemp-tion reserve	Share premium account	Invest-ment holding losses	Other capital reserves	Revenue reserve	Total
		£,000	£'000	£,000	£,000	£,000	£,000	£,000
Opening equity		3,598	179	10,997	(8,302)	12,806	661	19,939
Total compre-hensive income/ (loss) for the year		–	–	–	(203)	(1940)	416	(1,727)
Dividends paid	8	–	–	–	–	–	(395)	(395)
Closing equity		3,598	179	10,997	(8,505)	10,866	682	17,817

The notes on pages 57 to 73 form part of these accounts

Cash Flow Statement

For The Year Ended 29 February 2016

	2016	2015
	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		
Cash inflow from investment income and interest	660	785
Cash outflow from management expenses	(400)	(432)
Payments to acquire non-current asset investments	(14,162)	(6,468)
Receipts on disposal of non-current asset investments	20,133	7,671
Foreign exchange difference received	1	-
Tax paid	(3)	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	6,229	1,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in loans advanced to subsidiary	771	(515)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(400)	(395)
Decrease in bank borrowings	(4,000)	(453)
Finance charges and interest paid	(113)	(188)
Sale of treasury shares	1,513	-
NET CASH FLOW FROM FINANCING ACTIVITIES	(3,000)	(1,036)
INCREASE/DECREASE) IN CASH	4,000	5
Cash and cash equivalents at beginning of year	145	140
Increase in cash	4,000	5
Cash and cash equivalents at end of year	4,145	145

The notes on pages 57 to 73 form part of these accounts

Notes To The Financial Statements

1. Accounting Policies

Basis of Accounting

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

Under IFRS, the AIC Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in November 2014 has no formal status, but the Company adheres to the guidance of the SORP.

The accounting policies are unchanged from those used in the last annual financial statements except where otherwise stated. The particular accounting policies adopted are described below:

a. **Accounting Convention**

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

b. **Subsidiary**

The accounts are of the Company and do not consolidate its subsidiary AIT Trading Limited ("AIT"). AIT became inactive during the year and had no net assets at 29 February 2016. The inclusion of the results of AIT would not be material for the purposes of giving a free and fair view.

c. **Investments**

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, investments are designated as fair value through profit or loss on initial recognition in accordance with IAS 39. At this time, fair value is the consideration given, excluding material transaction or other dealing costs associated with the investment.

After initial recognition such investments are valued at fair value. For quoted investments this is established by reference to bid, or last, market prices depending on the convention of the exchange on which the investment is quoted. Gains or losses are recognised in the capital column of the Statement of Comprehensive Income. All purchases and sales of investments are accounted for on a trade date basis.

d. **Income from Investments**

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

Finance costs and monthly management fees are allocated between capital and revenue according to the Board's expected long-term split of returns between capital gains and income; one-half of these costs are charged to gains on disposal via the capital column of the Statement of Comprehensive Income. Performance-related fees are charged to gains on disposal via the capital column of the Statement of Comprehensive Income. Other costs are normally charged to revenue, unless there is a compelling reason to charge to capital. Tax relief in respect of costs allocated to capital is credited to capital via the capital column of the Statement of Comprehensive Income on the marginal basis.

g. **Taxation**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet 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 balance sheet date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity.

h. **Foreign currency**

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet 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.

2. Income

Income from investments	2016 £'000	2015 £'000
Franked dividends from listed or quoted investments	368	645
Unfranked income from overseas dividends	209	58
Income from listed fixed interest securities	55	101
Interest income from subsidiary company	39	42
	671	846
Other income:		
Bank interest receivable	–	–
	671	846

3. Investment Management Fees and Other Expenses

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees						
monthly	66	66	132	85	85	170
performance	–	125	125	–	–	–
	66	191	257	85	85	170
Administration fees	76	–	76	72	–	72
Registrar's fees	20	–	20	16	–	16
Directors' fees	83	–	83	80	–	80
Auditors' fees						
– audit of the Company and of the consolidated financial statements	33	–	33	23	–	23
– audit of the subsidiary	2	–	2	2	–	2
audit-related assurance services	9	–	9	6	–	6
Write-off of investment income from subsidiary company	39	–	39	–	–	–
Miscellaneous expenses	79	–	79	50	–	50
Total other expenses	341	–	341	249	–	249

All expenses include any relevant irrecoverable VAT. The amounts excluding VAT paid or accrued for the audit of the Company are £27,000 (2015: £21,000). The Company pays for the audit of the subsidiary, for which £2,000 is accrued in the Company's accounts (2015: £1,500).

A performance fee was accrued in the year ended 29 February 2016 but was not yet payable.

4. Directors' Fees

The fees paid or accrued were £75,241 (2015: £74,750). There were no other emoluments. The gross figures shown for directors' fees in note 3 above include employers' National Insurance charges or VAT, as appropriate. Full details of the fees of each director are given in the Directors' Remuneration Report on page 40.

5.Transaction Charges

	2016 £'000	2015 £'000
Transaction costs on purchases of investments	96	37
Transaction costs on sales of investments	46	15
Total transaction costs included in gains or losses on investments at fair value through profit or loss	142	52

6. Finance Costs

		2016			2015	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable	30	30	60	55	55	110
Facility and arrangement fees and other charges	27	27	54	40	40	80
	57	57	114	95	95	190

7. Taxation

		2016			2015	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax	–	–	–	–	–	–
Overseas tax	3	–	3	1	–	1
Tax charge in respect of the current year	3	–	3	1	–	1

Current taxation

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 £'000	2015 £'000
Total loss before tax	(487)	(1,726)
Theoretical tax at UK corporation tax rate of 20.09% (2015: 21.17%)	(98)	(365)
Effects of:		
Capital losses that are not taxable	140	453
UK dividends which are not taxable	(74)	(137)
Overseas dividends that are not taxable	(42)	(12)
Increase in excess tax losses	124	99
Expenses charged to capital account for which a deduction is claimed	(50)	(38)
Overseas tax written off/(recovered)	3	1
Actual current tax	3	1

Company is an investment trust and therefore is not charged to tax on capital gains.

Factors that may affect future tax charges

The Company has tax losses of £8,303,358 (2015: £7,923,090) in respect of management expenses and of £1,688,351 (2015: £1,575,043) in respect of loan interest. These amounts are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

8. Ordinary Dividends

	2016 £'000	2015 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year 2015 at 3.85p (2014: 3.80p)	400	395
Dividends not reflected in the financial statements:		
Proposed final dividend for the year 2016 at 1.00p (2015: 3.85p)	187	400

9. Earnings Per Share

Earnings per share are based on the loss of £490,295 (2015: loss £1,727,508) attributable to the weighted average of 10,411,919 (2015: 10,397,059) ordinary shares of 25p in issue during the year, excluding shares held in Treasury.

Supplementary information is provided as follows: revenue earnings per share are based on the revenue profit of £203,622 (2015: profit £415,841); capital earnings per share are based on the net capital loss of £693,917 (2015: loss £2,143,349), attributable to 10,411,919 (2015: 10,397,059) ordinary voting shares of 25p.

10. Investments Designated At Fair Value Through Profit Or Loss

	2016 £'000	2015 £'000
UK listed securities	14,445	20,283
Hong Kong listed security	–	960
Total non-current investments designated at fair value through profit or loss	14,445	21,243
Movements during the year:		
Opening balance of investments, at cost	29,942	30,759
Additions, at cost	14,160	6,456
Disposals – proceeds received or receivable	(20,124)	(7,479)
– add realised losses/ less realised profits	(3,196)	(1,760)
– at cost	(23,320)	(9,239)
Investment in subsidiary	(1,966)	1,966
Cost of investments designated at fair value through profit or loss at 29 February	18,816	29,942
Revaluation of investments to market value:		
Opening balance	(8,505)	(8,302)
Increase/(decrease) in unrealised appreciation debited to investment holding reserve	2,363	134
Provision for write-off of investment in subsidiary	1,771	(337)
Balance at 29 February	(4,371)	(8,505)
Market value of non-current investments designated at fair value through profit or loss at 29 February	14,445	21,437

11. Subsidiary

The Company has an investment in AIT Trading Limited (AIT), a wholly owned subsidiary registered in England and Wales, which comprises two ordinary shares of £1 each. AIT undertook purchases of investments for re-sale in the shorter term, with the objective of achieving a trading profit. The profit before tax of AIT for the year was £341,213 (2015: loss £337,289). The net deficit of AIT prior to write off was £1,430,702 and at the balance sheet date was nil (2015: net deficit £1,771,916). No dividend was paid from AIT to the Company (2015: £nil).

AIT previously undertook purcahses of investments for re-sale in the shorter term with the objectiive of achieving a trading profit. This activity is incompatable with the new investment management policy and AIT ceased trading during the year. The Company had made a short term loan to AIT to finance its trading operations and charged interest at the same rate as charged by Coutts to the Company, which has previously been provided for as shown below. The Company has now fully written off its investment £194,000 and has not prepared Group accounts as the inclusion of the results of the result of AIT in the Company's accounts would not be material for the purpose of a true and fair view.

	2015 £'000	Movement £'000	2016 £'000
Investment in subsidiary:			
Loan to AIT	1,966	(770)	1,196
Provision / Write off loan	(1,772)	576	(1,196)
Net investment in subsidiary	194	(194)	–
Other receivables:			
Loan interest	196	39	235
Provision/write-off	–	(235)	(235)
Other receivables	196	(196)	–
Provision for gains/(losses) on investment in subsidiary			
Provision brought forward	(1,435)		(1,772)
Movement in provision – capital	(337)		380
– revenue	–		(39)
Provision carried forward/write-off	(1,772)		(1,431)

12. Share Capital

At 28 February:		2016	2015
Authorised			
Ordinary shares of 25p	Number	40,000,000	40,000,000
	£'000	10,000	10,000
Allotted, issued and fully paid			
Ordinary shares of 25p	Number	14,391,389	14,391,389
	£'000	3,598	3,598

During the year ended 29 February 2016 the Company did not purchase any of its own shares (2015: Nil). No shares were issued or cancelled during the year (2015: Nil). At 29 February 2016, the Company had 14,391,389 shares in issue.

During the year ended 29 February 2016 964,810 shares were sold from Treasury. At 29 February 2016 3,029,520 shares (2015:3,994,330) were held in Treasury and the number of voting shares in issue was 11,361,869 (2015: 10,397,059).

Since 29 February 2016 up to 2 June 2016 a further 3,492,104 shares have been sold from Treasury.

On 29 March 2016, a Placing was effected, resulting in the issue of 4,858,750 new shares (see note 22). As at 2 June 2016 the number of shares in issue is 19,250,139 the number held in Treasury is 502,226 and the number of voting shares is 18,747,913.

13. 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 14 below.

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.

14. Capital Reserves

	2016 £'000	2015 £'000
Investment holding gains/(losses)		
Opening balance	(8,505)	(8,302)
Revaluation of investments - listed	2,362	134
Exchange differences	1	–
Provision for impairment of holding in subsidiary	1,771	(337)
Balance of investment holding gains/(losses) account at 29 Feb	(4,371)	(8,505)
Other capital reserves		
Opening balance	10,866	12,806
Net gains and losses on realisation of investments	(3,189)	(1,759)
Write-off of holding in subsidiary	(1,391)	–
Expenses of capital management: management fees	(191)	(85)
: finance costs	(57)	(95)
Net expenses	(248)	(180)
Exchange differences	–	(1)
Balance of other capital reserves at 29 February	6,038	10,866
Total capital reserve at 29 February	1,667	2,361

15. Net Assets Per Ordinary Share

The figure for net assets per ordinary share is based on £18,440,457 (2015: £17,816,748) divided by 11,361,869 (2015: 10,397,059) voting ordinary shares in issue at 29 February 2016, excluding shares held in Treasury.

16. Reconciliation Of Profit Before Finance Costs And Tax To Net Cash Inflow From Operating Activities

	2016 £'000	2015 £'000
Loss before finance costs and tax	(753)	(1,199)
Decrease in non-current investments	6,798	2,649
Decrease in sales for future settlement	—	180
Decrease/(increase) in other receivables	60	(71)
(Decrease)/increase in other payables	127	(3)
Taxation (paid)/recovered	(3)	–
Net cash inflow from operating activities	6,229	1,556

17. Related Party Transactions

Details of transactions with AIT Trading Limited are set out in note 11.

Details of the management, administration and secretarial contracts can be found in the Directors' Report. As disclosed in that Report, Mr Barstow was a director both of the Company and of the former Investment Manager. Mr Chapple is a director of the company and an employee of the present Investment Manager. Fees payable to the current and former Investment Managers are detailed in note 3. Other payables include accruals of a monthly management fee of £Nil (2015: £13,437) and administration fees of £15,842 for two months (2015: £6,000 for one month). A provision has been made for a performance fee of £124,821 (2015: £Nil). Any performance fee will be payable in shares after the end of the performance fee period, but the amount that would have been payable at 29 February had the performance fee period ended on that date has been provided in the accounts as an equivalent value of money. All figures include any appropriate VAT.

18. 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 comprise equity investments, fixed interest securities, short-term receivables and cash balances. The currency and cash-flow profile of those financial assets was:

		2016			2015	
	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	–	14,445	14,445	–	18,791	18,791
Hong Kong $ equities	–	—	–	–	960	960
£ fixed interest						
	–	–	–	1,492	–	1,492
		14,445	14,445	1,492	19,751	21,243
Cash at bank:						
Floating rate – £ sterling	–	4,145	4,145	–	145	145
	–	4,145	4,145	–	145	145

Cash at bank includes £4,090,097 (2015: £32,584) held by the Group's Depositary, BNP Paribas.

Financial liabilities

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

The Company's borrowing facilities from its banker, Coutts & Co, were cancelled by mutual agreement on 2 November 2015.

The currency and cash-flow profile of the financial liabilities of the Company was:

	2016 £'000	2015 £'000
Interest bearing: Bank overdraft:		
Sterling	–	4,000
	–	4,000
Non interest bearing:		
Short term trade payables	–	–
	–	4,000

19. 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
    ii. Currency Risk
    iii. Interest Rate Risk, and
    iv. Other Price Risk
b. Liquidity Risk
c. Credit Risk

Each is considered in turn below:

A (i) Currency Risk

All the securities detailed in the Business Review are listed on the London Stock Exchange or quoted on AIM. Where the underlying currency or currency of quotation is not sterling this is noted. The element of currency risk on investments may be indirect and reflected in the effect of underlying currency movements upon the London market price, whether quoted in foreign currency or not.

Based on the portfolio as at 29 February 2016, there were no investments denominated in Euros and consequently there was no currency risk arising from the possibility of a fall in the value of sterling against the Euro, impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 29 February 2016 (2015: Nil) and no sensitivity analysis is presented for this risk.

A (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 29 February 2016. The weighted average interest rate of the fixed rate financial assets had been 9.43% in 2015 and the weighted average period for which rates had been fixed was indefinite.

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.

Interest was charged on the bank borrowing facilities at the bank's variable interest rates as appropriate to the currency concerned in the case of each balance. At 29 February 2016, the Company's total borrowing was £Nil (2015 £4,000,000). All borrowing during the year was in sterling.

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, but, as shown by the Portfolio Analysis in the Business Review, the Company may maintain relatively strong concentrations in particular sectors selected by the Investment Manager.

B Liquidity Risk

Liquidity Risk is considered to be small, because the portfolio is invested in readily realisable securities. As a consequence, cash flow risks are also considered to be small. The Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, the majority of the portfolio could be realised within 5 days.
The Company's loan facilities were repayable upon demand and have been repaid.

C Credit Risk

The Company invests in quoted equities and fixed interest securities. The Company's investments are held by BNP ("the Depository"), which is a large international bank with a high reputation. The Company's normal practice is to remain fully invested at most times and not to hold very large quantities of cash. At 29 February 2016, cash at bank comprised £4,090,097 (2015: £37,716) held by the Custodian and £54,557 held by Coutts & Co (2015: £112,426), also part of a large international bank with a very high credit rating.

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 to reduce debt.

20. Fair Value Hierarchy

Under IFRS 13 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.

Assessment of Hierarchy

The Company's subsidiary is held at cost less impairment and therefore its valuation as an investment in the Company's balance sheet does not fall within the fair value hierarchy. The investment has been written off in 2016.

	2016	2015
Level 1	14,445	21,243
Level 2	–	–
Level 3	–	–

21. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

The Company intends to adopt these standards (where applicable) when they become effective.

- IFRS 9 Financial Instruments – classification and measurement of financial assets and financial liabilities as defined in IAS39 (IASB effective date 1 January 2018).

22. Post Balance Sheet Date Events

On 29 March 2016 the Company raised £8,098,079 in a placing of 4,858,750 new shares, in pursuance of a prospectus dated 22 March 2016. The prospectus also provided for an ongoing Placing Programme, under which up to 55 million further shares may be issued from time to time during the period from 30 March 2016 to 21 March 2017. The price at which shares may be issued under this Programme is the NAV per share at the time of issue plus a premium to cover the expenses of the issue as determined by the Board at the time of each issue. As at that date of this report no additional shares have been issued under terms of the Programme.

Since 29 February 2016 the Company has made further sales of shares from Treasury totalling 2,867,104 shares. As at 2 June 2016 the Company has 19,250,139 shares in issue, of which 502,226 are held in Treasury. The number of voting shares is 18,747,913.

Notice of Meeting

By Order of the Board
Cavendish Administration Limited
Company Secretary

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

15 June 2016

Notice is hereby given that the Annual General Meeting of Aurora Investment Trust plc will be held at 30 Finsbury Square, London, EC2P 2YU on 13 July 2016, at 12.00 noon, for the following purposes:

To consider, and if thought fit, pass the following resolution, of which resolutions 1 to 9 and 11 will be proposed as ordinary resolutions and resolutions 10, 12 and 13 will be proposed as special resolutions.

1. To receive and adopt the financial statements for the year ended 29 February 2016, together with the reports of the directors and auditors thereon.
2. To re-elect Lord Flight as a director of the Company.
3. To re-elect The Honourable James Nelson as a director of the Company.
4. To re-elect Mr Martin as a director of the Company.
5. To elect Mr Chapple as a director of the Company.
6. To elect Mr Stevenson as a director of the Company.
7. To re-appoint Grant Thornton UK LLP as auditors to the Company and to authorise the directors to fix their remuneration.
8. To declare a dividend of 1.00p per ordinary share in respect of the year ended 29 February 2016.
9. To approve the Directors' Remuneration Implementation Report.
10. THAT the Company be and is hereby generally 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 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 the passing of 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 per cent 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;
d. the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2017 or, if earlier, on the expiry of 12 months from the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time; save that the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

11. THAT, 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 shares in the Company up to an aggregate nominal amount of £13,750,000 PROVIDED THAT 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 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 agreement as if the authority conferred hereby had not expired.
12. THAT, subject to the passing of resolution 11, 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(1) 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 offer or 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 an aggregate of nominal value of £13,750,000.

13. THAT, the articles be amended so as to delete from article 5 the reference to "at the annual general meeting to be held in 2014" and substitute "at the annual general meeting to be held in 2019."

Notes

1. Proxies

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

2. Right to attend and vote

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at 6.00 p.m. on 11 July 2016 or, in the event of any adjournment, at 6.00 p.m. on the date which is two 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.

3. Corporate members

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

4. 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.

5. Total number of shares and voting rights

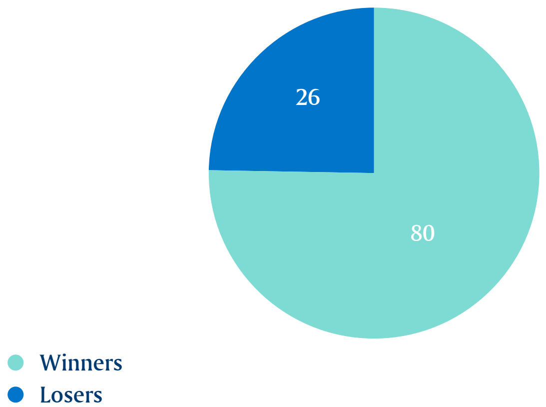
As at 2 June 2016 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 19,250,139 Ordinary Shares, carrying one vote each (but not voted if held by the Company in treasury). Of these shares 502,226 were held in treasury. Therefore, the total available voting rights in the Company as at that date are 18,747,913.

Value of £1,000 invested at Launch to 29 Feb 2016

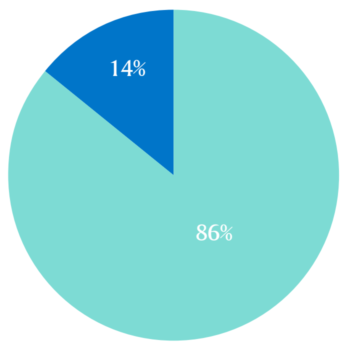
Phoenix UK Fund Track Record

The chart shows the performance of the Phoenix UK Fund, after all fees, versus the FTSE All Share index

Winners & losers by number since 1998



Winners & losers by value since 1998



Phoenix have made a total of 106 investments since they were founded in May 1998. The chart on the left shows how many of those ideas made a positive return ("winners") versus how many made a negative return ("losers").

The chart on the right refers to the same 106 investments, but is weighted by the value of the amount invested in the idea. The percentage of "winners" is higher in this case because more money has been invested in the best performing ideas.

Further Information

If you would like to learn more about Aurora or Phoenix then visit the following websites or contact us (see below):

Aurora Website

www.aurorainvestmenttrust.com

Phoenix Website

www.pamp.co.uk

Contact Details

Manager

Phoenix Asset Management Partners Ltd.
64–66 Glentham Road, London SW13 9JJ

Telephone: 0208 600 0100
Fax: 0208 600 0101
Investor Relations email: phoenix@pamp.co.uk
Website: www.pamp.co.uk

Disclaimer

Aurora Investment Trust Plc ("the Trust") is a UK investment trust listed on the London Stock Exchange. Past performance is no guarantee of future performance. The value of investments and any income from them may go down as well as up and investors may not get back the amount invested. There can be no assurance that the Company's investment objective will be achieved and investment results may vary substantially over time. This document is for information purposes only anddoesnotconstituteanofferorinvitationtopurchasesharesintheTrust. Sharesinaninvestment trust are traded on a stock market and the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares. Where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. Other risk factors such as political and economic conditions should also be considered. Where a fund holds a limited number of investments and one or more of those investments declines or is otherwise adversely affected, it may have a more pronounced effect on the fund's value than if a larger number of investments were held.

This document is issued and approved by Phoenix Asset Management Partners Limited which is authorised and regulated by the Financial Conduct Authority.

Form of Proxy
Aurora Investment Trust plc

I/We ______________________________

of ______________________________
(BLOCK CAPITALS PLEASE)

being (a) member(s) of Aurora Investment Trust plc appoint the chairman of the meeting

or (see note 1) ______________________________

of ______________________________
as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at 30 Finsbury Square, London EC2P 2YU on 13 July 2016 at 12.00 noon and at any adjournment thereof.

Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution		For	Against	Witheld
1.	To receive and adopt the directors' report, the annual accounts and the auditors' report for the year ended 29 February 2016.			
2.	To re-elect Lord Flight as a director.			
3.	To re-elect The Honourable James Nelson as a director.			
4.	To re-elect Mr Martin as a director.			
5.	To elect Mr Chapple as a director.			
6.	To elect Mr Stevenson as a director.			
7.	To re-appoint Grant Thornton UK LLP as auditors to the Company and to authorise the directors to fix their remuneration.			
8.	To declare an ordinary dividend of 1.00p per ordinary share in respect of the year ended 29 February 2016.			
9.	To approve the Directors' Remuneration Implementation Report.			
10.	To authorise the Company to purchase its own shares.			
11.	To authorise the directors to allot securities.			
12.	To authorise the directors to allot such securities referred to in resolution 11 and to sell treasury shares, free from pre-emption rights.			
13.	To amend the articles to provide for three-year continuation votes starting at the AGM in 2019.			

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ______________________ Dated this ______________ day of ______________ 2016

Notes

1. If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. The proxy form must be lodged at the Company's registrars, Capita Registrars, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.
3. Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specifies latest time for receipt of proxy appointments. 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 Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
4. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
5. If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the proxy form.
6. In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.