
Aurora Investment Trust plc

Annual Report 31 December 2023

Company No. 03300814



Contents

Strategic Report

Financial and Performance Highlights	3
Chair's Statement	4
Investment Policy and Results	7
Top Holdings	11
Portfolio Analysis	12
Statement from the CIO of the Investment Manager	13
Investment Management Review and Outlook	14
Phoenix UK Fund Track Record	22
Report under Section 172 of the Companies Act 2006	24
Other Strategic Report Information	28

Governance

Directors, Investment Manager and Advisers	33
Directors' Report	36
Corporate Governance Statement	43
Directors' Remuneration Report	51
Statement of Directors' Responsibilities	56
Audit Committee Report	58
Independent Auditor's Report	62

Financial Statements

Income Statement	71
Statement of Financial Position	72
Statement of Changes in Equity	73
Cash Flow Statement	75
Notes to the Financial Statements	76
Alternative Performance Measures	95
Glossary	97

Notice of Meeting

Strategic Report

Financial and Performance Highlights

Objective

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

Policy

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

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

The Investment Policy of the Company can be found on page 7.

Benchmark

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

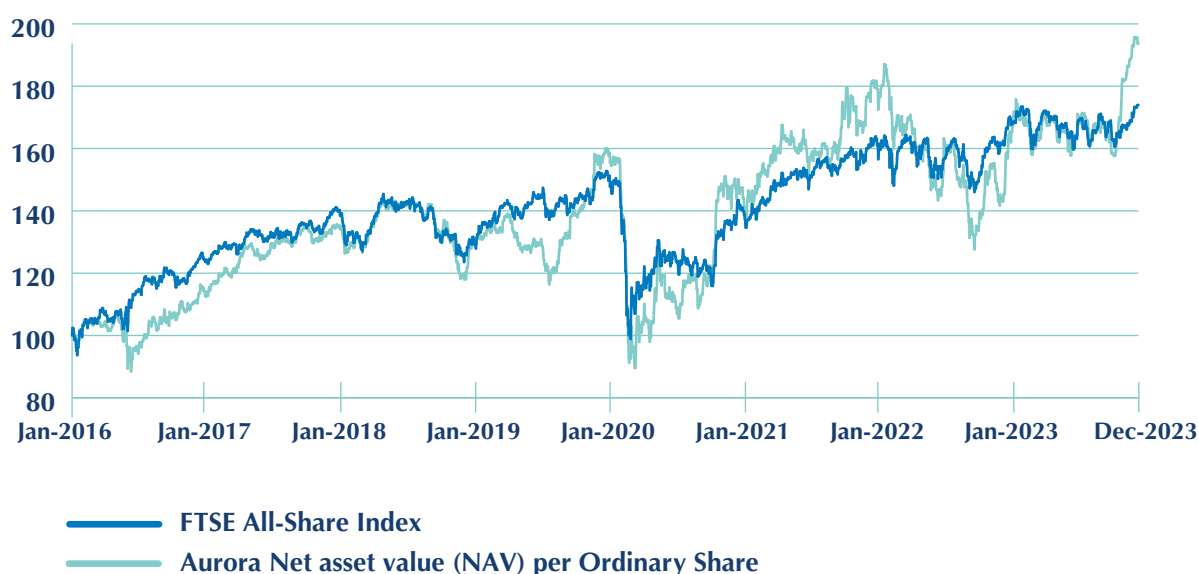
Dividend

The Board proposes to pay a final dividend of 3.45p per ordinary share (2022: 2.97p) to be paid on 20 June 2024 to shareholders who appear on the register as at 10 May 2024, with an ex-dividend date of 9 May 2024.

Annual General Meeting ("AGM")

The AGM of the Company will be held at 25 Southampton Buildings, London WC2A 1AL on 12 June 2024 at 1 p.m. There will be no Investment Manager presentation at the AGM. Instead, there will be a separate Investment Manager presentation and Q&A event at 3.30 p.m. on 9 October 2024 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

Performance



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

Chair's Statement

Lucy Walker
Chair

26 March 2024

I am pleased to present the Aurora Investment Trust PLC annual report for the year ended 31 December 2023.

Performance

Performance for the year to 31 December 2023 was very positive, with a Net Asset Value (NAV) per share total return* of 36.3% (2022: –19.1%). The share price total return* was 28.5% (2022: –16.3%) compared to the Company's benchmark FTSE All Share Index total return of 7.9% (2022: 0.3%).

The portfolio saw strong performance across the board with no notable detractors in the major holdings above a 3% weight. Top contributors were Barratt Developments which contributed 6.9% (+53% in the year), Frasers Group which contributed 6% (+29% in the year) and Hotel Chocolat which contributed 4% (after a bid by Mars at 175% premium).

Hotel Chocolat is a useful illustration of Phoenix's philosophy. They devote their attention to understanding a small number of businesses in depth and are patient waiting for them to reach the right price. In the case of Hotel Chocolat, they had monitored the business since its IPO in 2016 and only in 2022 did it reach a price which allowed Phoenix to invest. In late 2023 it was acquired by Mars at a price slightly higher than the intrinsic value estimated by Phoenix.

For further details on the portfolio and performance, see the Investment Manager's Review by Phoenix on pages 14 to 21.

The Investment Manager and Performance Fees

2023 was the eighth year of Phoenix's management of the Company's portfolio, since they took over in January 2016. Throughout that time, Phoenix has employed a focused and patient investment approach.

Phoenix uniquely receives no annual management fee. Instead, they are solely remunerated from an annual performance fee, equal to one third of any outperformance of the Company's NAV against its benchmark, the FTSE All Share Index (total return).

The performance fee is paid by issuance of the Company's ordinary shares, which are subject to a fixed three-year clawback period. That means issued shares will be returned by the Investment Manager in the event any outperformance versus the index reverses on the third-year anniversary. If outperformance fully reverses, the Investment Manager receives nothing.

In the years ending 2019, 2020 and 2021 the Investment Manager was awarded shares in settlement of performance fees earned. The shares awarded for 2019 performance were clawed back in 2022, with 530,311 shares returned to the Company and cancelled. Following strong performance in 2023, the shares awarded for the 2020 performance were retained, with Phoenix earning a performance fee of £560,903 for 2022 and 2023. In accordance with the Investment Management Agreement, 80% of this fee was settled in January 2024 with 172,373 shares issued to Phoenix at 260.32p each, which was the prevailing published NAV per share at the time of issue. The remaining 20% will be settled following publication of this annual report.

*Alternative Performance Measure (see page 96).

Chair's Statement

Continued

Following this share issue, the Company's issued share capital is now 76,250,833 ordinary shares of 25p, each carrying one voting right. The Company does not hold any shares in Treasury.

Share Price Discount

The Board closely monitors the discount at which the Company's shares trade to NAV. During 2023 the discount widened from 4.4% at the end of 2022 to 10.0% at the end of 2023.

Closing the discount remains a key objective of the Board and marketing activities are considered a key part of the strategy for achieving this. Phoenix along with Liberum, the Company's broker, and Frostrow Capital as investor relations and marketing adviser continue to promote the Company proactively.

The Board is seeking to renew the power granted to it by shareholders to buy back shares at the forthcoming annual general meeting. The Board will also seek to renew its powers to issue new shares in order to be able to issue shares to investors should the shares return to a premium, as well as to enable the issue of shares to the Investment Manager in respect of performance fees earned.

Growth of the Company

Another key objective of the Board is growing the Company, with a medium-term target of £250 million. During the year the Company's market capitalisation increased from £149 million at 31 December 2022, to £188 million at 31 December 2023. Central to growing the Company to our target will be closing the discount, so this is the Board's first priority.

Annual General Meeting ("AGM") and separate Investment Manager presentation event

This year's AGM will be held at the Company's registered office, 25 Southampton Buildings, London WC2A 1AL, on 12 June 2024 at 1 p.m. to consider the business set out in the Notice of Meeting on pages 100 and 101 and, like last year, will not include an Investment Manager presentation. Last year the Board decided to hold a separate event in October instead of combining an Investment Manager presentation with the AGM. This presentation was well attended and the Board has decided to follow the same formula this year. Accordingly, a separate Investment Manager presentation event will be held at 3.30 p.m. on 9 October 2024 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE. This event is intended to be of interest to both existing and prospective Aurora shareholders and will include multiple speakers from the Investment Manager. It is intended for this event to be recorded and made available afterwards on the Company's website.

With respect to the AGM, the Board strongly encourages shareholders to register their votes online in advance of the meeting by visiting www.signalshares.com and following the instructions on the site. Appointing a proxy online will not restrict shareholders from attending the meeting in person should they wish to do so and will ensure their votes are counted if they are not able to attend. Shareholders are invited to send any questions they may have to the Company Secretary by email to info@frostrow.com ahead of the meeting.

Chair's Statement

Continued

Dividend

The Board is recommending a final dividend of 3.45p (2022: 2.97p) per ordinary share, to be paid on 20 June 2024 to shareholders who appear on the register as at 10 May 2024. The ex-dividend date is 9 May 2024. This dividend will be proposed at the forthcoming AGM to be held on 12 June 2024. The Company's dividend policy, which is to distribute substantially all net revenue proceeds, remains unchanged and can be found on page 7 of this Annual Report.

Outlook

2023's performance was very welcome, but there remains significant value in the portfolio, with Phoenix estimating a discount to intrinsic value of 130%. The Company's shares, particularly trading on close to a 10% discount to NAV, offer an excellent opportunity to access Phoenix's differentiated strategy of investing in a concentrated portfolio of great, thoroughly researched businesses at attractive prices.

Lucy Walker
Chair
26 March 2024

Investment policy and results

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

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

While there is a comparable index for the purposes of measuring performance over 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 portfolio will be relatively concentrated. The exact number of individual holdings will vary over time but typically the portfolio will consist of holdings in 15 to 20 companies. The Company may use derivatives and similar instruments for the purposes of capital preservation.

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

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

Dividend Policy

The Company does not have a fixed dividend policy. However, the Board expects to distribute substantially all of the net revenue arising from the investment portfolio. Accordingly, the Company is expected to pay an annual dividend that may vary each year.

Borrowing Policy

The Company is not prohibited from incurring borrowings for working capital purposes, however the Board has no current intention to utilise borrowings. Whilst the use of borrowings should enhance the total return on the ordinary shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will

Investment policy and results

Continued

have the opposite effect where the underlying return is falling, further reducing the total return on the ordinary shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per share.

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

Purpose and Key Performance Indicators (“KPI’s”)

The Company’s purpose is encapsulated in its investment objective, which is to provide shareholders with long-term returns through capital and income growth by investing predominantly in a portfolio of UK listed companies. The Board measures the Company’s success in attaining its objective by reference to KPIs as follows:

- a. To make an absolute total return for shareholders on a long-term basis;
- b. To make a relative total return for shareholders on a long-term basis, as measured against the Company’s benchmark, the FTSE All-Share Index (total return);
- c. The Board seeks to ensure that the operating expenses of running the Company as a proportion of NAV (the Ongoing Charges Ratio) are kept to a minimum; and
- d. The discount/premium to NAV per share at which the Company’s shares trade is also closely monitored in view of its effect on shareholder returns.

These are alternative performance measures (“APMs”). The Financial Statements (on pages 71 to 94) set out the required statutory reporting measures of the Company’s financial performance. However, the Board additionally assesses the Company’s performance against these APMs, which are viewed as being particularly relevant for the Company. These APMs are widely used in reporting within the investment company sector and the Directors believe they enhance the comparability of information and assist investors in understanding the Company’s performance. Further information on each of the KPI’s is set out below. Definitions of the APMs and the basis of their calculation are set out on pages 95 and 96.

The Chair’s Statement on pages 4 to 6 incorporates a review of the highlights during the year.

The Investment Management Review and Outlook on pages 14 to 21 gives details on investments made during the year and how performance has been achieved.

Performance (KPIs a and b)

The Company’s performance in absolute terms and relative to the FTSE All-Share Index (total return) benchmark since Phoenix was appointed as Investment Manager in 2016 is shown below:

	Cumulative since 28 January 2016 to 31 December 2023 %	Year to 31 December 2023 %	Year to 31 December 2022 %
NAV per share (total return)	93.7	36.3	(19.1)
Share price (total return)	77.9	28.5	(16.3)
Benchmark (total return)	73.9	7.9	0.3

Investment policy and results

Continued

The Directors regard the Company's share price total return to be the overall measure of performance over the long term, since it approximates the return in the hands of shareholders. It combines the change in the share price with the dividends paid to shareholders, which are added back as though reinvested at the ex-dividend date.

The Directors regard the Company's NAV per share total return to be a key indicator of the Investment Manager's performance. The NAV per share total return is the change in the Company's NAV per share with distributions to shareholders added back.

The Board monitors these against the Company's benchmark and peer investment companies.

The Company's performance under both of these total return measures was strong in 2023.

Ongoing charges (KPI c)

Ongoing charges represent the costs that shareholders can reasonably expect the Company to pay from one year to the next under normal circumstances, excluding performance fees and taxation.

Phoenix does not earn an ongoing annual management fee, but instead is paid an annual performance fee, only if the benchmark is outperformed, equal to one third of the outperformance of the Company's NAV against its FTSE All-Share Index (total return) benchmark.

The Board monitors the Company's other operating costs carefully and aims to maintain a sensible balance between good quality services and costs. Based on the Company's average net assets for the year ended 31 December 2023, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 0.45% (2022: 0.45%). As the size of the Company grows the ongoing charge figure, is expected to reduce.

Premium/Discount to NAV (KPI d)

The discount of the price at which the Company's shares trade to the NAV per share is considered a key indicator of performance as it impacts the share price total return and can provide an indication of how investors view the Company's performance and its investment objective. Accordingly, it is closely monitored by the Board as discussed in the Chair's Statement on page 5. The share price closed at a 10.0% discount to the NAV per share as at 31 December 2023 (2022: 4.4% discount). During the course of the year, based on the daily published NAVs per share (which are not adjusted to comply with IFRS 2 (see pages 10 and 60), the Company's shares traded at a discount of between 5.0% and 14.1%, with an average discount of 10.4% (2022: the Company's shares traded between a premium of 1.6% and a discount of 13.6% to NAV per share, with an average discount of 5.4%). Discount is further discussed on pages 5 and 38.

Revenue Result and Dividend

The Company's revenue after tax for the year ended 31 December 2023 was £2,661,000 (2022: £2,263,000). The Board is recommending the payment of a final dividend of 3.45p per share (2022: 2.97p per share). This dividend, if approved by shareholders, will be paid on 20 June 2024 to shareholders on the register as at 10 May 2024; the shares will be marked ex-dividend on 9 May 2024. In accordance with IFRS, this dividend is not reflected in the financial statements for the year ended 31 December 2023.

Investment policy and results

Continued

Our registrar, Link Group ("Link"), administers a Dividend Re-Investment Plan ("DRIP") on behalf of the Company whereby direct shareholders resident in the United Kingdom can choose for Link to apply their cash dividend to buy further shares in the market. The last date by which shareholders may elect for the DRIP to be applied for their 2023 dividend is 30 May 2023. Details about the DRIP, including the terms and conditions and how to join or exit the DRIP are available at www.signalshares.com or by calling Link on +44 (0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday, excluding public holidays in England and Wales.

Five Year Summary

Year	Year end NAV per Share (pence)	Dividend per Share in respect of the year (pence)	Year end Share price (mid-market) (pence)
Year ended 31 December 2019	232.07	4.50	237.00
Year ended 31 December 2020	216.93	0.55	207.00
Year ended 31 December 2021	253.78	1.84	234.50
Year ended 31 December 2022	203.45	2.97	194.50
Year ended 31 December 2023	274.34	3.45	247.00

Net Asset Value per Share (NAV per share)

The table below is a reconciliation between the NAV per share as at 31 December 2023 announced on the London Stock Exchange on 2 January 2024 and the NAV per share disclosed in these financial statements. The difference is principally the result of amortising performance fees over the vesting period in accordance with IFRS 2 – Share-based Payment, in these financial statements, whereas the NAV per share as at 31 December 2023 published on 2 January 2024 treated the performance fees as earned on 31 December 2023, in accordance with the investment management agreement. The remaining reconciling balances relate to adjustment of the unquoted investment valuation and expenses, due to timing lag.

	NAV	NAV per share
	£'000	p
NAV as published on 2 January 2024	207,802	273.14
Add back performance fees accrued under non-IFRS 2 approach	673	0.89
Deduct performance fees accounted for under IFRS 2	(166)	(0.22)
Adjustments on final valuation of unquoted investment and expenses	405	0.53
NAV as disclosed in these financial statements	208,714	274.34

Top Holdings as at 31 December 2023

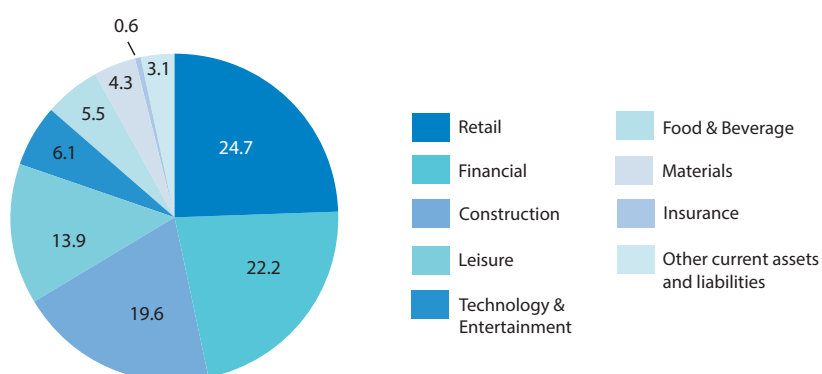
Company	Sector	Holding in Company	Valuation	Percentage of net assets	Date of first purchase	Average cost per share*	Share price	Market capitalisation
			£'000	%				Million
Frasers Group plc	Retail	4,968,886	45,242	21.7	Jun-07	£2.93	£9.11	£4,124
Barratt Developments plc	Construction	5,866,312	33,004	15.8	Nov-18	£4.87	£5.63	£5,483
Castelnau Group Limited [#]	Financial	36,421,421	27,316	13.1	Oct-21	£0.92	£0.75	£239
Ryanair Holdings Plc	Leisure	928,600	15,349	7.4	May-19	€8.34	€19.08	€21,742
Netflix Inc	Technology & Entertainment	33,500	12,794	6.1	Apr-22	\$164	\$486.86	\$213,089
Lloyds Banking Group plc	Financial	25,977,000	12,392	5.9	Sep-08	£0.57	£0.48	£30,326
Hotel Chocolat Group plc	Food & Beverage	2,638,800	9,711	4.7	Jul-22	£0.23	£3.68	£506
RHI Magnesita N.V.	Materials	260,970	9,030	4.3	Jan-20	£33.55	£34.60	£1,631
easyJet Plc	Leisure	1,667,168	8,503	4.1	Sep-16	£8.62	£5.10	£3,866
Bellway Plc	Construction	306,940	7,858	3.8	Oct-12	£21.47	£25.60	£3,058
AO World plc	Retail	6,396,000	6,274	3.0	Dec-21	£0.93	£0.98	£568
Other holdings (less than 3%)			14,736	7.1				
Total holdings			202,209	96.9				
Other current assets and liabilities			6,505	3.1				
Net assets			208,714	100.0				

* Average net cost including sales.

[#] Castelnau is a multi-sector financial holding company, listed on the Specialist Fund Segment of the London Stock Exchange. Castelnau is also managed by Phoenix and its value is excluded from the Company's net assets when calculating performance fees earned by Phoenix to avoid double charging.

Portfolio Analysis as at 31 December 2023

Sector	Percentage of Net Assets
	%
Retail	24.7
Financial*	22.2
Construction	19.6
Leisure	13.9
Technology & Entertainment	6.1
Food & Beverage	5.5
Materials	4.3
Insurance	0.6
Other current assets and liabilities	3.1
Total	100.0



* Castelnau is included in the Financial classification as it is a multi-sector financial holding company.

Statement from the Chief Investment Officer of the Investment Manager

Gary Channon
Chief Investment Officer Phoenix
Asset Management Partners

26 March 2024

A portfolio of undervalued businesses that are compounding their retained capital at high rates is something that time works wonders for. If intrinsic value keeps growing without an accompanying rise in share prices, the invisible elastic that connects them becomes stretched. That's where we were when we wrote at the end of 2022, and in 2023 that force finally resulted in the price of the Company's portfolio holdings performing ahead of the growth in intrinsic value. That said, the elastic remains very stretched, with 130% upside in our view, and there is a cheap market for us to keep adding future value through.

There are some emerging signs to suggest the persistent and increasing relative undervaluation of the UK has reached its zenith. We will make the most of the cheapness while it lasts, but no matter what the market conditions there are always industries and companies having short-term problems that create opportunities for the prepared and patient investor. Our approach has delivered long-term outperformance in all types of markets because ultimately it's about investing in a business-like way, backing businesses we can understand and monitor, with superior and enduring economics, available at attractive prices and run by those we trust to look after our capital and deploy it intelligently whilst reporting to us honestly.

It is an approach full of variance and rich in lessons for continuous improvement when things do not go as expected. We have always strived to be a learning organisation and so we mine those lessons to improve our approach. As a result I believe we are a much better manager of your money today than we were 25 years ago even with the growth in assets.

Gary Channon
Chief Investment Officer
Phoenix Asset Management Partners
26 March 2024

Investment Management Review and Outlook

Steve Tatters
Director
Phoenix Asset Management
Partners

26 March 2024

Over the year to 31 December 2023 the NAV per share total return was 36.3% and the share price total return was 28.5%. The FTSE All-Share total return was 7.9% over the same period. Since Phoenix began managing Aurora Investment Trust PLC on 27 January 2016, the Company's NAV per share has risen 93.7% versus 73.9% for the FTSE All-Share index. Net assets at year-end were £208.7 million (2022: £154.8 million).

The strong performance in 2023 recovered the underperformance in 2022 and a new high-water mark was reached for performance versus the FTSE All-Share index. This resulted in a performance fee being earned at the end of the year. This fee was circa £561,000, or 0.2% of NAV.

As a reminder, if a performance fee is payable, it is paid by way of the issuance of Ordinary Shares, which are subject to a fixed three-year clawback period. If the outperformance versus the index reverses on the third-year anniversary, some or all the issued shares will be returned. If outperformance fully reverses, Phoenix will receive nothing.

On 31 December 2023, a clawback test for the year ended 31 December 2020 was carried out, and the performance fee awarded at the end of 2020 was not clawed back since outperformance had continued for the three-year clawback period.

Performance for 2024 to date has been benign. As of 29 February, the NAV had fallen 1.9% for the year-to-date, versus a 1.1% fall for the FTSE All-Share index.

Performance Review

From a performance perspective, 2023 was influenced by expectations of lower interest rates as inflation was brought under control.

The first half of the year saw positive price performances across the portfolio. On 30 June 2023 the NAV per share total return for the period was 12.4%, versus 2.5% for the benchmark.

Individual stock moves of note at the half year included **AO World** and **Netflix**, up 52% and 49% respectively. The portfolio's low-cost airline holdings, **easyJet** and **Ryanair**, also benefitted from the ongoing recovery in travel to end the half year up 49% and 41%.

The second half of the year saw further positive price action taking the NAV per share total return for the year to 36.3%, versus 7.9% for the FTSE All-Share index.

The biggest contribution to the full year performance was **Barratt Developments**, which contributed 6.9% to the NAV rise following a 53% share price rise during the year.

Frasers Group was the largest holding at the year end. It contributed 6% to the NAV rise following a 28% increase in its share price.

In November, **Hotel Chocolat** received a bid approach from Mars at a 175% premium to the prevailing share price. The share price was up 138% over the year as a whole and contributed 4% to the NAV.

After the bid, we wrote to investors with a reminder of our investment premise, which we believe was a vindication of our approach and an example of the under valuation of companies within the UK market. We continue to believe that today.

Investment Management Review and Outlook

Continued

An excerpt from that investment premise is below. In it we outlined our intrinsic value for the company at £3.50 per share. The bid from Mars was £3.75. It also highlights the patience in our approach as we were aware of the company prior to its float but were unable to invest at that time due to price. However, our ongoing monitoring allowed us to act quickly when subsequent price falls gave us that opportunity.

"Hotel Chocolat listed on the London Stock Exchange in 2016, with both founders retaining a significant stake in the business. As of December 31st, 2022, they each own 27.1% of the company. We have known both Angus and Peter for a long time and hold them in high regard.

We believe that the key moat for the business is its strong brand and resulting customer loyalty, which it has cultivated through a combination of innovation, creativity, disciplined pricing, and direct distribution. In so doing, it has also avoided the pitfalls that led to the downfall of one of its competitors, Thorntons.

One of the company's great recent innovations has been the Velvetiser hot chocolate machine, which is increasingly becoming a staple household appliance and has formed the foundations of an effective subscription model. As a product, it creates loyal, repeat-customers who repurchase the chocolate sachets. The repeat purchases and subscription service also provide the company with a steady revenue stream in an industry where consumer purchases are usually very seasonal (Christmas, Easter and Valentine's Day are the main chocolate-shopping opportunities).

The differentiated taste of Hotel Chocolat's chocolate, stems from its "More Cacao, Less Sugar" mantra. Cacao is around five times more expensive than sugar, but the company is committed to cacao always being the number-one ingredient in its chocolate, even in milk and white varieties. This differentiates the product from those of many of the Group's competitors, in which sugar is frequently the primary ingredient. The high-cacao content within Hotel Chocolat's chocolate, also enables them to justify a higher price-point and enables them a higher degree of price-elasticity as their consumer is likely to be more driven by quality than price.

The company navigated the challenges of Covid admirably, succeeding in not only switching from being a primarily store-based to an online business during the lockdowns, but managing to grow sales by 21% between FY20 and FY21.

We have long admired Hotel Chocolat, so much so that at the time of the IPO we were considering investing in the business. Although this didn't happen because the price was above our limit, we continued to keep a close eye on the company. Last year, following the announcement of the closure of the Japanese and US businesses, Hotel Chocolat's share price dropped, opening an opportunity for us to invest. This is a company built on experimentation and innovation and it is inevitable that not every experiment will lead to success. However, we believe that the market had over-reacted, that the underlying strength of the UK business remained, and that the doors to overseas expansion had not permanently closed. Indeed, earlier this year Hotel Chocolat announced that it had found a new partner for its Japanese joint venture.

In some ways, the shock of the drop has had a positive cathartic effect, with the business rationalising and cutting back on areas into which it had perhaps strayed too far (such as coffee machines & pods and beauty products). At the same time, we believe they haven't lost the innovative skill upon which their hitherto success has been built, and which will enable it to continue to grow in the future.

We have modelled out a range of potential scenarios to determine Hotel Chocolat's intrinsic value. A central scenario values the UK business alone at £3.50 per share. The bottom of that IV range is around £2.00 a share. We invested at £1.35, which, based on the central case, would result in an upside to IV of c. 160%."

Investment Management Review and Outlook

Continued

The portfolio's low-cost airline holdings continued to perform strongly in the second half of the year. **easyJet** ended the year up 57.1%, with **Ryanair** up 56.2%. Both contributed circa 3% to NAV.

Other share price moves of note, but with a lower impact on NAV due to their weight, included **AO World** up 89.1%, **Netflix** up 65.1%, **RHI Magnesita** up 64% and **Bellway** up 42.9%.

There were no fallers of note in the major holdings above a 3% weight.

Activity Review

The year was one of modest investment activity, which reflected our confidence in the portfolio.

One material change of note during the first half was a 5% increase in the Castelnau holding following its bid for **Dignity PLC**.

We wrote about **Dignity PLC** in the interim report published in July 2023. We highlighted the potential upside, the downside protection from the value embedded in the crematoria business and freehold estate alongside the potential growth from an expansion in the funeral plan market.

The transformation at **Dignity** is now underway and all of the elements of the original investment thesis hold true today.

The increase in the Castelnau holding was partially funded by a reduction in **easyJet** and this was followed by a further reduction in the second half.

In Q4 we made a modest increase to the **Lloyds** holding and we sold some **Hotel Chocolat** rather than wait for the bid to close.

At the very end of year we began to add a new holding. The price moved away from our target, but we hope to provide an update on it in the future if we establish a material holding.

Outlook

As outlined above, our low activity level in 2023 was a reflection of our confidence in the portfolio. We entered 2024 with a portfolio that we believe is cheap despite a 2023 return that has taken the NAV to an all-time high. The upside to intrinsic value is 130%, which is attractive in historical terms.

In his year end message to investors, Gary Channon wrote:

"We expect to continue to be able to deliver you long-term investment returns that significantly exceed those of the market and most of our peers.

Our edge remains the ability to focus effort, think clearly, do nothing for long periods of time, act occasionally when it makes sense and with a longer time horizon than most market participants.

That ability is because of the investors we work for, and we thank you for that."

Investment Management Review and Outlook

Continued

In the same year end message, Gary wrote a thought piece on the potential impact of generative AI on the economy and the whole world of business. He compares it to our experience of the rise of the internet. It is reproduced below and it remains topical today.

“During 2023 we passed the 25th anniversary of the launch of Phoenix. It has been an extremely interesting period in which to invest and is bookended by two profound technological innovations, the world wide web (often just called the internet) and generative AI. Looking at how the first shaped business and investing over the past 25 years has some useful lessons for how to think about the latter. There has also been a further form of innovation in business management not often discussed which we think, when combined with generative AI makes, in our opinion, what is about to come quite different from the past.

The first websites emerged in the mid-1990s. Yahoo and Amazon launched, and then Google launched in the same year of Phoenix’s founding in 1998. Phoenix started in the later stages of a stock market bubble in the shares of technology, media and telecoms (TMT) companies. That bubble peaked in early 2000 but only after having sucked in huge amounts of capital that funded the foundational infrastructure for the internet and mobile telephony. Investors in it did terribly but society benefited. When investors are excited about an industry, it doesn’t need profits to grow and invest, it can just raise more and more capital.

Our approach to investing led us to see more threat than opportunity. Fast innovation makes forecasting the future with a degree of confidence difficult. The disruptive nature of the rise of ecommerce meant that it wasn’t enough to just handicap those estimates (i.e. by requiring a higher return) because we weren’t talking about differing growth rates. It was more like Schumpeter’s creative destruction which would see businesses made worthless. We don’t invest where there is a reasonable risk of permanently losing money.

We weren’t averse to looking for opportunity, but our experiences demonstrate the difficulty from an investment perspective. For example, we believed in 2001 that smartphones would be ‘a thing’, and this was when that was not the consensus view. We were invested in the company that provided the operating system for all the upcoming smartphones, used by all the leading makers of the day; Nokia, Motorola, Ericsson, Sony, etc. but there you see the problem. Smartphones did become a big thing but none of the leading mobile phone manufacturers survived and even before that Psion sold the business with the operating system in (Symbian). In investing that is called getting it wrong!

The internet has profoundly changed business but interestingly it has happened at the pace of consumer behaviour changes not at the pace the technology could handle. The rise of e-commerce has transformed retail, but it has varied depending on the consumer. Food shopping is often cited as one of the least favourite shopping experiences by consumers and yet it was very slow to shift online. It had only reached a 7% penetration rate in the UK before Covid and then as soon as Covid passed it fell back and is today only 10%.

The UK has the highest penetration of online retail in the world, it currently sits at 27% of all retail sales, and that has dramatically changed the competitive landscape, creating winners and losers. The winners in most sectors have been the incumbent operators who were able to adapt their business models. Amazon was more the exception than the rule because it turns out that supply chain and logistics are critical and physical stores can be an advantage. For example, only 1 of the top 10 fashion retailers is a pure online player (ASOS).

Investment Management Review and Outlook

Continued

The emergence of online searching and social media radically transformed advertising as a more targeted and measurable means of reaching customers. This caused ad spending to switch away from traditional media and completely reshaped the advertising industry, which is now dominated by Google, Meta (Facebook), Amazon, Alibaba and ByteDance (TikTok). This happened at the pace at which consumers moved online, which was quicker than their adoption of ecommerce. The internet and then social media have become the way consumers often begin their journey towards an act of consumption, and therefore, the gatekeepers to those audiences have built highly valuable franchises.

Investment discussion is dominated by the sort of macro factors that are largely cyclical and cause oscillations in economic progress. This is very relevant to the near term but becomes much less important as your time horizon increases to the point of irrelevance over the very long term. It doesn't matter how many business cycles we've had in the UK over the past 25 years or even when they happened. We know they will keep happening. What is much more important for investors are secular trends, i.e. those changes that occur over the long term that are not cyclical in nature. The most important ones during our history of investing have been those related to the rise of the internet and the changes that had on commerce.

There has, however, been another innovation that hasn't attracted much attention or discussion, but which could cause even bigger changes in the coming decade, when combined with what might be coming with AI. The "innovation" is a new way of doing business, a culture, that gives a big competitive advantage versus the traditional way. Because this new way of working emerged in what were mainly technology companies it was easy to miss, their success has been attributed to the specifics of what they did rather than explained by a way of operating, a culture-based edge. It took us 2 decades to figure it out and pretty much all we do is watch businesses.

There are a few key ingredients to this new way of working that are key: they develop through trial and error, they empower deep into the organisation which devolves and multiplies decision making, they execute at speed by breaking projects into small releasable iterations, they use data and science to make decisions and they foster a culture in which this can happen.

The two most studied companies at Phoenix in the past 25 years have probably been Amazon and Google because they touch just about every area of commerce. Following what they do and trying to interpret it misses the point though, they have evolved not through grand strategy from the top but as a result of the interaction between innovation through trial and error and the results of those iterations.

*At the heart of this new model is a better understanding of human motivation which originally came from Maslow. When you are trying to get the best out of people who are doing complex, creative and innovative tasks then the traditional management tools of reward and punishment, carrot and stick, do not work; what works, in the words of Daniel Pink, who has written well on the subject, is Autonomy, Mastery and Purpose. (He summarises his work well in a TED Talk called *The Puzzle of Motivation*. His book on the topic is *Drive: The Surprising Truth About What Motivates Us*). The businesses that have developed this new way of working have built cultures that tap into this.*

Investment Management Review and Outlook

Continued

*It's not easy to do and has been a continually evolving affair but it links a whole group of companies, with a North California connection whose combined market capitalisation is now greater than that of all the stock markets in Europe. These companies, although defending their intellectual property, have been very open about this aspect of their business. The Netflix culture deck was shared with the world in 2009 and has been downloaded millions of times and has influenced lots of businesses. Google has shared lots of its practices and its whole OKR (objective and key results) framework and toolkits openly which again have influenced many other businesses. Amazon also has been open about the way it operates and innovates. The closer you get to this topic the more you see how the cross influences have occurred. Andrew McAfee, a professor previously at Harvard and now at MIT Sloan, has spent his career around these businesses and has written a very good book on the subject called *The Geek Way*.*

All of those companies talk about culture as something they have to keep working hard to maintain. Microsoft turned into a hierarchical bureaucracy, stagnated and was overtaken by its competitors and was missing out on innovation until Satya Nadella took over as CEO in 2014. The company's value had not changed in the previous 16 years since Phoenix launched but it has increased 10-fold since he took over. What did he do? He changed the culture, tapping into all the best of what he saw amongst their competitors. He embraced empowerment and a goal-driven approach to leadership (like OKRs as used by Google) rather than decision by what are referred to in these new companies as HiPPOs (Highest Paid Person's Opinion). He started by teaching and fostering empathy, an understanding of human beings and from the top he changed the culture at Microsoft in what has to be one of the biggest and probably most valuable cultural transformations in corporate history.

It may be no accident that Microsoft has gone from an innovation laggard to being the owner of OpenAI and at the cutting edge of the generative AI revolution.

As we take the lessons from investing in the past 25 years and apply them to thinking about how AI will impact the future, one of the biggest differences we see is that whereas the changes brought about by the internet were very influenced by the pace of consumer adoption, a lot of the benefits of AI are internal to businesses and can therefore be deployed at the pace businesses can handle. Change therefore is likely to be quicker and more impactful, both positive and negative.

Much has been written about the seeming lack of productivity growth that has followed from the internet and we have written on this before. We believe it is due to the nature of change, and the measurement of productivity which is generally GDP per person. Ecommerce takes an activity that was not part of GDP, like going to the shop to buy something, and replaces it with something that is, a low paid delivery driver brings your shopping or meal to you for a small cost. This adds lots of low value, low productivity output and doesn't measure the big quality of life improvement. In our 25 years the number of people in logistics in the UK has trebled at a time when the total workforce has grown 28% (ONS Labour force data). This growth has exceeded that in computer programming or information services. In fact, the only category with higher growth has been what the ONS calls activities at Head Office and Management Consultancy. Lots of the other benefits of the internet are quality of life, greater information and knowledge and do not show up in productivity data.

Investment Management Review and Outlook

Continued

AI looks to be different, very different. Generative AI is going to be able to replace a lot of current roles in the workforce. For example, the UK has 800,000 call centre workers, most of those jobs are likely to be done more efficiently and cost effectively by tools utilising generative AI. The change will happen as pioneering companies figure out how to do it and the rest will then follow or go out of business. Paying attention to how management teams are thinking and acting on this is going to be very crucial work for us. Many of these improvements will not give a permanent competitive advantage and so the value is most likely to flow to consumers, but for businesses with strong economic moats and pricing power these improvements will flow to shareholders.

Whereas the rise of ecommerce required a judgement about consumer behaviour and adoption curves, AI doesn't. It requires a judgement about the willingness and capability of organisations to adopt innovations. This is where the cultural advantage discussed above comes into play. Those companies that are already set up to continuously improve through innovative trial and error have a distinct advantage.

In evolutionary biology, the rate at which a species evolves is impacted by how much mutation (or variation) there is and how quickly replication happens. Humans evolve at the pace we reproduce at, which is over 20 years, whereas for some bacteria it is minutes. We think this is a useful model for thinking about how competitive landscapes develop where those companies who are trying the newest things the fastest, evolve and adapt more quickly than those who are more traditional. The culture of the likes of Netflix, Google or Amazon is highly suited to trying lots of permutations of how AI can help their business and as they find things that work, they can execute quickly. Because they are not waiting on consumer adoption for the effects, then the pace at which they get ahead of competitors who are not set up in the same way is greater.

All the above is learnable and can be copied. Business management innovation is happening everywhere and what you want most in a business is that hunger and curiosity to keep learning and trying to improve. We just think it's going to be even more important in the future than it has been in the past.

In the past 25 years we have navigated a huge change in the way commerce happens and we've done it by applying the same investment philosophy, focusing on a small number of businesses we could understand well enough to value. We have devoted most of our time to monitoring these businesses, their customers and their competitive landscapes and using our findings to update our assessments and judgements.

We have also been continuously improving as we've learned by doing and analysing. We believe we are a much more competent organisation than we were 25 years ago, and we need to be because we are working with a bigger pool of capital (£1.5 billion vs £6 million). AI is improving our productivity too. For example, one of the monitoring programmes we have been running for Barratt Developments since 2008 which involves stripping their individual construction site websites periodically and comparing the change in order to estimate sales rates, used to take up a considerable amount of time for the analyst who did it but now one analyst has written a tool assisted by ChatGPT that runs it automatically. In this way we are able to capture more data, more frequently and with only minimal work from the analyst. By itself it is not an edge because anyone else could do the same but, combined with the way we work, it is.

Investment Management Review and Outlook

Continued

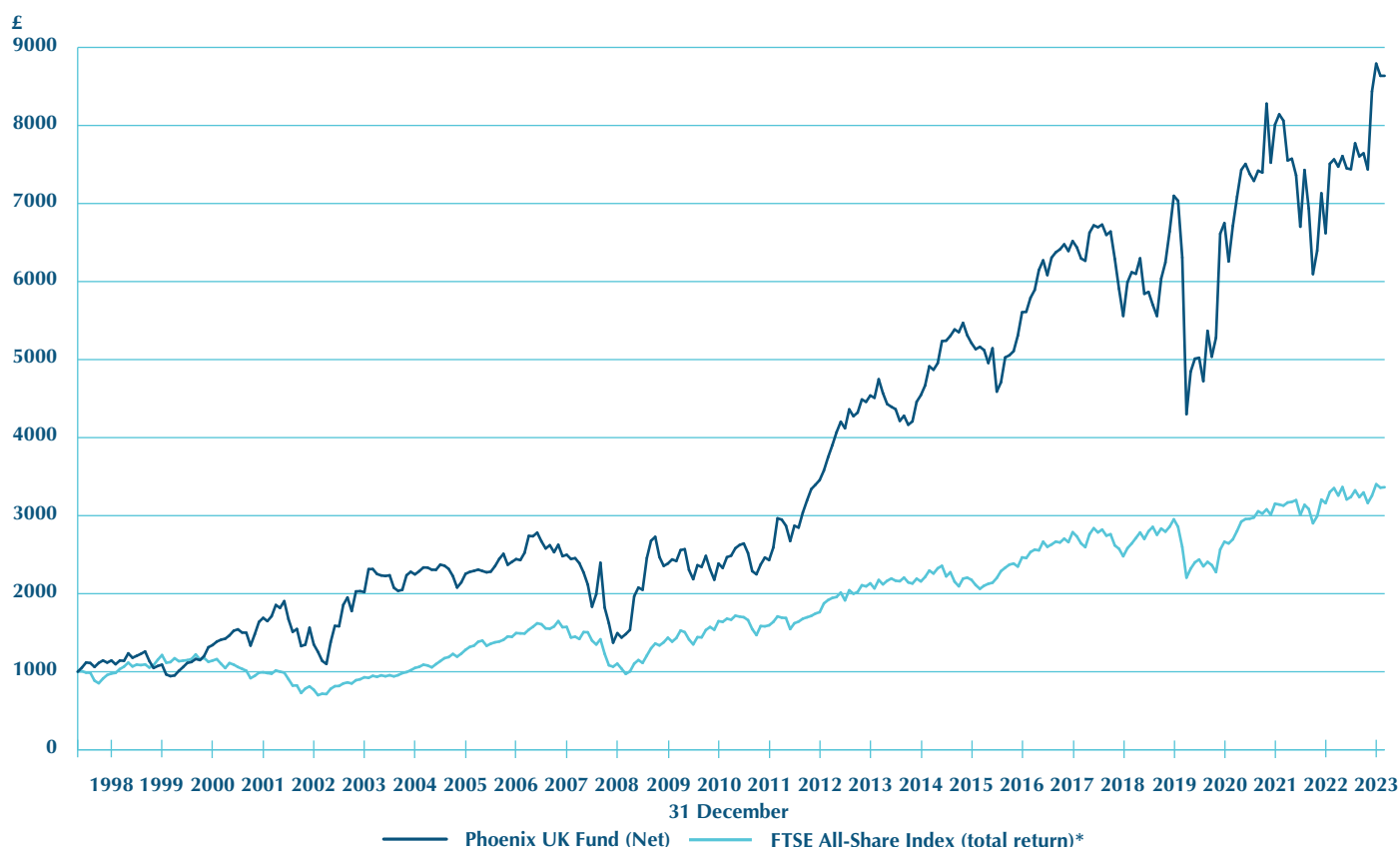
We have a portfolio shaped by all of the above and believe that the businesses we are invested in are either set to benefit or at least not be hurt by what is coming. Frasers is an example of the former, a business built by trial and error, it is not the result of a grand vision by Mike Ashley of what a retailer should be but rather as the result of a way of operating that combines trial and error with analysis of the results, (the analytical team surrounding Mike were known as the "statos"). Trials, which include acquisitions, are also designed to have limited or protected downside, so failures don't hurt but are an accepted part of business, and successes are backed and multiplied. Applying AI should be a great advantage for Frasers but first they have to figure out the how. They have a culture and mindset that should lead them to do that. Barratt is an example of the latter, i.e. not likely to be hurt by AI. This is because the essence of the business is the ability to source and build on land to the UK regulatory standard at a price that makes sense at secondary market prices. AI may improve productivity in some areas but not in a way at the moment that seems to threaten to disrupt the competitive landscape."

Steve Tatters
Director
Phoenix Asset Management Partners
26 March 2023

Value of £1,000 invested in the Phoenix UK Fund at launch to 31 December 2023

Phoenix UK Fund Track Record

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



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

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

Phoenix UK Fund Track Record

Year	Investment Return (Gross) %	NAV Return (Net) %	FTSE All-Share Index %	NAV Per Share (A Class) £
1998 (8 mths)	17.6	14.4	(3.3)	1,143.71
1999	(1.3)	(4.6)	24.3	1,090.75
2000	24.7	23.0	(5.8)	1,341.46
2001	31.7	26.0	(13.1)	1,690.09
2002	(17.8)	(20.1)	(22.6)	1,349.64
2003	51.5	49.8	20.9	2,021.24
2004	14.1	11.2	12.8	2,247.26
2005	1.4	0.3	22.0	2,254.99
2006	9.5	8.3	16.8	2,442.90
2007	3.4	2.3	5.3	2,498.40
2008	(39.5)	(40.2)	(29.9)	1,494.31
2009	62.8	59.7	30.2	2,386.48
2010	1.1	0.0	14.7	2,386.37
2011	3.0	1.9	(3.2)	2,430.75
2012	48.3	42.2	12.5	3,456.27
2013	40.5	31.3	20.9	4,539.47
2014	1.9	0.1	1.2	4,544.25
2015	20.1	14.7	0.9	5,211.13
2016	9.1	7.6	16.8	5,605.58
2017	21.5	16.3	13.1	6,518.69
2018	(13.6)	(14.7)	(9.5)	5,558.97
2019	30.3	27.7	19.1	7,098.36
2020	(3.9)	(4.9)	(9.7)	6,748.66
2021	23.4	18.7	18.3	8,011.17
2022	(16.7)	(17.4)	0.2	6,619.32
2023	33.6	32.5	7.7	8,770.25
Cumulative	1,501.1	777.0	258.9	n/a
Annualised Returns	11.4	8.8	5.1	n/a

Report under Section 172 of the Companies Act 2006

Directors' duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires the Directors to seek to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term, the need to foster the Company's business relationships with suppliers and others, the impact of the Company's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

The Board seeks to understand the views of the Company's shareholders and their interests, and those of its other key stakeholders, and to consider these, together with the other matters set out in section 172, in Board discussions and decision-making. The Board keeps engagement mechanisms under review so that they remain effective and in fulfilling their duties the Directors carefully consider the likely consequences of their actions over the long term.

The following describes how the Directors have had regard to the views of the Company's stakeholders in their decision-making.

Shareholders

The Investment Manager regularly meets the largest shareholders and beneficial owners and reports back to the Board on those meetings. Liberum Capital Limited ("Liberum"), the Company's corporate broker, and Frostrow Capital LLP ("Frostrow"), in its capacity as the Company's investor relations & marketing adviser, also meet with investors and seek to understand their views, which they relay to the Board. Additionally, the Company Chair is available to meet with investors on request and did engage with certain shareholders during the year. Through these interactions and other communications the Board and the Investment Manager seek to promote a supportive investor base of long-term investors.

The Board communicates with investors twice a year via the Annual Report and Half-yearly Report and more frequently via the Company's website which hosts various information, including news reports, video presentations by the Investment Manager and monthly factsheets. Additionally, the NAV per share is announced daily via a regulatory information service.

Shareholders may attend the Company's AGM, at which the Directors are available in person to meet with shareholders and to answer their questions. As was the case last year, the AGM will not include a presentation from the Investment Manager. Instead, a separate Investment Manager presentation and Q&A event will be held at 3.30 p.m. on 9 October 2024 at the Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE. This event is intended to be of interest to both existing and prospective Aurora shareholders and will include multiple speakers from the Investment Manager. It is intended for this event to be recorded and made available afterwards on the Company's website.

The Notice of Meeting on pages 100 and 101 sets out the business of the AGM and each resolution is explained in Explanatory Notes to the Resolutions, which follow the Notice, starting on page 106. Separate resolutions are proposed for each substantive issue. The Company Chair, and where relevant, each Committee Chair, welcomes engagement with the Company's shareholders (and the Company's other key stakeholders) on significant issues raised by them at the AGM or at other times. Details of the votes cast on each resolution will be announced via a regulatory information service shortly after the AGM and published on the Company's website.

Report under Section 172 of the Companies Act 2006

Continued

At each of its regular meetings the Board tracks shareholder changes and monitors the evolving shareholder profile. A list of the largest shareholders in the Company can be found on page 41.

Shareholder interactions in the year did not result in substantive actions being taken, although they did feature in Board discussions.

Other stakeholders

As an externally managed investment company, the Company has no employees and all operational activities are outsourced to third party service providers. These include the Investment Manager, the Company Secretary and Administrator, the Registrar, the Depositary, the Custodian, lawyers and financial advisers. The Board has identified these service providers to be key stakeholders in the Company, together with its shareholders and investee companies. The Board is aware of the need to foster the Company's relationships with its key stakeholders through its stakeholder management activities.

As part of the Board and stakeholder evaluation processes that are undertaken annually, the Board reviews its engagement mechanisms to ensure they remain effective.

In fulfilling their duties, the Directors carefully consider the likely consequences, for stakeholders and otherwise, of their actions over the long term.

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

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

The service provider most fundamental to the Company's long-term success is the Investment Manager, and the Board provides oversight and challenge to the Investment Manager at all Board meetings to ensure that the portfolio is managed in line with the Company's published investment policy.

A description of key service providers' roles together with the terms of their engagement can be found on pages 39 and 40. The Management Engagement Committee, on behalf of the Board, reviews the performance and terms of engagement of each of the Company's key service providers annually to ensure each remains competitive and to consider the quality of the services they provide.

Environmental, Social and Governance ("ESG") Matters

The Board expects good standards of business sustainability to be maintained, especially with respect to ESG, at the companies in which the Company invests and satisfies itself that the Investment Manager consistently and proactively engages with them on this basis.

Report under Section 172 of the Companies Act 2006

Continued

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

Further details of the Investment Manager's approach to ESG within its investment framework can be found on its website at www.phoenixassetmanagement.com.

Monitoring of Key Decisions and the outcome of those decisions

The Board meets at least quarterly and at such other times as deemed appropriate. During these meetings, the Board considers reports from the Investment Manager on the Company's portfolio, investment activity and sector diversification. In addition, the Investment Manager provides an overview of engagement with the investee companies and with potential investee companies. The Board discusses the Company's portfolio and notable acquisitions or disposals at each of its meetings and challenges stock selection where deemed appropriate.

The Board receives reports from Frostrow, in its capacities as Company Secretary, Administrator and Investor Relations & Marketing Adviser, respectively on the latest governance, legal and investment trust sector issues, the Company's management accounts and, together with Liberum, the Company's corporate stockbroker, on the Company's shareholder base, including changes thereto. The Depositary also provides oversight reports and Liberum also reports on performance relative to the Company's peers and the market liquidity of the Company's shares. Contact with shareholders by the Investment Manager, Frostrow and Liberum is also relayed to the Board who consider these discussions at their quarterly meetings.

The retail focus group initiative embarked upon last year, aimed at further understanding retail shareholders, was completed and informed the Board with respect to its considerations of marketing and communications focus. During the year, in addition to regular interactions, the Management Engagement Committee on behalf of the Board reviewed the performance and terms of engagement of each of its key service providers, which included a review of their control reports and policies, such as whistleblowing, anti-bribery, anti-money laundering and corruption, cyber security, data protection policies and each entity's business continuity arrangements to ensure they were in place and were adequate. Additionally, service providers participated in a 360 degree review whereby they provided comments on their interactions with the Board and each other. As a result of these reviews it was concluded that the new service providers appointed in 2022 had bedded into their roles satisfactorily and the transition risk previously recognised was downgraded.

In relation to engagement with shareholders, the Board decided in 2023 to decouple the Investment Manager's presentation from the AGM and hold a separate Manager presentation event in October, where Directors were also available to interact. This event was well attended and seemed to be a successful formula for increasing engagement, so it is being repeated in 2024 as mentioned above.

Other decisions included recommending the payment of a final dividend in respect of the year ended 31 December 2022, which was paid on 4 July 2023, in accordance with the Company's dividend policy to distribute substantially all the Company's revenue to shareholders by way of a dividend. It was also paid to satisfy the investment trust status requirement that no less than 15% of the Company's qualifying revenue must be retained each year.

Report under Section 172 of the Companies Act 2006

Continued

Boardroom Diversity

The Board supports the principle of Boardroom diversity, and the Board currently comprises four non-executive Directors of which three are female and one male. One Director is from a minority ethnic background. The Board considers its composition, including the balance of skills, knowledge, diversity (including gender and ethnicity) and experience, amongst other factors on an annual basis and when appointing new Directors. The Board has considered the requirements under the FCA's Listing Rule 9.8.6R (10) in relation to target reporting, and has provided full details in the Corporate Governance Statement section on pages 44 and 45. Summary biographical details of the Directors are set out on pages 33 and 34.

Stewardship code

The Board and the Investment Manager support and have a strong commitment to the FRC's UK Stewardship Code, the latest version of which was effective from 1 January 2020. It is endorsed by the AIC and sets out principles of effective stewardship by institutional investors. Whilst the Investment Manager is not a formal signatory to the Stewardship Code, it has chosen to adhere to the 12 principles as closely as possible. Further details of the Investment Manager's approach to the Stewardship code can be found on the Investment Manager's website at www.phoenixassetmanagement.com.

Modern slavery disclosure

Due to the nature of the Company's business, being a company that does not have employees and does not offer goods or services to consumers, the Board considers that the Company falls outside of the scope of the Modern Slavery Act 2015 and is not required to issue a slavery and human trafficking statement. The Board considers the Company's supply chains, since it deals predominately with professional advisers and service providers in the UK financial service industry, to be low risk in this matter.

Anti-bribery and corruption

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

Criminal Finances Act 2017

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

Other Strategic Report Information

Principal Risks and Risk Management

The Board is responsible for the identification, evaluation and management of the risks facing the Company. Risk is a key element of all the Board's deliberations. Additionally, the Board has delegated to the Audit Committee the formal regular review of these risks, together with their mitigation and the discerning of emerging risks, on its behalf. This process accords with the UK Corporate Governance Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Audit Committee and the Board has carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

The Board's policy on risk management has not materially changed during the course of the reporting period and up to the date of this report. In particular, the Board undertakes a review of the performance of the Company and scrutinises and challenges notable transactions at each quarterly Board meeting.

The Audit Committee maintains a framework of the key risks and the policies and processes in place to monitor, manage and mitigate them where possible. This risk map is reviewed regularly by the Audit Committee, as set out in the Audit Committee Report starting on page 58.

The Audit Committee and the Board consider that the risks summarised below are the principal risks currently facing the Company. It is not an exhaustive list of all risks faced by the Company.

Principal Risks and Uncertainties

Geopolitical and economic risks

The Company and its portfolio are at risk from economic and market conditions such as from rising interest rates; inflation; recession; local and global politics; and disruptive local and global events. These can disrupt trade and supply chains and cause increased market volatility, which could substantially and adversely affect the Company's prospects and the market prices of its investments. Increased interest rates, inflation and the threat of recession are all contemporary areas of concern, together with the conflicts in Ukraine and the Middle East.

The opportunity for the Board to mitigate such macro risks is somewhat limited. The Board and the Investment Manager monitor and discuss the macroeconomic environment at each Board meeting, along with potential impacts. The Investment Manager also provides a detailed update on the investments at each meeting, including, *inter alia*, developments in relation to the macro environment and trends. Mitigating factors include the experience and expertise of the Investment Manager, that the Company's portfolio, although concentrated, is diversified across a range of sectors, and that the Company has no leverage and a net cash balance. Sanctions imposed in relation to the Ukraine conflict have not had any direct impact on the Company, but the Board continues to monitor developments.

Other Strategic Report Information

Continued

Investment objective and strategy risks

The Company's investment objective is to provide shareholders with long-term returns through capital and income growth by investing predominantly in a portfolio of UK listed companies. It is not assured that the objective will be met or that it will continue to meet investors' needs. Poor performance or the investment objective losing its attractiveness to shareholders could result in reputational damage and a widening discount.

The Board reviews performance at every Board meeting and challenges the Investment Manager on stock selection and diversification.

The Board also seeks to understand shareholder sentiment with respect to the investment objective and the strategy being followed with the help of the Company's Investment Manager, corporate broker and investor relations & marketing adviser.

Shareholders are provided with an opportunity to vote on the Company's continuation every three years. The continuation vote provides a gauge of the attractiveness of the Company to its shareholders. The most recent continuation vote took place at the Company's AGM on 28 June 2022 and was successfully passed with overwhelming support from shareholders (100% voted in favour).

Risks related to the Investment Manager

The Company's success is closely dependent on the performance of the Investment Manager. In addition to the performance of the portfolio, the Company is also exposed to any potential loss of key personnel from, and the reputation of, the Investment Manager.

The Investment Manager has a well-defined investment strategy, a proven process and an extensive track record. The performance and the terms of engagement of the Investment Manager are reviewed annually by the Management Engagement Committee on behalf of the Board, in addition to the Board's ongoing communications, monitoring and challenge. The Investment Manager also reports regularly to the Board on personnel changes and other developments.

Discount risk

The Board specifically recognises the risk that the price of the Company's shares may not reflect their underlying net asset value, which could compromise shareholders' returns.

The Board, along with its advisers and the Investment Manager, monitors the discount closely and seeks to enhance share price performance through effective marketing. The Board also seeks authority from shareholders each year to buy back shares and will consider doing so if a discount becomes excessive and persistent.

Other Strategic Report Information

Continued

Operational Risks

Operational Risks incorporate, amongst other things, the potential for errors or irregularities in published information, cyber risks, business continuity risks, and regulatory risks.

The Audit Committee has received internal controls reports from the relevant service providers, where available, and has satisfied itself that adequate controls and procedures are in place to limit any impact on the Company's operations, particularly with regard to a financial loss. It has also satisfied itself that they have appropriate business continuity plans in place. The performance of service providers is reviewed annually by the Management Engagement Committee. Each service provider's contract defines their duties and responsibilities and has safeguards in place including provisions for termination in the event of a breach or under certain circumstances.

ESG

The Board recognises the risks posed by environmental, social and governance ("ESG") factors, particularly with respect to portfolio risks and potential reputational risk should the Company not meet investor expectations in relation to ESG. Investment companies are currently exempt from reporting under the Task Force on Climate-Related Financial Disclosures ("TCFD") and the Company has not voluntarily adopted the requirements, but considers ESG factors that might affect portfolio companies to be an emerging risk area for the Company. The Board and Investment Manager also recognise the potential opportunity afforded by attention to the wider climate change agenda. ESG risk assessment is embedded in the Investment Manager's due diligence and decision-making process when investing in new companies and monitored thereafter.

Financial Risks

The Company is exposed to liquidity risk and credit risk arising from the use of counterparties. If a counterparty were to fail it could adversely affect the Company through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets.

Further details on the Company's financial risks are included in Note 12 to the financial statements starting on page 90.

The Board reviews the services provided by the Depositary and the internal controls report of the Custodian to ensure that the security of the Company's custodial assets is maintained. The Investment Manager is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years to 31 December 2028.

Other Strategic Report Information

Continued

The Board has chosen a five-year horizon in view of the long-term nature and outlook adopted by the Investment Manager when making investment decisions.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least five years to 31 December 2028. A continuation vote, as required by the Company's Articles, was held on 28 June 2022 and passed with overwhelming support from shareholders. The next vote is expected to take place at the Company's AGM in 2025. The Board and the Company's advisers will continue to work closely with shareholders and are confident that the next vote will successfully pass.

In reaching this conclusion, the Directors have considered each of the principal risks and uncertainties set out above as well as the following assumptions in assessing the Company's viability:

- there will continue to be demand for investment trusts;
- the Board and Investment Manager will continue to adopt a long-term view when making investments;
- the Company invests principally in the securities of UK listed companies to which investors will wish to continue to have exposure; and
- regulation will not increase to a level that makes running the Company uneconomical.

Factors including higher interest rates, inflation, and the conflicts in Ukraine and the Middle East were also incorporated into the key assumptions. As part of this process the Board considered the impact of severe but plausible scenarios, including the impact of significant market movements, on the Company's liquidity and solvency, its income and expenses profile and that (although not utilised) gearing is an instrument permitted by the Company's investment policy. A significant proportion of the Company's investments comprise readily realisable securities which could, if necessary, be sold to meet the Company's cash requirements. The financial considerations were based on the going concern assessment, discussed on pages 41 and 42, and extended to cover the five year period from the approval of this annual report.

The Company's aspiration to expand by the issue of new share capital is kept under close and 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 Audit Committee considered the operational resilience of the Company's service providers, and thereby the operational viability of the Company. The Committee is reassured that all key service providers have demonstrated they were able to operate effectively and to their normal high service standards during the period of Covid-19 disruption and the general continuation since then of less structured working arrangements than in the past.

Outlook

The outlook for the Company is discussed in the Chair's Statement on page 6, and the Investment Manager's Review on pages 16 to 21.

This Strategic Report was approved by the Board on 26 March 2024.

Lucy Walker

Chair of the Board of Directors

Governance

Directors, Investment Manager, Other Service Providers and Advisers

Directors

Lucy Walker

Company Chair

Lucy Walker joined the Board on 2 December 2019 and became Chair of the Company on 28 June 2022.

She is a founder, chair, board director and adviser in investment management, technology and not-for-profit organisations. She is founder of AM Insights, a fund data platform for the asset and wealth management industry. She is also senior independent director of Henderson International Income Trust plc and interim chair of the audit and risk committee at SportsAid. She is a former fund researcher and fund manager at Sarasin & Partners LLP and HSBC Global Asset Management.

Farah Buckley

Chair of the Audit Committee

Farah Buckley joined the Board as a non-executive Director on 8 September 2022 and became chair of the Audit Committee on 27 February 2023.

She has spent over 20 years in financial services across audit, mergers & acquisitions and private equity and brings extensive experience of growth, innovation and strategy with a particular focus on technology and ESG. She is a non-executive director of Caledonia Investments plc, Leeds Building Society and Lloyds of London managing agent Apollo Syndicate Management Limited.

Lady Rachael Robathan

Chair of the Management Engagement Committee and the Nomination & Remuneration Committee

Lady Robathan joined the Board on 2 December 2019 and served as Audit Committee chair from then until 8 September 2022, when she became chair of the Management Engagement Committee and the Nomination & Remuneration Committee.

She was the Leader of Westminster City Council until the elections in May 2022 since when, until January 2024, she was the Leader of the Opposition. First elected in 2010, she held the Finance, Property and Housing Cabinet portfolios before becoming Leader. Prior to this, she worked for 20 years in emerging market investment management at Invesco and AIB Govett before joining Pictet as part of the UK based Family Office team. She is also a Trustee of Westminster Almshouses Foundation, a sheltered housing charity, a director of The Knightsbridge Neighbourhood Forum Limited and until May 2022 was a Trustee of The Royal Parks and remains a member of the Investment Committee.

Directors, Investment Manager, Other Service Providers and Advisers

Continued

David Stevenson

David Stevenson joined the Board as a non-executive Director on 2 February 2016.

He is a columnist for the Financial Times, Citywire and Money Week and author of a number of books on investment matters. He is the chairman of Secured Income Fund Plc and a non-executive director of Gresham House Energy Storage Fund Plc and Castelnau Group Limited (Guernsey). He is also a director of ETF Stream Limited and Stockmarkets Digest Limited. He was the founding director of Rocket Science Group Holdings Limited and of AltFi Limited, which is now part of ETFStream.com. He has also been a strategy consultant to a number of asset management firms and investment banks.

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

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

The Company's Investment manager is Phoenix Asset Management Partners Limited (“Phoenix”). Phoenix is a specialist fund management company, founded in 1998. It manages the Phoenix UK Fund, which it has managed since 1998, and other segregated accounts following the same strategy. It has been the Company's Investment Manager since 28 January 2016.

Phoenix is a focused and patient investor, aiming to buy a relatively small number of great businesses, with a high return on capital, pricing power and strong prospects, at attractive prices and which it expects to hold for very long periods.

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.

Although the portfolio is concentrated, Phoenix pay attention to the fundamental business risks across the holdings, ensuring sufficient diversification and avoiding duplication and doubling up.

Directors, Investment Manager, Other Service Providers and Advisers

Continued

Other Service Providers and Advisers

Company Secretary, Administrator, Investor Relations & Marketing Adviser and Registered Office

Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL

Registrar

Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL

Depository & Custodian

Northern Trust Investor Services Ltd
50 Bank Street
London E14 5NT

Stockbroker

Liberum Capital Limited
25 Ropemaker Street
London EC2Y 9LY

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Website Address: **www.aurorainvestmenttrust.com**

Registered Number – 03300814

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Directors' Report

By Order of the Board
Frostrow Capital LLP
Company Secretary

26 March 2023

The Directors present their report and Financial statements for the year ended 31 December 2023.

Strategic Report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 31, including the Principal Risks and Uncertainties faced by the Company.

Corporate Governance

The Corporate Governance Statement on pages 43 to 50 forms part of this report.

Legal and Taxation Status

The Company was incorporated and registered in England and Wales on 10 January 1997 as a public limited company, registered number 03300814. It is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 (CTA) and the Investment Trusts (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs has approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

The Board and Re-Election of Directors

The Directors of the Company, who are listed on pages 33 and 34, all served throughout the year to 31 December 2023. All Directors are non-executive. In accordance with the AIC Corporate Governance Code, the entire Board is subject to annual re-election and accordingly resolutions will be put to shareholders to re-elect all of the Directors at the Company's forthcoming AGM.

The report on Corporate Governance starting on page 43 contains a description of the Board's method of operation, its work during the year, together with that of its Committees, and of how its performance has been evaluated.

Director's Indemnities and Insurance

Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company will indemnify each of the Directors against all liabilities which each Director may suffer or incur arising out of or in connection with any claim made or proceedings taken against them, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by them, on the grounds of their negligence, default, breach of duty or breach of trust, in relation to the Company or any Associated Company. The indemnities would provide financial support from the Company after the level of cover provided by the Company's Directors' and Officers' insurance policy has been fully utilised.

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

Directors' Report

Continued

Disclosure of information to the auditor

The Directors are listed on pages 33 and 34. The Directors confirm that:

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

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

Continuation of the Company

The Company's articles require that a continuation vote is held every three years. A continuation vote was put to shareholders, and passed, on 28 June 2022. Therefore, the next resolution to approve the continuation of the Company as an investment trust will be put to shareholders at the AGM to be held in 2025.

Share Capital and Voting Rights

The Company has a single share class, being ordinary shares that each have a nominal value of 25p, and has not issued any other forms of security. Each share, other than any held by the Company in Treasury, entitles the holder to one vote on a poll. Total voting rights at 31 December 2023 was 76,078,460. Should voting on a resolution at a shareholder meeting be by show of hands rather than by poll, each shareholder present in person or by proxy will have one vote.

Shares contractually issued to the Investment Manager in lieu of the Investment Manager's fees are subject to a three-year lock-in period during which the Investment Manager cannot sell the shares awarded to it. Aside from this, no special restrictions or obligations apply to any of the Company's shares. Shareholders have equal rights with regards to distributions of all kinds in proportion to their shareholdings. Final dividends are payable subject to approval by shareholders at general meetings or AGMs; interim dividends can be declared by the Directors and do not require shareholder approval.

The Board seeks shareholders' authority each year to issue and buy back shares. As at 31 December 2023 the Directors had shareholders' authority to buy back up to 11,404,161 shares and to issue, and/or sell from Treasury, up to 15,215,692 shares.

No shares were issued during the year under review. During the previous year the Company issued to the Investment Manager, 69,738 shares at a deemed price of 254.37 pence per share and 19,358 shares at 226.40 pence per share, in January and May 2022 respectively. These issues were to settle performance fees earned by the Investment Manager from the Company's outperformance against its benchmark in the year to 31 December 2021. Pursuant to the terms of the Company's Investment Management Agreement with Phoenix Asset Management Partners Limited these shares are subject to a fixed three-year lock-in and clawback period from the date of issue. Further details on the Investment Manager's performance fees are disclosed in Note 4, starting on page 83.

Directors' Report

Continued

No shares were bought back during the year under review. However, the three-year clawback period in relation to the performance fee for the year ended 31 December 2019 ended on 31 December 2022 and this resulted in an entitlement as at 31 December 2022 for the Company to claw back 530,311 shares from the Investment Manager. These shares were delivered to the Company and were cancelled on 9 January 2023.

A performance fee has been earned for the year ended 31 December 2023 in respect of the Company's outperformance against its benchmark over 2022 and 2023. Since the year end, the Board resolved on 17 January 2024 to issue 172,373 shares to the Investment Manager at a deemed price of 260.32 pence per share (being the published NAV per share as at close of 16 January 2024) to settle 80% of the performance fee in accordance with the Investment Management Agreement. These shares were admitted to the premium segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities on 26 January 2024. The remaining 20% will become due following publication of this annual report and will be settled by the issue of shares priced at the prevailing NAV per share at the time.

The total number of shares that have been issued to the Company's Investment Manager since their appointment in 2016 to date, net of the claw back, is 1,552,401.

Discount and Premium Control

The Board aims for the ordinary share price over the long term to reflect the level and movement of the NAV per share. Means by which it is hoped this can be achieved are as follows:

- (i) The Company will use clear and transparent communication that seeks to attract new and existing investors to invest and keep investing in the Company.
- (ii) Execution of the investment strategy as communicated and the delivery of excellent long-term investment returns in excess of most peers and the benchmark.
- (iii) The Board may arrange for the Company to buy back its shares when the discount to NAV per share is persistent and it considers that a share buyback represents the best use of shareholders' funds.
- (iv) The Board intends to issue new shares and/or sell shares from Treasury when the Company's shares trade at a premium to the then prevailing NAV per share when the Board considers this to be in the best interest of shareholders.

Holding Shares in Treasury

The Board monitors on an ongoing basis whether shares in the Company should be repurchased and, if so, whether they should be held in Treasury or whether they can and should be sold from Treasury. Any sales of shares from Treasury are made at prices not less than the latest available NAV per share at the time of sale. On 31 December 2022, the clawback period on restricted shares issued to the Investment Manager in relation to the performance period to 31 December 2019 ended and 530,311 shares that had been issued to the Investment Manager in respect of that period were returned to the Company. These were held in Treasury as at 31 December 2022 and subsequently cancelled on 9 January 2023.

Directors' Report

Continued

Investment Management Agreement

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

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

The total annual performance fee is capped at 4% per annum of the NAV of the Company at the end of the relevant financial year, in the event that the NAV per share has increased in absolute terms over the period, and 2% in the event that the NAV 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 is subject to a high-water mark so that no performance fee will be payable in any year until all underperformance of the Company's NAV since the last performance fee was payable has been made up. The performance fee will also be subject to a clawback if over a rolling period of three years following the end of the last financial year for which a performance fee was payable the Company underperforms. Specifically, Phoenix must return a number of shares the value of which equals the difference between the calculated Performance Fee and the Performance Fee that would have been earned had the relevant performance period included the lock-in period.

The performance fee will be paid to Phoenix by means of the issue of shares (issued at the prevailing NAV per share at the time) and such shares must be retained by Phoenix for a minimum period of three years from the date of issue. A performance fee of £560,903 was earned in the performance fee period ended 31 December 2023 (2022: nil). Further details on the performance fees are disclosed in Note 4, starting on page 83.

Continuing Appointment of the Investment Manager

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

Alternative Investment Fund Managers' Regulation ("UK AIFMD")

The Company is classified as an Alternative Investment Fund under UK AIFMD and is therefore required to have an Alternative Investment Fund Manager ("AIFM"). Because of the scale of its overall funds under management, Phoenix is classed as a full-scope AIFM. This brings the Company into the full scope of UK AIFMD, requiring *inter alia* the appointment of a Depositary. The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period, which is the year ended 31 December 2023. These disclosures are available on the AIFM's website, www.phoenixassetmanagement.com, in a document labelled MIFIDPRU Disclosure that can be found in the Information section, or are available on request from the AIFM.

Directors' Report

Continued

Company Secretary, Administrator and Investor Relations & Marketing Adviser

Frostrow Capital LLP provides the Company with all of the usual and necessary services of an administrator and company secretary and also serves as the Company's investor relations & marketing adviser, under an administration and distribution agreement dated 28 September 2022. Under that agreement, which is terminable on six months notice, Frostrow is entitled to a periodic fee equal to 17.5 basis points per annum of the Company's market capitalisation up to (but not including) £150 million plus 15 basis points per annum on that part of the Company's market capitalisation in excess of £150 million.

Prior to Frostrow's appointment in 2022, Sanne Fund Services (UK) Limited had been the company secretary and administrator to the Company. It received 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.

Depository and Custodian

Since 28 September 2022 the positions of Depository and Custodian to the Company have been held by Northern Trust Investor Services Ltd. Prior to this these positions were held by BNP Paribas Securities Services ("BNP").

Banking

The Company's cash balances were held with Northern Trust at 31 December 2023 and 31 December 2022. At 31 December 2023 the gross external borrowings of the Company were £nil (2022: £nil).

Leverage (under UK AIFMD)

The AIFM is required to set a limit as a percentage of net assets for the Company utilising methods prescribed under UK 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 15,000%. This equates to 150x leverage.

The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	15,000%	15,000%
Actual leverage at 31 December 2023	97.10%	100.11%

Disclosure Required By Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that there is no information to report under this rule for the year ended 31 December 2023.

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

Directors' Report

Continued

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.

Market Information

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

Substantial Interests in Share Capital

The Company was aware of the following substantial interests of 3% or more in the voting rights of the Company as at 31 December 2023 and 29 February 2024.

Shareholder	29 February 2024		31 December 2023	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Rothschild Wealth Management ^	11,163,317	14.6	11,163,317	14.7
RBC Brewin Dolphin	6,896,273	9.0	7,067,990	9.3
Phoenix Asset Management Partners	5,556,612	7.3	5,384,239	7.1
Hargreaves Lansdown	4,189,898	5.5	4,264,003	5.6
Raymond James Investment Services	4,138,329	5.4	4,153,168	5.5
Interactive Investor	3,524,517	4.6	3,576,164	4.7
ING Luxembourg	2,882,721	3.8	2,885,176	3.8
Pictet & Cie, Luxembourg	2,477,526	3.2	2,464,910	3.2

^ Rothschild Wealth Management has notified the Company that its holding reduced to 10,377,411 shares (13.6%) on 20 March 2024.

Greenhouse Gas Emissions

As an Investment Company with no physical assets, property, employees or operations of its own, the Company does not provide goods or services in the normal course of its business and nor does it have customers. In consequence, the Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 ("SECR"). The Company consumed less than 40,000 kWh of energy during the year and is therefore exempt from having to report against SECR.

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 12 months from the date of approval of this Annual Report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its latest financial position and forecast of income and expenses.

Directors' Report

Continued

As at 31 December 2023, the Company held £6,248,000 (2022: £5,348,000) in cash, £200,377,000 (2022: £146,356,000) in quoted investments and £1,476,000 (2022: £2,871,000) in an unquoted investment. The total ongoing operating expenses for the year ended 31 December 2023 were £749,000 (2022: £777,000). It is estimated that 31.2% of the Company's latest portfolio could be liquidated in a non-market impacting way within 7 days, using 25% of historic three-month average daily volume. This approach is considered conservative as it does not include the Company's ability to access liquidity through block trades.

The Company's going concern status has been assessed under stress scenarios, which incorporated key assumptions such as significant falls in the Company's investment portfolio value and investment income. These scenario tests encompassed possible impacts from factors such as the existing and potential further risks arising from the conflicts in the Middle East and Ukraine, as well as any tail risks from Brexit. A prolonged and deep market decline could lead to falling investment values or interruptions to cash flow, however the Company currently has more than sufficient liquidity to meet any liabilities when they fall due in the foreseeable future. The Board is keeping the development of external risk factors under close scrutiny and does not believe that these will have any impact on the Company's going concern status.

At the date of approval of this Annual Report the Company's cash balance and the market value of its investments are well in excess of the estimated level of liabilities and the Company has substantial operating expenses cover.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 25 Southampton Buildings, London WC2A 1AL on 12 June 2024 at 1 p.m.

The business of the meeting is summarised in some detail in the Explanatory Notes to the Resolutions on pages 106 to 108 of this Annual Report.

The AGM resolutions include the following items of special business:

Resolution 9 (ordinary resolution) Authority to allot shares.

Resolution 10 (special resolution) Authority to disapply pre-emption rights.

Resolution 11 (special resolution) Authority to repurchase shares.

Resolution 12 (special resolution) Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice.

The full text of the resolutions can be found in the Notice of AGM beginning on page 100.

The Board considers that the proposed resolutions are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board
Frostrow Capital LLP
Company Secretary
26 March 2024

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report

26 March 2024

Introduction

The Board is committed to maintaining and demonstrating high standards of corporate governance. The Board has considered the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"); the AIC Code addresses the principles and provisions set out in the 2018 UK Corporate Governance Code (the "UK Code") as well as setting out additional provisions on issues that are of specific relevance to investment companies, including the Company.

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

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below. The Board considers that the following provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

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

Evaluation of the Board and its Committees

The Directors undertook an internal evaluation of the Board and its Committees in November 2023, based on questionnaires and led by Lady Rachael Robathan. At the same time a 360 degree evaluation process was conducted whereby questionnaires were completed by the Board and the Company's principal service providers, each providing scores and comments on the respective entities they had interactions with. This provided some third party insight into their views of the Board's effectiveness in addition to the Directors' internal assessment. The Directors concluded that, overall, the Board and its Committees worked effectively, incorporated appropriate qualifications, skills, knowledge, experience, diversity and independence and provided good oversight of the Company on behalf of shareholders.

Re-elections at the forthcoming AGM

Having considered the appointment of each Board member individually, the Board regards each to have invaluable experience, knowledge and commitment both within and outside meetings and strongly recommends that shareholders vote in favour of each Board member's re-election at the forthcoming AGM.

Corporate Governance Statement

Continued

Independence

The Board has noted the inference of the provisions in the AIC Code that Non-Executive Directors who sit on the board of other companies managed by the same manager should be presumed not to be independent. The Board has further noted that Mr Stevenson, as the Company's nominated representative on the Board of Castelnau Group Limited, would fall within this definition. However, it is the Board's assessment that the provisions in place to manage actual or potential situational conflicts of interest are sufficiently robust and all of the Directors undertake to always promote the success of the Company. The Board has concluded that Mr Stevenson continues to demonstrate independence of character and judgement. His skills and experience contribute significantly to the strength of the Board and his continued service is invaluable to the long-term success of the Company. The Directors have a broad range of relevant experience to meet the Company's requirements as can be seen from their biographies on pages 33 and 34. In accordance with the Company's Conflicts of Interest policy (see page 48), Mr Stevenson will recuse himself from any decisions relating to Castelnau.

The Board believes that during the period ended 31 December 2023 its composition was appropriate for the Company's nature and size. All of the Directors are considered independent of the Investment Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Balance of Skills and Diversity

As described on the previous page under "Evaluation of the Board and its Committees", the Nomination & Remuneration Committee, on behalf of the Board, conducts a review of the Board's 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 Company's policy on diversity is that the Board should be comprised of Directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense.

The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective in promoting the long-term sustainable success of the Company and generating value for its shareholders by ensuring there is a breadth of perspectives among the Directors and the capacity to challenge needed to support good decision-making.

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

The Board has noted the FCA's listing rules LR 9.8.6R(9) to (11) which require companies to report against the following diversity targets using prescribed tables:

- (a) At least 40% of individuals on the board are women;
- (b) At least one of the senior board positions is held by a woman; and
- (c) At least one individual on the board is from a minority ethnic background.

The following tables set out the Company's positions against these targets in compliance with the rules. Being an externally managed investment company, the Company does not have the roles of CEO or CFO, nor has the Board appointed a senior independent Director, and therefore, as allowed by the rules, it does not need to report against target (b) above as it is not applicable. Accordingly, for both tables,

Corporate Governance Statement

Continued

the right hand column, which relates to target (b), is deliberately left blank and other columns related specifically to executive management have been excluded in entirety. Each Director volunteered how they wished to be included in the tables.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods.

(a) Table for reporting on gender identity or sex

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)
As at 31 December 2023			
Men	1	25	
Women	3	75	
Not specified/prefer not to say	–	–	

(b) Table for reporting on ethnic background

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)
As at 31 December 2023			
White British or other White (including minority-white groups)	3	75	
Mixed/Multiple Ethnic Groups	–	–	
Asian/Asian British	1	25	
Black/African/Caribbean/Black British	–	–	
Other ethnic group, including Arab	–	–	
Not specified/prefer not to say	–	–	

Policy with regard to tenure and reappointment

The Directors recognise that independence is not a function of length of service and that experience is an important attribute within the Board. The Board has noted the implication of the provisions in the UK Corporate Governance Code that Non-executive Directors who have served for more than nine years should be presumed not to be independent. The AIC does not believe that this presumption is appropriate for investment companies and therefore does not recommend that long-serving Directors be prevented from forming part of the independent majority of an investment trust board. Accordingly, the Directors may decide to recommend a Director with more than nine years' service for re-election. In accordance with the AIC Code of Corporate Governance, Directors stand for re-election annually. The performance of each Director is appraised by the Nomination & Remuneration Committee annually. The Directors have appointment letters which do not state any specific term. Notwithstanding the forgoing, the tenure of each independent non-executive Director, including the Chair, is not ordinarily expected to exceed nine years.

Corporate Governance Statement

Continued

How the Board operates

The Company does not have any employees. The Board has contractually delegated the Company's operations to external agencies, including the Investment Manager for the management of the Company's investment portfolio, the depositary (which includes responsibility for the safeguarding of the Company's custodial assets), the registrar and the administrator and company secretary. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board reviews these contracts annually.

The Board does not undertake any executive function but is responsible to shareholders for the overall strategy and performance of the Company. It reviews and evaluates all aspects of the Company's performance and all functions performed by the service providers. The Board has a culture of open and inclusive debate on all issues and aims to conduct itself responsibly, ethically and fairly in its dealings with shareholders, service providers and other stakeholders.

A formal schedule of matters reserved for the Board has been established covering strategy; structure and capital; investment objective, policy and limits; gearing; dividend and corporate governance policy; performance; key contracts; risk; financial reporting and Board membership. This is reviewed annually to ensure compliance with latest regulatory requirements and best market practice.

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

Division of Responsibility

The AIC Corporate Governance Code requires the Board to agree the responsibilities of the Chair, Board and Committees and to set them out in writing and make them publicly available.

Role of the Board

- To set the parameters for monitoring the investment strategy and investment policy;
- To review the Company's investment performance;
- To consider all strategic policy matters, including share issuance and buy backs, discount/premium monitoring, corporate governance matters, dividends, gearing and oversight of the Company's activities;
- To promote the long-term success of the Company and generate value for shareholders;
- To establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned;
- To ensure the necessary resources are in place for the Company to meet its objective;
- To establish key performance indicators and to measure performance against them;
- To establish a framework of prudent and effective controls, which enable risk to be assessed and managed; and
- To ensure effective engagement with and encourage participation from shareholders and other stakeholders.

Corporate Governance Statement

Continued

Role of the Chair of the Board

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

Role of Committees

Audit Committee

- To consider the Company's risk management;
- To consider the internal control reports of each of the Company's key service providers;
- To consider the need for an internal audit function;
- To review the Half-yearly and the Annual Report and financial statements and recommend them to the Board for approval;
- To agree the scope of the external Auditor's work;
- To approve the remuneration of the external Auditor;
- To consider the external Auditors' appointment/re-appointment and the Auditor's independence and objectivity; and
- To manage the audit tender process.

Management Engagement Committee

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

Nomination & Remuneration Committee

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

Corporate Governance Statement

Continued

Conflicts of Interest

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

- Any Board member so conflicted must recuse themselves from the decisions involving the relevant conflict. As stated earlier, Mr Stevenson will recuse himself from decisions concerning Castelnau Group Limited;
- Only Directors who have no interest in the matter being considered are able to debate the matter and take the relevant decision; and
- In taking decisions the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's long-term success and be in the best interest of the Company's shareholders.

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

Attendance at Board meetings

The Board holds at least four meetings a year. During the year ended 31 December 2023 there were five regular meetings of the Board and the Directors also met on another occasion to consider strategy. Additional ad hoc Board and committee meetings were held as required for administrative purposes. Directors' attendance of all meetings is set out below.

	Board (scheduled)	Audit Committee	Management Engagement Committee	Nomination & Remuneration	Ad Hoc Board and Committees
Type and number of meetings	5	3	1	1	3
Lucy Walker	5	3	1	1	1
Farah Buckley	5	3	1	1	2
Lady Rachael Robathan	5	3	1	1	2
David Stevenson	5	3	1	1	2
Helen Vaughan ¹	1	–	–	–	1

¹ Resigned from the Board on 27 February 2023.

Board Committees

The Board has formed three permanent committees: the Audit Committee, the Management Engagement Committee and the Nomination & Remuneration Committee. The role, responsibilities and activities during the year of the Audit Committee are detailed in its report on pages 58 to 61. Those of the Management Engagement Committee and the Nomination & Remuneration Committee are shown below.

The Board considers that all of the Directors are independent and so may be members of each Committee. The main purpose of the Committees in the context of the Company's structure is that their existence ensures time is set aside on a formal basis to cover certain important issues of governance, without those issues obscuring the

Corporate Governance Statement

Continued

flow of general Board business. Each Committee has a separate chair, as detailed under the separate headings below. The Committees have formal terms of reference, which are available to shareholders upon request from the Company's registered office and can be viewed via the Company's website at

www.aurorainvestmenttrust.com.

Management Engagement Committee

The Management Engagement Committee considers issues related to the engagement of the Investment Manager and other service providers, making recommendations as appropriate to the Board. The Committee 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. Lady Rachael Robathan chairs the Management Engagement Committee and all of the Directors are members.

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

- The performance of the Company;
- Commitment to the investment trust business generally and to the Company in particular;
- Investment management skills and 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 and share price awareness; and
- Reasonableness of the Investment Management Agreement – fees, notice period and duties.

The Management Engagement Committee is also responsible for reviewing the remuneration and services of the Company's other service providers.

The Committee met once in 2023 and considered the appraisal of the Investment Manager and other key service providers. As explained on page 43 under "Evaluation of the Board and its Committees", a 360 degree evaluation process was conducted in November 2023 whereby questionnaires were completed by the Board and the Company's principal service providers, each providing scores and comments on the respective entities they had interactions with. This provided third party insight into the effectiveness of the service providers, and the Board, in addition to the Directors' own assessment.

The Committee concluded that the continued appointment of each of the service providers, including the Investment Manager, was in the best interest of shareholders.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee has been established to identify and interview candidates for vacancies on the Board, consider the Board's remuneration and undertake Board appraisals. It is established as a principle that this process should be led by independent Directors. Lady Rachael Robathan chairs the Committee and all of the Directors are members. The Committee meets at least annually.

During the year the Committee oversaw a Board and Committee appraisal process and also considered the Directors' fees.

Corporate Governance Statement

Continued

Internal Controls and Risk Management

The Board has delegated the review of the effectiveness of the Company's risk management and system of internal controls to the Audit Committee, as set out in the Audit Committee Report on pages 58 to 61. The Board recognises its ultimate responsibility for the Company's system of internal controls and accordingly receives and considers reports from the Audit Committee. The system of internal controls is designed to manage rather than eliminate the risk of errors and irregularities, so it can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a robust review of the Company's risk management and internal control framework, which covers financial, operational and compliance controls.

As an externally managed investment company, the Board has contractually delegated to external agencies the services the Company requires to operate. The Board continuously monitors the performance of all the principal service providers with a formal evaluation process being undertaken each year. The Audit Committee, on behalf of the Board, reviews internal controls reports and key policies (including measures taken to mitigate cyber risks and disaster recovery procedures) put in place by its principal service providers.

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 that have occurred. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Contact with the Investment Manager and the Administrator enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved.

The Board believes that the existing arrangements represent an appropriate control framework and has concluded that the Company's risk management and internal control systems are adequate to meet the needs of the Company.

The Directors' statement of responsibilities in respect of the accounts is on pages 56 and 57, a statement of going concern is on pages 41 and 42, and the report of the independent auditor is on pages 62 to 69.

Principal and emerging risks

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

By order of the Board
Frostrow Capital LLP
Company Secretary
26 March 2024

Directors' Remuneration Report

Lady Rachael Robathan
Chair of the Nomination & Remuneration Committee

26 March 2024

This Remuneration Report has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Directors' Remuneration Policy (which must be put to shareholders at least every three years and is binding) was approved by shareholders at the AGM in 2023 and is set out below. The annual Remuneration Policy Implementation Report (which must be put to a shareholder advisory vote every year) for 2023 will be put to shareholders at this year's Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report to shareholders on pages 62 to 69.

Directors' Remuneration Policy

It is the policy of the Board and the Nomination & Remuneration Committee that the remuneration of non-executive Directors should be fair and should reflect experience, time commitment and 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 £250,000 per year.

The Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits and fees are not linked to Director's individual or collective performance.

There are no arrangements in place with respect to compensation for loss of office (for whatever reason) or recruitment incentive remuneration and Directors have no entitlement to any such payments.

No Director has waived or agreed to waive any emoluments from the Company.

Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board, general and committee meetings.

The Directors' fees are subject to regular review by the Nomination & Remuneration Committee having regard to the above factors, the rate of inflation and fee trends in the investment company sector. Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Board are outside the scope of the ordinary duties of a Director. Any such payment would reflect the Board's assessment of the value to the Company of such services. The above principles also apply to any new appointments.

The Company has no employees and consequently has no policy on the remuneration of employees. The Board will consider, where raised, shareholders' views on Directors' remuneration.

The Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. These do not state any specific term. In accordance with the AIC Corporate Governance Code all of the Directors put themselves forward for annual re-election.

Directors’ Remuneration Report

Continued

Remuneration Policy Implementation Report

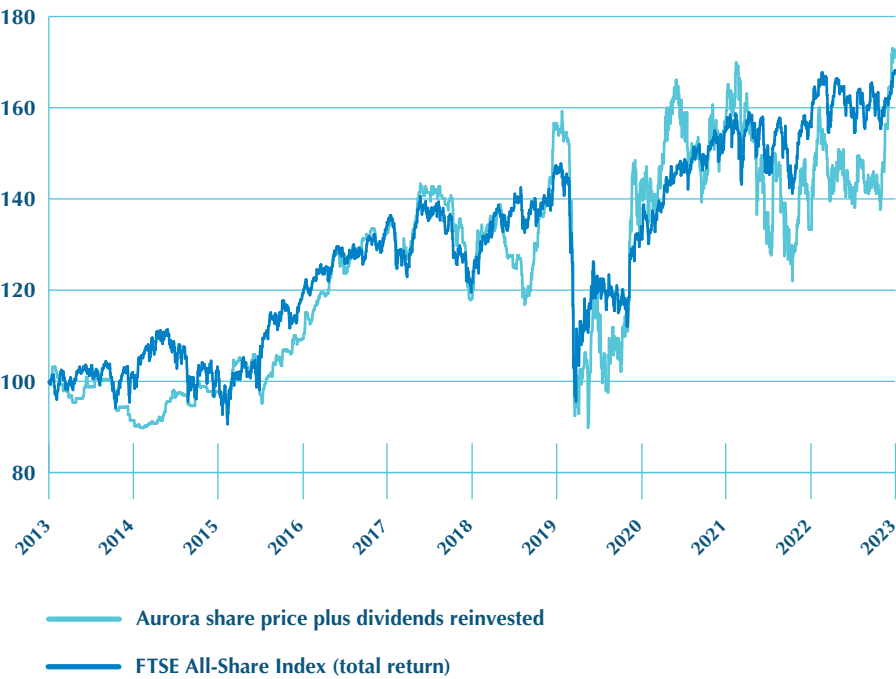
The Nomination & Remuneration Committee considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company’s remuneration policy and the individual remuneration of the Directors by reference to the activities and particular complexities of the Company and in comparison with other companies of a similar structure and size, also taking into account the inflationary environment. No remuneration consultants were appointed during the year (2022: none). During its latest review, in November 2023, the Committee decided, subject to confirmation by the Board in January 2024, to continue the practice adopted in recent years of incrementing the fees by the annual increase in the Consumer Price Index. This decision was duly confirmed in January 2024.

Accordingly, with effect from 1 January 2024 the Directors’ fees increased to: £45,968 per annum for the Company Chair; £34,590 per annum for the Audit Committee Chair; and £29,640 per annum for the other Directors. No additional discretionary payments were made in the year, nor in the previous year.

No payments were made to former Directors.

Performance

The chart below shows the performance of the Company’s shares, with dividends reinvested, compared with that of the FTSE All-Share Index (total return), which is the Company’s Benchmark, over the past 10 years.



Directors' Remuneration Report

Continued

Relative importance of spend on pay

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

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000	Change Favourable/ (unfavourable) £'000
Revenue income	3,459	3,117	342
Spend on Directors' fees	139	136	(3)
Other expenses	610	630	20
Dividends paid to Shareholders	2,260	1,409	851

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

Single Total Figure of Remuneration for The Year (Audited)

The fees and expenses paid to the Directors who served during the years ended 31 December 2023 and 31 December 2022 were as follows:

	31 December 2023			31 December 2022		
	Fees £	Taxable expenses ^ £	Total £	Fees £	Taxable expenses ^ £	Total £
Lucy Walker ¹	44,200	–	44,200	34,133	–	34,133
Lady Rachael Robathan ²	28,500	–	28,500	28,675	–	28,675
David Stevenson	28,500	196	28,696	25,800	183	25,983
Farah Buckley ³	32,503	114	32,617	8,124	26	8,150
Helen Vaughan ⁴	5,543	381	5,924	9,479	889	10,368
Lord Flight ⁵	n/a	n/a	n/a	17,264	–	17,264
The Hon. James Nelson ⁶	n/a	n/a	n/a	12,582	–	12,582
Total	139,246	691	139,937	136,057	1,098	137,155

[^] Taxable expenses primarily comprise travel and associated expenses incurred by the Directors in attending Board and Committee meetings in London. These are reimbursed by the Company and, under HMRC Rules, are subject to tax and National Insurance and therefore are treated as a benefit in kind within this table.

¹ Appointed as a non-executive Director on 2 December 2019. Appointed Deputy Chair of the Board on 19 October 2021. Succeeded Lord Flight as Chair of the Company on 28 June 2022.

² Appointed as Audit Committee Chair on 2 December 2019. Stepped down from being Chair of the Audit Committee on 8 September 2022.

³ Appointed as a non-executive Director on 8 September 2022. Appointed as Audit Committee Chair on 27 February 2023.

⁴ Appointed as Audit Committee Chair on 8 September 2022. Stepped down from the Board on 27 February 2023.

⁵ Chairman of the Company until his retirement on 28 June 2022.

⁶ Non-executive Director until his retirement on 28 June 2022.

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

Directors' Remuneration Report

Continued

Changes in Directors' Remuneration

Director	2024		2023		2022		2021		2020 Fee Level
	Fee Level (projected)	% Change	Fee Level	% Change	Fee Level	% Change	Fee Level	% Change	
Lucy Walker ¹	45,968	4.0	44,200	29.5	34,133	31.5	25,964	6.0	24,500
Lady Rachael Robathan ²	29,640	4.0	28,500	-0.6	28,675	-0.1	28,700	0.7	28,500
David Stevenson	29,640	4.0	28,500	10.5	25,800	4.9	24,600	0.4	24,500
Farah Buckley ³	34,590	6.4	32,503	300.1	8,124	-	n/a	-	n/a
Helen Vaughan ⁴	n/a	n/a	n/a	-	9,479	-	n/a	-	n/a
Lord Flight ⁵	n/a	n/a	n/a	-	17,264	-48.9	33,800	0.9	33,500
The Hon. James Nelson ⁶	n/a	n/a	n/a	-	12,582	-48.9	24,600	0.4	24,500

Please refer to the notes under the previous table, which also apply to the references in this table.

Directors' Shareholdings (audited)

The Directors' shareholdings in the Company were:

	Ordinary shares of 25p each as at 31 December	
	2023	2022
Lucy Walker	26,300	12,000
Lady Rachael Robathan	9,584	9,584
David Stevenson	18,266	18,266
Farah Buckley	4,500	-

No changes have been notified to the date of this report.

There are no requirements or formal guidelines in effect for Directors to hold shares in the Company, although the Board welcomes such holdings. The interests of each Director includes the interests of connected persons of which the Company is aware. Connected persons are persons closely associated as defined in the Market Abuse Regulation.

Statement of shareholder voting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought and any actions in response will be detailed in future Directors' Remuneration Reports.

Directors' Remuneration Report

Continued

The voting on the 2022 Remuneration Policy Implementation Report and the Directors' Remuneration Policy that were put to shareholders at the AGM on 27 June 2023 is set out below.

Resolution	Votes For	%	Votes Against	%	Total Votes Cast	Votes Withheld
Approval of the Remuneration Policy Implementation Report for the year ended 31 December 2022	22,793,548	99.9	21,763	0.1	22,815,311	9,919
Approval of the Directors' Remuneration Policy	22,711,675	99.9	21,763	0.1	22,733,438	91,792

Lady Rachael Robathan
Chair of the Nomination & Remuneration Committee
26 March 2024

Statement of Directors' Responsibilities for the Annual Report

Lucy Walker
Chair of the Board of Directors

26 March 2024

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted International Accounting Standards and in accordance with those parts of the Companies Act 2006 that apply to companies reporting under UK-adopted International Accounting Standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

The Directors have delegated responsibility to the Investment Manager for the maintenance and integrity of the Company's website.

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

Statement of Directors' Responsibilities for the Annual Report

Continued

Directors' confirmations

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 33 and 34 confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with UK-adopted international accounting standards and in accordance with those parts of the Companies Act 2006 that apply to those companies reporting under UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
Lucy Walker
Chair of the Board of Directors
26 March 2024

Audit Committee Report

Farah Buckley
Chair of the
Audit Committee

26 March 2024

I am pleased to present the Audit Committee's report to shareholders for the year ended 31 December 2023.

Composition

All of the Directors are members of the Audit Committee (the "Committee").

According to the UK Code the Chair of the Board should not be a member. However, the AIC Code permits the Chair to be a member of, but not chair, the Committee if they were independent on appointment – which the Company Chair was and in the Board's view continues to be. In view of the size of the Board, the Directors feel it is appropriate for her to continue as a member, so that the Committee can continue to benefit from her experience and knowledge.

The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. The Committee as a whole has competence relevant to the sector.

Role and Responsibilities

The Committee's principal functions are:

- to monitor the integrity of the Company's annual and half-year financial statements and any announcements relating to the Company's financial performance and to challenge judgements and assumptions made in their construction;
- to review the internal controls and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board regarding the appointment, re-appointment or removal of the external Auditor, and to be responsible for leading an audit tender process at least once every 10 years;
- to have primary responsibility for the Company's relationship with the external Auditor, including reviewing the external Auditor's independence and objectivity as well as the effectiveness of the external audit process;
- to agree the scope of the external Auditor's work and to approve their remuneration; and
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services and to review and approve any non-audit work to be carried out by the external Auditor.

Meetings

The Committee meets formally at least twice a year. There were three Committee meetings during the year ended 31 December 2023. In addition, the Committee Chair met the audit partner for a private discussion on the audit process and was pleased to find that the auditors had nothing significant to bring to her attention.

Committee evaluation

The Committee's activities fell within the scope of the review of Board effectiveness performed during the year as mentioned on page 43.

Audit Committee Report

Continued

Work of the Audit Committee

During the year ended 31 December 2023 the Committee:

- Reviewed the Audit Committee terms of reference and the Company's accounting policies;
- Reviewed and recommended to the Board for Approval the Annual Report and financial statements for the year to 31 December 2022;
- reviewed and recommended to the Board for Approval the Half-yearly Report for the six months to 30 June 2023;
- In relation to the financial statements, agreed the valuations of the Company's portfolio of investments and considered significant accounting matters including going concern;
- Considered the Company's exposure to illiquid investments;
- Met with the external auditor without management present;
- Reviewed and approved the audit plan with respect to the 31 December 2023 year end audit;
- Discussed and approved the audit fee;
- Reviewed the Company's key risks and internal controls, including reviewing the internal control reports of its key service providers; and
- Assessed whether there was a need for an internal audit function.

Internal Controls and Risk Management

The Board has overall responsibility for risk management and for the review of the internal controls of the Company.

The Audit Committee, on behalf of the Board, reviews the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Committee and the Board have considered the Company's operations in light of the following factors:

- the nature of the Company, with all management functions outsourced to third party service providers;
- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall investment objective;
- the likelihood of such risks crystallising; and
- the Company's ability to reduce the likelihood and impact of such risk.

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 28 to 30.

Against this background, a risk matrix has been developed which covers the key risks the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and the mitigating controls in place.

The Board has delegated to the Audit Committee responsibility for the review and maintenance of the risk matrix and it reviews, in detail, the risk matrix each time it meets, bearing in mind emerging risks and any changes to the Company, its environment or service providers since the last review. Any significant changes to the risk matrix are discussed with the whole Board.

There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

The Committee reviews internal controls reports from its principal service providers on an annual basis. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

Audit Committee Report

Continued

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 December 2023:

Performance fee

The Company awarded shares to the Investment Manager in settlement of performance fees earned over the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and has since clawed back those shares issued in respect of the 2019 performance fee. This claw back was treated in the financial statements for the year ended 31 December 2022 as having occurred as at 31 December 2022. A performance fee was earned, and has been accrued, for the performance period from 1 January 2022 to 31 December 2023. The Committee reviewed the calculation of this and the status of the fees earned for 2020 and 2021. The shares clawed back were delivered to the Company and cancelled shortly after the 2022 year end. Performance fees have been accounted for under IFRS 2 Share-based Payment in the Company's financial statements on the basis of accounting advice sought in 2022. This varies from the treatment used for the purpose of the unaudited net asset values per share released daily by the Company because the Board believes that for that purpose recognising performance fee charges and any subsequent clawback on a liability basis i.e. divergent from IFRS 2, better represents the related economic impacts and is more informative to investors.

Valuation of investments

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

The Company holds a small proportion of the portfolio in an unquoted company, Phoenix SG Limited. The Committee considered and accepted the valuation of this investment, which was provided by the Investment Manager. It was based on a proportionate share of the company's NAV, which had also been independently reviewed by Kroll Advisory Ltd. This valuation was also discussed with the external auditor.

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.

External Auditor

Chris Meyrick was the audit partner for the financial year under review, which was the second audit of the Company's financial statements conducted by BDO LLP since their appointment. He confirmed BDO LLP's willingness to continue to act as Auditor to the Company for the forthcoming financial year. The re-appointment of BDO will be put to shareholders at the forthcoming AGM.

Audit Committee Report

Continued

Conclusion with respect to the Annual Report and financial statements

The Audit Committee has concluded that the Annual Report for the year ended 31 December 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Provision of non-audit services

The Audit Committee has put in place a non-audit service policy to ensure that the auditor's independence and objectivity are not impaired. The Company has appointed Ernst & Young to provide tax compliance services. No non-audit work was performed for the Company by the auditor during the year ended 31 December 2023 and the Committee has no current plans to seek any non-audit services from the auditor.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Committee undertook a formal evaluation of the audit process following completion of the December 2022 year end audit. The Committee was, and continues to be, satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear. The Audit Committee received a presentation of the audit plan for the December 2023 year end audit from the external auditor prior to its commencement and a presentation of the results of the audit following completion of the main audit testing.

Farah Buckley
Chair of the Audit Committee
26 March 2024

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

Chris Meyrick
Senior Statutory Auditor
for and on behalf of
BDO LLP
Statutory Auditor,
Chartered Accountants
London

26 March 2023

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Aurora Investment Trust plc (the 'Company') for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and Notes to the Financial Statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 20 September 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ended 31 December 2022 to 31 December 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the Company's ability to continue as a going concern in the light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made, by comparing the prior year forecasted costs to the actual costs incurred to check the accuracy of historical forecasting;

Independent Auditor's Report

Continued

- Assessing the projected management fees for the year to check that it was in line with the current assets under management levels and the projected market growth forecasts for the following year;
- Assessing the appropriateness of the Directors' assumptions and judgements made in both their base case, and stress tested forecasts, including consideration of the available cash resources relative to forecast expenditure and commitments;
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the investment portfolio; and

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters	Valuation and ownership of listed investments	✓	✓
	Valuation and ownership of unlisted investments		✓
	Valuation and ownership of unlisted investments is no longer considered to be a key audit matter because it is not material to the audit of financial statements for the current year.		
Materiality	Company financial statements as a whole: £2.10 million (2022: £1.50 million) based on 1% of net assets (2022: 1% of net assets)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

Independent Auditor's Report

Continued

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

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of listed investments (Note 1(c) and Note 2 to the financial statements)	<p>The investment portfolio at the year-end mostly comprised of listed equity investments held at fair value through profit or loss.</p> <p>We considered the valuation and ownership of the listed investments to be a significant audit area as investments represent the most significant balance in the financial statements and underpins the principal activity of the entity.</p> <p>There is a risk that the bid price used as a proxy for fair value of listed investments held at the reporting date is inappropriate. Given the nature of listed level 1 investments, we do not consider the use of bid price to be subject to significant estimation uncertainty.</p> <p>There is also a risk of error in the recording of investment holdings such that those recordings do not appropriately reflect the property of the Company.</p> <p>For these reasons and given the materiality of the balance in relation to the financial statements as a whole, we considered this to be a Key Audit Matter.</p> <p>We responded to this matter by testing the valuation and ownership of the whole portfolio of listed investments. In respect of the listed investments, we performed the following procedures:</p> <ul style="list-style-type: none"> • Confirmed the year-end bid price was used by agreeing to externally quoted prices; • Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; • Reviewed the appropriateness of the foreign exchange rate applied to securities dealt in non-GB currency from an external source; and • Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date. <p>Key observations:</p> <p>Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of the listed equity investments were inappropriate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Independent Auditor's Report

Continued

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company Financial Statements	
	2023 £million	2022 £million
Materiality	2.10	1.50
Basis for determining materiality	1% of net assets	1% of net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
Performance materiality	1.57	1.05
Basis for determining performance materiality	75% of materiality	70% of materiality
Rationale for the percentage applied for performance materiality	The increase in the level of performance materiality is based on our knowledge and experience of the entity, history of low errors identified and low level of expected misstatements.	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £105,000 (2022: £75,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly

Independent Auditor's Report

Continued

stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

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

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

Going concern and longer-term viability	<ul style="list-style-type: none">• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 41 and 42; and• The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 30 and 31.
Other Code provisions	<ul style="list-style-type: none">• Directors' statement on fair, balanced and understandable set out on page 61;• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 28;• The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 50; and• The section describing the work of the audit committee set out on page 59.

Independent Auditor's Report

Continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

Directors' remuneration

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

Independent Auditor's Report

Continued

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Manager, Administrator and the Audit Committee;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulation; and
- Review of any legal correspondence.

We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, International Financial Reporting Standards ("IFRS"), and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and the Audit Committee relating to the existence of any non-compliance with laws and regulations;
- Reviewing legal expenditure accounts to understand the nature of legal costs incurred;
- Reviewing minutes of meetings of the Audit Committee throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain Investment Trust Status. This included a review of other qualitative factors and ensuring compliance with these.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the Investment Manager, Administrator and the Audit Committee regarding any known or suspected instances of fraud;
- Review of minutes of meetings of the Audit Committee for any known or suspected instances of fraud; and

Independent Auditor's Report

Continued

- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the area most susceptible to be management override of controls.

Our procedures in respect of the above included:

- Review of estimates and judgements applied by management in the accounting of the performance fee and valuation of the unlisted investment to assess their appropriateness and the existence of any bias;
- Considering the opportunity and incentive to manipulate accounting entries and target tested relevant adjustments made in the period end financial reporting process;
- Reviewing for significant transactions outside the normal course of business; and
- Review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP Statutory Auditor
55 Baker Street
London
W1U 7EU
26 March 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Financial Statements

Income Statement

		Year ended 31 December 2023			Year ended 31 December 2022		
		Revenue	Capital	Total	Revenue	Capital	Total
Notes		£'000	£'000	£'000	£'000	£'000	£'000
2	Gains/(losses) on investments	–	53,535	53,535	–	(40,410)	(40,410)
	Losses on currency	–	–	–	–	(17)	(17)
3	Income	3,459	–	3,459	3,117	–	3,117
	Total income/(loss)	3,459	53,535	56,994	3,117	(40,427)	(37,310)
4	Investment management performance fee (charge)/clawback	–	(2,824)	(2,824)	–	2,746	2,746
4	Other expenses	(749)	–	(749)	(777)	–	(777)
	Profit/(loss) before tax	2,710	50,711	53,421	2,340	(37,681)	(35,341)
5	Tax	(49)	–	(49)	(77)	–	(77)
	Profit/(loss) for the year	2,661	50,711	53,372	2,263	(37,681)	(35,418)
7	Earnings/(losses) per share – basic and diluted	3.50p	66.66p	70.16p	2.95p	(49.20)p	(46.25)p

The total column represents the Income Statement of the Company, prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the United Kingdom.

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

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The Company does not have any other comprehensive income. Therefore, no separate Statement of Comprehensive Income has been presented.

The notes on pages 76 to 94 form part of these accounts.

Statement of Financial Position

Approved by the Board of Directors on 26 March 2024 and signed on its behalf by:
 Lucy Walker
 Chair of the Board
 Company no. 03300814

		31 December 2023	31 December 2022
Notes		£'000	£'000
	NON-CURRENT ASSETS		
2	Investments held at fair value through profit or loss	202,209	149,227
	CURRENT ASSETS		
	Trade and other receivables	372	310
	Cash	6,248	5,348
		6,620	5,658
	TOTAL ASSETS	208,829	154,885
	CURRENT LIABILITIES:		
	Other payable	(115)	(107)
		(115)	(107)
	NET ASSETS	208,714	154,778
	EQUITY		
8	Called up share capital	19,019	19,152
	Share premium account	111,166	111,166
	Capital redemption reserve	312	179
	Treasury shares	–	(133)
8	Other reserve	(219)	(2,877)
8	Share-based payment reserve	166	–
8	Capital reserve	74,999	24,421
	Revenue reserve	3,271	2,870
	TOTAL EQUITY	208,714	154,778
8	Number of voting shares in issue	76,078,460	76,078,460
9	NAV per share	274.34p	203.45p

The notes on pages 76 to 94 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2023

	Called up share capital	Share premium account	Capital redemption reserve	Treasury shares	Other reserve	Share- based payment reserve	Capital reserve	Revenue reserve	Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	19,152	111,166	179	(133)	(2,877)	–	24,421	2,870	154,778
Profit for the year	–	–	–	–	–	–	53,369	2,661	56,030
8 Shares cancelled in relation to 2019 performance fee clawback (crystallised)	(133)	–	133	133	–	–	(133)	–	–
4 Performance fee in relation to performance year 2020 (crystallised)	–	–	–	–	2,658	–	(2,658)	–	–
4 Performance fee charge in relation to performance year 2021	–	–	–	–	–	166	–	–	166
6 Dividends paid	–	–	–	–	–	–	–	(2,260)	(2,260)
Closing equity	19,019	111,166	312	–	(219)	166	74,999	3,271	208,714

The notes on pages 76 to 94 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2022

	Called up share capital	Share premium account	Capital redemption reserve	Treasury shares	Other reserve	Capital reserve	Revenue reserve	Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening equity	19,130	110,984	179	–	(1,271)	63,155	2,016	194,193
(Loss)/income for the year	–	–	–	–	–	(37,681)	2,263	(35,418)
4 Performance fee clawback in relation to performance year 2019 (crystallised)	–	–	–	(133)	–	(1,053)	–	(1,186)
4 Performance fee clawback in relation to performance year 2020 and 2021	–	–	–	–	(1,385)	–	–	(1,385)
6 Dividends paid	–	–	–	–	–	–	(1,409)	(1,409)
8 Issue of new ordinary shares	22	199	–	–	(221)	–	–	–
Share issue costs	–	(17)	–	–	–	–	–	(17)
Closing equity	19,152	111,166	179	(133)	(2,877)	24,421	2,870	154,778

The notes on pages 76 to 94 form part of these accounts.

Cash Flow Statement

	Note	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Net cash inflow from operating activities	10	2,607	2,126
Investing activities			
Payments to acquire non-current asset investments	2	(11,503)	(47,454)
Receipts on disposal of non-current asset investments	2	12,056	44,455
Net cash inflow/(outflow) from investing activities		553	(2,999)
Financing activities			
Ordinary Share issue costs		–	(17)
Dividends paid	6	(2,260)	(1,409)
Net cash outflow from financing activities		(2,260)	(1,426)
Increase/(decrease) in cash		900	(2,299)
Cash at beginning of year		5,348	7,664
Losses on currency		–	(17)
CASH AT END OF YEAR		6,248	5,348

The notes on pages 76 to 94 form part of these accounts.

Notes to the Financial Statements

1. Reporting entity

Aurora Investment Trust plc is a closed-ended investment company, registered in England and Wales on 10 January 1997 with Company number 03300814. The Company's registered office is 25 Southampton Buildings, London WC2A 1AL.

Details of the Directors, Investment Manager and Advisers can be found on pages 33 to 35.

Basis of Accounting

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and the applicable legal requirements of the Companies Act 2006.

The annual financial statements have also been prepared in accordance with the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement.

The functional currency of the Company is Sterling because this is the currency of the primary economic environment in which the Company operates. The financial statements are presented in Sterling rounded to the nearest thousand, except where otherwise indicated.

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 12 months from the date of approval of this Annual Report.

In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its latest financial positions and forecast on income and expenses.

As at 31 December 2023, the Company held £6,248,000 (2022: £5,348,000) in cash, £200,733,000 (2022: £146,356,000) in quoted investments and £1,476,000 (2022: £2,871,000) in an unquoted investment. The total ongoing operating expenses for the year ended 31 December 2023 were £817,000 (2022: £777,000). It is estimated that 31.2% of the Company's latest portfolio could be liquidated in a non-market impacting way within 7 days, using 25% of historic three-month average daily volume. This approach is considered conservative as it does not include the Company's ability to access liquidity through block trades.

Notes to the Financial Statements

Continued

The management has assessed the Company's going concern status under stress scenarios, which incorporated key assumptions such as significant falls in the Company's investment portfolio and investment income. These scenario tests encompassed possible impacts from factors such as the existing and potential further risks arising from the conflicts in the Middle East and Ukraine, and any tail risks from Brexit. A prolonged and deep market decline could lead to falling investment values or interruptions to cash flow, however the Company currently has more than sufficient liquidity to meet any liabilities when they fall due in the foreseeable future. The Board is keeping the development of external risk factors under close scrutiny and does not believe that these will have any impact on the Company's going concern status.

At the date of approval of this Annual Report, based on the aggregate of investments and cash held, the Board notes that the Company's cash balance and investments held are well in excess of the estimated level of liabilities, and the Company has substantial operating expenses cover.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment being an investment business in accordance with its Investment Objective and Policy.

Material accounting policies

The accounting policies adopted are described below:

a. Accounting Convention

The accounts are prepared under the historical cost basis, except for the measurement at fair value of investments and measurement of performance fees awarded.

b. Adoption of new IFRS standards

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, applicable for annual periods beginning on or after 1 January 2023. The latest amendments require reporting entities to disclose material, instead of significant, accounting policies from the effective accounting period onwards. In light of the amendments, the Company has performed a full review of the existing disclosure of accounting policies in its annual report and removed the following policies:

- Share-based Payment
- Taxation
- Cash
- Dividends Payable

There have been no changes to the removed accounting policies and the full policy details are available in the Company's annual report and financial statements for the year ended 31 December 2022.

The Company has also adopted, with no material impact, the amendments to IAS 8 *definition of accounting estimates* and amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which became effective from 1 January 2023.

Notes to the Financial Statements

Continued

1. Reporting entity continued

c. Investments

Investments are measured at fair value through profit or loss. Gains or losses on investments and transaction costs on acquisition or disposal of investments are included in the Income Statement as a capital item.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date. All purchases and sales of investments are recognised on the trade date, i.e. the date that the Company commits to purchase or sell an asset.

Unquoted investments are measured at fair value in accordance with the International Private Equity and Venture Capital valuation guidelines and IFRS 9. Valuation is provided by the underlying investment manager and may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value.

d. Income from Investments

Special Dividends are assessed on their individual merits and are credited to the capital column of the Income Statement if the substance of the payment is a return of capital. All other investment income is taken to the revenue column of the Income Statement.

e. Share Capital and Reserves

The share capital represents the nominal value of equity shares.

The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses. This reserve is not distributable.

The capital redemption reserve arises when shares are bought back by the Company or returned by the Investment Manager under the performance fee clawback arrangement, and subsequently cancelled, at which point an amount equal to the par value of the shares is transferred from share capital to this reserve. This reserve is not distributable.

Other reserve represents the restricted shares issued in settlement of performance fees that are still a the lock-in period. This reserve is not distributable.

Share-based payment reserve represents the cumulative share-based payment expenses in relation to performance fees earned. Upon vesting, the relevant share-based payment reserve balance will be transferred to the realised capital reserve. This reserve is not distributable.

The capital reserve represents realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items. In addition, performance fee costs are allocated to the capital reserve. The amount within the capital reserve less unrealised gains (those on investments not readily convertible to cash) is available for distribution. The realised gains within the capital reserve amounted to £43,101,000 as at 31 December 2023 (2022: £42,863,000). The Company has no intention to make distributions out of its capital reserve.

Notes to the Financial Statements

Continued

The revenue reserve represents the surplus of accumulated revenue profits being the excess of income derived from holding investments less the costs associated with running the Company. This reserve may be distributed by way of dividends, to the extent realised.

f. Expenses

All expenses are charged through the revenue column of the Income Statement except the following:

- expenses that are incidental to the acquisition or disposal of an investment are charged to the capital column of the Income Statement; and
- expenses are charged to the capital column of the Income Statement where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the performance fees have been charged to the Income Statement in line with the Board's expected long-term returns, in the form of capital gains, from the Company's portfolio.

g. Critical Judgements, Estimations or Assumptions

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

Performance fees

The performance fee is calculated on the Company's NAV outperformance against its benchmark. Performance fees, if earned, are settled by the issue of shares in the Company, which are subject to a fixed three-year clawback period. If the outperformance versus the index reverses on the third-year anniversary the Company is entitled to recover and cancel the shares.

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

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

Notes to the Financial Statements

Continued

1. Reporting entity continued

The performance fee is recognised on a straight line basis in the Income Statement and is based on the outcome of the performance fee calculation as stated in the Investment Management Agreement. This amount excludes the projection of whether a clawback may occur at the end of the performance period. Clawbacks are adjusted based on the management's expectation in terms of the number of restricted shares that will ultimately vest at each reporting date, and if applicable, credited back to the Income Statement.

The Board has considered it necessary to make certain judgements in relation to the recognition and measurement of the performance fee, which it considers are reasonable and supportable. However, it is acknowledged that if alternative judgements were made, for accounting purposes, the measurement of the performance fee charge to the income statement may be significantly different in timing within the service period.

The Investment Manager earned a performance fee of £221,195 in 2021 and this was settled by an issuance of 89,096 shares. As at 31 December 2023, the Company estimates that all shares issued in relation to 2021 will vest on 31 December 2024 when the clawback period ends. An IFRS 2 expense of £166,000, based on a service period of four years, has been charged and is shown in the capital column of the Income Statement.

No performance fee was earned during 2022 and the fee assessment period was extended to 2023. Over the combined period, the Investment Manager earned performance fees of £560,903, 80% of which was settled on 17 January 2024 by an issuance of 172,373 new ordinary shares at 260.32p per share, and the remaining 20% will be settled upon approval of this annual report. The service period for fees earned during 2022 and 2023 is considered to be five years. As at 31 December 2023, based on estimates produced by the Company's in-house assessment model, it is expected that no shares issued in relation to 2023 will ultimately vest at the end of the clawback period on 31 December 2026, and therefore no IFRS 2 expenses have been charged in the Income Statement.

Valuation of Unquoted Investments

The Company has an investment in Phoenix SG Limited ("Phoenix SG"), which is unquoted and classified as a Level 3 investment under the fair value hierarchy. Its fair value as at 31 December 2023 is £1,476,000 or 0.7% of NAV (2022: £2,871,000 or 1.9% of NAV).

Phoenix SG is valued in accordance with the Company's accounting policy set out in 1c, using the reported NAV provided by the investment's underlying fund manager. In making the judgment that this valuation method is appropriate, the Board has considered additional information, including an independent valuation review report produced by Kroll Advisory Ltd, and published financial statements. Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted investments to be supportable, reasonable and robust, because of the inherent uncertainty of valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed.

A 10% reduction of the unquoted valuation would have a negative impact of £147,600 (2022: £287,000) on the Company's NAV as at 31 December 2023 and a 10% increase of the unquoted valuation would have the exact opposite impact.

Notes to the Financial Statements

Continued

2. Investments held at Fair Value Through Profit or Loss

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Listed securities	200,733	146,356
Unquoted securities	1,476	2,871
Total non-current investments held at fair value through profit or loss	202,209	149,227
Movements during the year:		
Opening balance of investments, at cost	170,415	137,996
Additions, at cost	11,503	47,454
Disposals – proceeds received or receivable*	(12,056)	(44,454)
– realised profits	283	29,419
– at cost	(11,773)	(15,035)
Cost of investments held at fair value through profit or loss at 31 December	170,145	170,415
Revaluation of investments to market value:		
Opening balance	(21,188)	48,641
Unrealised gains/(losses)	53,252	(69,829)
Balance at 31 December	32,064	(21,188)
Market value of non-current investments held at fair value through profit or loss at 31 December	202,209	149,227

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

Notes to the Financial Statements

Continued

2. Investments held at Fair Value Through Profit or Loss continued

Gains/(losses) on investments

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Realised gains on disposal of investments	283	29,419
Movement in unrealised gains/(losses) on investments held	53,252	(69,829)
Total gains/(losses) on investments	53,535	(40,410)

Realised gains in the year to 31 December 2022 include gains of £31,433,000 from the sale of put options on a short sterling future contract as a hedge against inflation in February 2022.

Transaction costs on investment purchases and sales for the year ended 31 December 2023 are disclosed in the following table.

Transaction costs

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Transaction costs on purchases of investments	16	145
Transaction costs on sales of investments	9	38
Total transaction costs included in gains or losses on investments at fair value through profit or loss	25	183

3. Income

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Income from investments:		
UK dividends	3,017	2,762
Overseas dividends	370	332
Other income:		
Deposit interest	72	23
Total income	3,459	3,117

Notes to the Financial Statements

Continued

4. Investment Management Performance Fees and Other Expenses

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue*	Capital	Total	Revenue*	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management performance fee charge/(clawback)	–	2,824	2,824	–	(2,746)	(2,746)
Administration fees**	279	–	279	187	–	187
Depositary and Custody fees	64	–	64	60	–	60
Registrar's fees	36	–	36	43	–	43
Directors' fees	139	–	139	136	–	136
Audit fees***	68	–	68	64	–	64
Printing	19	–	19	18	–	18
Broker's fees	48	–	48	48	–	48
Professional fees	34	–	34	47	–	47
Public relation fees**	–	–	–	71	–	71
Consultancy fees	14	–	14	32	–	32
Miscellaneous expenses	48	–	48	71	–	71
Total other expenses	749	2,824	3,573	777	(2,746)	(1,969)

* All expenses include any relevant irrecoverable VAT.

** Frostrow Capital LLP was appointed on 28 September 2022 to provide the Company with administration and Company Secretary services, as well as serve as the Company's investor relations and marketing adviser. Public relation fees disclosed separately in the prior year are now included as part of the administration fees. Refer to page 40 for further details of the fee arrangement.

*** The amounts excluding VAT paid or accrued for the audit of the Company are £57,000 (2022: £53,000).

Investment Management Performance Fees

The Company's Investment Manager does not earn an ongoing annual management fee, but will be paid a performance fee equal to one third of any outperformance of the Company's NAV per share total return (including dividends and adjusted for the impact of share buybacks and the issue of new shares) over the FTSE All-Share Index (total return) for each financial year or, if applicable, extended performance period.

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

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

Performance fees are settled by issuance of new shares. Such shares are issued at the NAV per share prevailing at the date of issue, so that the then current value of the shares equates in terms of NAV to the performance fees calculated at the end of the relevant financial period.

Notes to the Financial Statements

Continued

4. Investment Management Performance Fees and Other Expenses continued

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

Performance fees are calculated annually and, if earned, settled by way of share issuance by the Company, 80% is settled shortly after the year end date and the remaining 20% is settled upon approval of the Company's Annual Report. Shares issued to the Investment Manager are subject to a 3-year clawback period, during which the Investment Manager is not entitled to sell, pledge or transfer the shares, but is entitled to dividends and voting rights. If the Company's NAV underperforms its benchmark index on a total return basis over the clawback period, shares issued to the Investment Manager will be proportionally or entirely clawed back and cancelled by the Company.

Share-based Payment

The performance fee arrangement is recognised as an equity settled share-based payment under IFRS 2, and the related expenses are charged or credited in the Income Statement on a straight-line basis over a vesting period of the performance fee calculation period followed by 3 years of clawback period.

At the end of each reporting period, the Company reviews cumulative total returns between the Company's NAV and its benchmark index in relation to each performance year in which a performance fee was earned and adjusts the cumulative charges of share-based payment expenses accordingly.

A total share-based payment charge of £2,824,000 has been recognised in the Company's Income Statement for the year ended 31 December 2023.

Performance year	Fees earned (£)	Shares issued (Number of)	Vesting period (Years)	Vesting status	Income Statement change (£)
2020	2,658,275	1,290,932	4	Fully vested on 31 December 2023	2,658,275
2021	22,195	89,096	4	Vesting period ends on 31 December 2024	165,896
2022*	–	–	n/a	n/a	n/a
2023	560,903	172,373**	5	Vesting period ends on 31 December 2026	–

* No performance fee was earned during 2022 and the fee assessment period was extended to 2023.

** 80% of the fees earned was settled on 17 January 2024 by an issuance of 172,373 new shares at 260.32p per share, and the remaining 20% will be settled following publication of this annual report.

Notes to the Financial Statements

Continued

Share-based Payment Sensitivity Analysis

Performance fee period to		31 December 2021	31 December 2022 and 2023
End date for clawback period		31 December 2024	31 December 2026
As at 31 December 2023		%	%
Company cumulative NAV returns	a	30.0	9.5
Cumulative index returns	b	28.1	8.3
Overperformance	$(1+a)/(1+b)-1$	1.5	1.1

Impact on the Company's profit after tax for the year ended 31 December 2023, if the Company's overperformance changes by:

In relation to performance fee period	31 December 2021	31 December 2022 and 2023
Percentage	£'000	£'000
-10%	166	-
-5%	166	-
-1%	-	(18)
+1%	-	224
+5%	-	224
+10%	-	224

5. Taxation

	Year to 31 December 2023			Year to 31 December 2022		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporation tax	-	-	-	-	-	-
Overseas withholding tax	49	-	49	77	-	77
Tax charge in respect of the current year	49	-	49	77	-	77

Notes to the Financial Statements

Continued

5. Taxation continued

Current taxation

The taxation charge for the year is different from the standard rate of corporation tax in the UK of 23.5% (2022:19.0%). The differences are explained below:

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Total profit/(loss) before tax	53,421	(35,341)
Theoretical tax at UK corporation tax rate of 23.5% (2022: 19.0%)	12,554	(6,715)
Effects of:		
Capital (gains)/losses that are not taxable	(12,581)	7,678
UK dividends which are not taxable	(709)	(525)
Overseas withholding tax	49	77
Overseas dividends that are not taxable	(87)	(63)
Excess management expenses	823	(375)
Tax charge in respect of the current year	49	77

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

Deferred Tax

The Company has £14,367,000 (2022: £12,385,000) in respect of excess unutilised management expenses, equivalent to a potential tax saving of £3,592,000 (2022: £3,096,000) at the prospective tax rate of 25% (2022: 25%) and £1,491,000 (2022: £1,491,000) in respect of loan interest, equivalent to a potential tax saving of £373,000 (2022: £373,000) at the prospective tax rate of 25% (2022: 25%).

These amounts could be utilised to the extent that the Company has sufficient future taxable revenue. A deferred tax asset has not been recognised in respect of these expenses.

Notes to the Financial Statements

Continued

6. Ordinary Dividends

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2022 at 2.97p per share (2021: 1.84p)	2,260	1,409
Dividends not reflected in the financial statements:		
Final dividend recommended by the Board for the year ended 31 December 2023 at 3.45p per share (2022: 2.97p)	2,632*	2,263

* Based on the 76,078,460 shares in issuance as at 31 December 2023, 172,373 shares issued on 17 January 2024 in settlement of 80% of the performance fees earned, and an estimated issuance of 42,000 shares to be issued in settlement of the remaining 20% performance fees earned.

7. Earnings Per Share

Earnings per share are based on the profit of £53,372,000 (2022: loss of £35,418,000) attributable to the weighted average of 76,078,460 (2022: 76,592,940) ordinary shares of 25p in issue during the year.

Supplementary information is provided as follows: revenue earnings per share are based on the revenue income of £2,661,000 (2022: income of £2,263,000); capital earnings per share are based on the net capital profit of £50,711,000 (2022: loss of £37,681,000), attributable to the weighted average of 76,078,460 (2022: 76,592,940) ordinary voting shares of 25p. There is no difference between the weighted average diluted and undiluted number of shares. There is no difference between basic and diluted earnings per share as there are no dilutive instruments.

8. Share Capital and Reserves

	At 31 December 2023	At 31 December 2022
<i>Allotted, called up and fully paid (Number)</i>	76,078,460	76,608,771
Ordinary Shares of 25p (£'000)	19,019	19,152

At 31 December 2023, the Company had 76,078,460 ordinary shares in issue, with no shares held in Treasury (2022: 76,608,771 shares in issue, of which 530,311 were held in Treasury). The number of voting shares at 31 December 2023 was 76,078,460 (2022: 76,078,460, being the number of ordinary shares in issue less the number of shares held in Treasury).

Notes to the Financial Statements

Continued

8. Share Capital and Reserves continued

Movement in share capital during the period

The Company did not issue or purchase any of its own shares during the year ended 31 December 2023.

On 31 December 2022, the clawback period on restricted shares issued to the Investment Manager in relation to the performance period ended 31 December 2019 ended. All of the 530,311 shares originally issued to the Investment Manager were clawed back by the Company. These were held in Treasury as at 31 December 2022 and subsequently cancelled on 9 January 2023.

Other Reserve

The other reserve balance represents the restricted shares issued in settlement of performance fees that are still within a lock-in period.

The clawback period for the performance fee earned during the year ended 31 December 2020 ended on 31 December 2023. The Company's cumulative NAV total return outperformed that of the benchmark index over the vesting period. As a result, the 1,290,932 restricted shares originally issued in settlement of the £2,658,275 performance fee earned have become unrestricted. As at 31 December 2023, the equivalent value was transferred to realised capital reserve and the remaining balance in other reserve represents shares issued in settlement of the performance fee for 2021.

Share-based Payment Reserve

The share-based payment reserve represents the cumulative share-based payment expenses in relation to performance fees earned. The balance as at 31 December 2023 relates to cumulative expenses charged to the capital column of the Company's Income Statement for the performance fee earned in 2021. No expenses have been charged for the combined performance period of 2022 and 2023 as no shares issued in settlement of the fee earned during this period are expected to ultimately vest based on the estimates produced by the Company's in-house model. This is subject to review and change at the Company's future reporting dates. Further details can be found in Note 4 on page 84.

9. Net Assets Per Ordinary Share

The figure for Net Assets per Ordinary Share is based on Net Assets of £208,714,000 (2022: £154,778,000) divided by 76,078,460 voting ordinary shares in issue at 31 December 2023 (2022: 76,078,460, being the number of ordinary shares in issue less the number of shares held in Treasury (Note 8)).

Notes to the Financial Statements

Continued

10. Reconciliation of Net Cash Flow from Operating Activities

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Profit/(loss) after tax	53,372	(35,418)
(Gains)/losses on investments	(53,535)	40,427
Increase in other receivables	(62)	(88)
Increase/(decrease) in other payables	8	(49)
Investment management fee charge/(clawback)	2,824	(2,746)
Net cash inflow from operating activities	2,607	2,126

11. Transactions with Related Parties and Investment Manager

Details of the management, administration and secretarial contracts can be found in the Directors' Report.

There were no transactions with Directors other than disclosed in the Directors' Remuneration Report on pages 51 to 55 and in Note 4 on page 83. No fees payable to the Directors were outstanding as at 31 December 2023.

Phoenix Asset Management Partners Limited ("Phoenix"), the Company's AIFM and Investment Manager, and Castelnau Group Limited ("Castelnau") are considered as related parties under the Listing Rules. Details of transactions with Phoenix can be found in Note 4 beginning on page 83.

Castelnau is a related party as the Company is a substantial shareholder under the UK Listing Rules. As at 31 December 2023, the Company held 11.4% (2022: 13.3%) of the issued share capital in Castelnau, there have been no transactions with Castelnau during the year and there were no other balances outstanding with Castelnau as at 31 December 2023.

Notes to the Financial Statements

Continued

12. Financial Instruments

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

Financial assets

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

	2023			2022		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current equity investments at fair value through profit or loss:						
£ sterling denominated security holdings	–	169,963	169,963	–	128,638	128,638
€ euro denominated security holdings	–	15,349	15,349	–	10,060	10,060
\$ usd denominated security holdings	–	16,897	16,897	–	10,529	10,529
	–	202,209	202,209	–	149,227	149,227
Cash at bank:						
Floating rate – £ sterling	6,248	–	6,248	5,250	–	5,250
Floating rate – € euro	–	–	–	98	–	98
	6,248	–	6,248	5,348	–	5,348
Current assets:						
Receivables	–	372	372	–	310	310
	6,248	202,581	208,829	5,348	149,537	154,885

Cash at bank of £6,248,000 (2022: £5,348,000) is held by the Company's Depositary, Northern Trust Investor Services Ltd.

Financial liabilities

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

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

Notes to the Financial Statements

Continued

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.

Classification	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Level 1	200,733	146,356
Level 2	–	–
Level 3	1,476	2,871
Total non-current investments held at 'FVTPL'	202,209	149,227

There were no transfers between levels during the year.

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

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Opening balance	2,871	3,400
Disposals	–	–
Unrealised losses	(1,395)	(529)
Closing balance	1,476	2,871

Notes to the Financial Statements

Continued

12. Financial Instruments continued

Fair Value Hierarchy continued

The Level 3 unquoted investment balance represents the Company's investment in Phoenix SG Limited ("Phoenix SG"). The fair value estimate is based on the attributable proportion of the reported net asset value of the Level 3 investment derived from the fair value of the underlying investments. Valuation reports provided by the fund manager are used to calculate fair value where there is evidence that the valuation is derived using fair value principles that are consistent with the Company's accounting policies and valuation methods. Such valuation reports may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value such as any issues being highlighted or emphasised in Phoenix SG's audited financial statements.

The total fair value attributable to the Company's investment in Phoenix SG as of 31 December 2023 is £1,476,000 (2022: £2,871,000). The Company held 9.04% (2022: 9.4%) of the share capital of Phoenix SG.

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 IFRS 7, examines in greater detail the identification, measurement and management of risks potentially affecting the value of financial instruments and how those risks potentially affect the performance and financial position of the Company. The risks concerned are categorised as follows:

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

Each is considered in turn below:

A (i) Currency Risk

The portfolio as at 31 December 2023 was invested predominantly in sterling denominated securities and there was limited currency risk arising from the possibility of a fall in the value of sterling impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 31 December 2023 or 31 December 2022.

The Company does not hedge its currency exposures currently, but under its investment policy and restrictions, derivative or similar financial instruments can be employed if considered necessary for the purpose of capital preservation.

Notes to the Financial Statements

Continued

Currency sensitivity

The table below shows the impact on the Company's profit after taxation for the year ended and net assets as at 31 December 2023, if sterling had strengthened/weakened by 10% against Euro and USD.

	2023	2022
	£'000	£'000
Euro	(1,395)/1,705	(923)/1,129
USD	(1,536)/1,877	(957)/1,170

A (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 31 December 2023 or 31 December 2022.

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

The Company had no borrowings at 31 December 2023 or 31 December 2022.

A (iii) Other Price Risk

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

The Board manages these risks through the use of investment limits and guidelines as set out in the Company's investment policy and restrictions, and monitors the risks through regular financial and compliance reports provided by the Company's key service providers.

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £20,221,000 (2022: £14,923,000) in the investments held at fair value through profit or loss at the period end, which is equivalent to 9.7% (2022: 9.6%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

B Liquidity Risk

Liquidity Risk is considered to be small, because most of the portfolio is invested in readily realisable securities. As a consequence, cash flow risks are also considered to be immaterial. The Investment Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, 31.2% (2022: 46.6%) of the portfolio could be liquidated in a non-market impacting way within 7 days, based on 25% of average daily volume. This is conservative as it does not include the ability to access liquidity through block trades.

Notes to the Financial Statements

Continued

12. Financial Instruments continued

C Credit Risk

The Company invests in quoted and unquoted equities in line with its investment objective and policy. The Company's investments are held by Northern Trust Investor Services Ltd ("the Depositary"), which is a large and reputable international banking institution. The Company's normal practice is to remain fully invested at most times and not to hold large quantities of cash. At 31 December 2023, cash at bank comprised £6,248,000 (2022: £5,348,000) held by the Depositary.

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 commensurate with the level of risk.

The Company considers its capital to be issued share capital and reserves, and monitors capital on the basis of the carrying amount of equity, less cash 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 does not currently intend to use gearing, but as set out in its investment objective and policy, borrowings of up to 30% of the aggregate of the paid-up nominal capital plus the capital and revenue reserves are permitted.

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.

13. Post Year End Events

On 17 January 2024, the Company issued 172,373 shares to the Investment Manager in settlement of 80% of the £560,903 performance fee earned by the Manager for the 2022 and 2023 performance assessment period. The remaining 20% will be settled via further issuance of shares upon approval of the Annual Report and Financial Statements for the year ended 31 December 2023. All shares issued in settlement of performance fees are subject to a lock-in and clawback period of 3 years. As disclosed under the Investment Management Agreement section of the Directors' Report on page 39, if the Company's cumulative returns underperform its benchmark over the clawback period, all shares issued in relation to a particular performance year will be clawed back and returned to the Company for cancellation.

Alternative Performance Measures ('APMs')

An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Definitions of these APMs together with how these measures have been calculated follow:

Share price discount to NAV per share (APM)

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

		As at 31 December 2023	As at 31 December 2022
NAV per share	a	274.34	203.45
Share price	b	247.00	194.50
Discount	$(b \div a) - 1$	(10.0)%	(4.4)%

Ongoing charges ratio (APM)

A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets. The measure is calculated by expressing the regular expenses of the year as a percentage of the average net assets during the year. Charges relating to performance fees are excluded from the calculation.

		As at 31 December 2023	As at 31 December 2022
		£'000	£'000
Average NAV	a	181,978	173,184
Annual expenses	b	749	777
Adjusting for non-recurring (credits)/expenses	c	(68)	–
Annual ongoing expenses	$d = b - c$	817	777
Ongoing charges figure	$d \div a$	0.45%	0.45%

Non-recurring items relate to credits in respect of historic periods received by the Company during the year and these credits are one-off in nature.

Alternative Performance Measures ('APMs')

Continued

Total returns (APM)

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

		31 December 2023		31 December 2022	
		NAV per share	Share price	NAV per share	Share price
Year ended 31 December					
Opening at 1 January	a	203.45p	194.50p	253.78p	234.50p
Closing at 31 December	b	274.34p	247.00p	203.45p	194.50p
Price movement	$c=(b \div a)-1$	34.8%	27.0%	(19.8)%	(17.1)%
Impact of dividend reinvestment (as a percentage of opening balances)					
	d	1.5%	1.5%	0.7%	0.8%
Total return	c+d	36.3%	28.5%	(19.1)%	(16.3)%

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under UK AIFMD. (see below) and the Company is classified as an AIF.
Alternative Investment Fund Managers Regulations ("UK AIFMD")	A directive agreed by the European Parliament and the Council of the EU and transposed into UK legislation, the UK AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFM") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.
Annual General Meeting or AGM	A meeting held once a year which shareholders can attend and where they can vote on resolutions put forward at the meeting and ask Directors questions about the company in which they are invested.
Alternative Performance Measures ('APMs')	See definitions of each APM on pages 95 and 96.
Articles	The Company's Articles of Association adopted on 10 June 2019.
Company Secretary or Administrator	Frostrow Capital LLP.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of UK AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under UK AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which a purchaser of shares is not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Manager	Phoenix Asset Management Partners Limited.

Glossary

Continued

Investment Trust	An investment company based in the UK which meets certain tax conditions that enable it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Leverage	An alternative word for “Gearing”. Under UK AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under UK AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company’s positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which assets can be converted into cash at short notice.
Net assets	An investment company’s assets less its liabilities.
Net asset value per share (NAV per share)	The Company’s net assets divided by the number of shares in issue (excluding any shares held in Treasury).
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Share buyback	A purchase of a company’s own shares. Shares can either be bought back for cancellation or held in Treasury.
Share price	The price of a share as determined by a relevant stock market.
Treasury shares	A company’s issued shares owned by itself which are available to be sold by the company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Notice of Meeting



Frostrow Capital LLP
Company Secretary

Registered Office:
25 Southampton Buildings
London WC2A 1AL

26 March 2024

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

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

Notice is hereby given that the Annual General Meeting of Aurora Investment Trust plc will be held at 25 Southampton Buildings, London WC2A 1AL on 12 June 2024 at 1 p.m.

The AGM is being called for the following purposes:

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

ORDINARY RESOLUTIONS

1. To receive the Annual Report for the year ended 31 December 2023, including the financial statements and the Directors' and Auditor's reports thereon.
2. To approve a final dividend of 3.45 pence per share in respect of the year ended 31 December 2023.
3. To approve the Remuneration Policy Implementation Report for 2023.
4. To re-elect Lucy Walker as a Director of the Company.
5. To re-elect Lady Rachael Robathan as a Director of the Company.
6. To re-elect David Stevenson as a Director of the Company.
7. To re-elect Farah Buckley as a Director of the Company.
8. To re-appoint BDO as Auditor to the Company and to authorise the Audit Committee to fix the Auditor's remuneration.
9. THAT in substitution for any pre-existing power to allot or grant rights to subscribe for or convert any securities into ordinary shares in the Company the Directors be and are hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot ordinary shares in the Company up to a maximum of 20% of the issued share capital in the Company as at the date of passing this resolution. This authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever should first occur, save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or enter into an agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

10. THAT, subject to the passing of resolution 9, and in addition to all existing powers, the Directors be and are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 9 or by way of a sale of Treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power:
- a. shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months from the passing of this resolution, or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities (including by way of sale of Treasury shares) as if such expiry had not occurred; and
 - b. shall be limited to the allotment of equity securities up to a maximum of 20% of the issued share capital of the Company as at the date of passing this resolution.
11. THAT, in substitution for any pre-existing authority that will have expired on the date hereof, but without prejudice to the exercise of such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the Company ("ordinary shares") provided that:
- a. the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 14.99% of the issued share capital of the Company at the date of passing this resolution;
 - b. the minimum price which may be paid for an ordinary share is 25p;
 - c. the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the Daily Official List of the UK Listing Authority for the 5 business days immediately preceding the day on which the ordinary share is purchased; and
 - d. unless varied, revoked or renewed the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2025 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may at any time prior to such expiry, enter into a contract or contracts to purchase ordinary shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.
12. THAT the period of notice required for general meetings of the Company (other than Annual General Meetings) shall be not less than 14 days.

By order of the Board
For and on behalf of Frostrow Capital LLP
Company Secretary
25 Southampton Buildings
London WC2A 1AL
26 March 2024

Notes

1. Proxies

Members are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A member may appoint more than one proxy 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, but must attend the meeting for your votes to be counted. Appointing the Chair of the AGM as your proxy will ensure that your votes are cast in accordance with your wishes.

2. Voting by proxy

Hard copy forms of proxy have not been included with this notice. Members are strongly urged to vote electronically, by logging onto www.signalshares.com and following the instructions. However, you can request a hard copy proxy form directly from our Registrar, Link Group, via telephone on +44 (0) 371 664 0300 or via email at: shareholderenquiries@linkgroup.co.uk. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL, not later than 1 p.m. on 10 June 2024. In the case of a member that is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.

Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. CREST members may register votes by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 1 p.m. on 10 June 2024 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointing a proxy will not prevent a member from attending the meeting and voting in person.

3. Revoking instructions

In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL.

In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments then, subject to paragraph 2, the proxy appointment will remain valid.

4. 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 close of business on 10 June 2024 or, in the event of any adjournment, at close of business on the date which is two business days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. Corporate members

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

6. 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.

7. Total number of shares and voting rights

As at 26 March 2024 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 76,250,833 ordinary shares, carrying one vote each. No shares are held in Treasury. The total available voting rights in the Company as at that date are 76,250,833.

8. Website

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

9. Joint Shareholders

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

10. CREST Shareholders

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

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

11. Withheld votes and votes at discretion

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at their discretion. A proxy may vote (or abstain from voting) as they think fit in relation to any other matter that is put before the meeting.

12. Questions

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

Questions may be tendered ahead of the meeting, by email to: ARR@frostrow.com, or by writing to the Company Secretary at the Company's Registered address, which is set out on page 35.

13. Website statements from Shareholders

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

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

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

14. Shareholder resolutions

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

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

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

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

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 30 April 2024, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report

The principal purpose for an annual general meeting is for members to formally receive the Company's annual report and financial statements. The Annual Report for the year ended 31 December 2023, incorporating the financial statements and this Notice of Meeting, will be presented at the AGM and shareholders will have the opportunity to ask questions relating to it.

Resolution 2 – Dividend

The Board has recommended the payment of a final dividend to shareholders in respect of the year ended 31 December 2023 of 3.45 pence per share in accordance with the Company's Dividend Policy and as required for maintaining investment trust status. It is necessary for shareholders to approve a final dividend before it is paid.

Resolution 3 – Remuneration Policy Implementation Report

It is mandatory for listed companies to put their report on the implementation of the remuneration policy to an advisory shareholder vote every year. The Remuneration Policy Implementation Report is set out on page 52 of this Annual Report.

Resolutions 4 to 7 – Re-election of Directors

Resolutions 4 to 7 deal with the re-election of the Directors. Biographies of each of the Directors can be found on pages 33 and 34 of this Annual Report.

Specific reasons why (in the Board's opinion) each Directors' contribution is, and continues to be, important to the Company's long-term sustainable success are as follows:

Lucy Walker

Lucy brings deep investment management experience, enabling her to engage with the Investment Manager on portfolio and strategy, as well as a first-hand understanding of the Company's investor base.

Lady Rachael Robathan

Rachael has over 20 years' experience as an investment manager as well as a broad range of skills from her leadership of a major Local Authority and other Board roles.

David Stevenson

David has extensive fintech and financial services experience and as an investment columnist for over 20 years has a deep understanding of the Company's investor base. He spends a vast amount of time talking to investors, both professional and private, about funds and asset allocation. He is additionally a very experienced fund non-executive director and chair.

Farah Buckley

Farah has over 20 years' experience in financial services across audit, mergers and acquisition and private equity. She has a deep understanding of investment performance, ESG and technology which broadens and complements the other Directors in their oversight of the investment activities of the Company, benefitting the activities of the Board and the Company.

Resolution 8 – Re-appointment of the Auditor and the determination of their remuneration

Resolution 8 is for the re-appointment of BDO LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services, only the Audit Committee may negotiate and agree the terms of the Auditor's service agreement.

Resolutions 9 and 10 – Issue of Shares

Ordinary Resolution 9 in the Notice of Annual General Meeting is to renew the authority to allot new ordinary shares up to an aggregate of 20% of the Company's existing issued share capital at the date of the Annual General Meeting. As at the date of this annual report this amounted to 15,250,166 shares. This authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting unless previously renewed.

When shares are to be allotted, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 10 will, if passed, give the Directors power to allot (and/or sell from Treasury) for cash equity securities up to the equivalent of 20% of the Company's existing share capital, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 9. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 9 and 10 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 11 – Share Repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares when they are trading at a discount to net asset value per share should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is considered to be in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share.

Special Resolution 11 in the Notice of Annual General Meeting seeks to renew the authority to purchase in the market a maximum of 14.99% of shares in issue (amounting to 11,429,999 shares at the date of this Annual Report). The authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 12 – General Meetings

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice, which is the minimum notice period permitted by the Companies Act 2006. This is a routine resolution necessitated by the EU Shareholder Rights Directive, which has been transcribed into UK law.

The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

Recommendation

The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions, as the Directors intend to do in respect of their own beneficial holdings totalling 58,650 shares.