

The Edinburgh Investment Trust plc

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020





The Edinburgh Investment Trust plc

STRATEGY

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If you wish to contact members of the Edinburgh Investment Trust Board then please get in touch with the Company Secretary on +44 (0)20 7653 9690. If you have any enquiries for the Investment Manager, please contact them on +44 (0)20 8126 0088.

www.edinburghinvestmenttrust.com

The Company is a
member of

aic

£872m

Net assets

434.0p

Share price

(11.5)%

Discount*

0.55%

Ongoing charges ratio*

8.3%

Gearing (net)*

Comparative figures for last year are given on page 2

* Alternative Performance Measures

Investment Objective

The Edinburgh Investment Trust plc ('The Company') is an investment trust whose investment objective is to invest primarily in UK securities with the long term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the portfolio in securities listed on stock exchanges outside the UK. The portfolio is selected on the basis of assessment of fundamental value of individual securities and is not structured on the basis of industry weightings.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 14), with the aim of spreading investment risk and generating a return for shareholders.

The Company uses borrowing to enhance returns to shareholders. This increases the risk to shareholders should the value of investments fall.

The Company has contracted with an external investment manager, Majedie Asset Management Limited (the 'Manager'), to manage its investments. Other administrative functions are contracted to other external service providers. The Company has a Board of non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment objective and policy is adhered to. The Company has no employees.



Financial Information and Performance Statistics

Total Return⁽¹⁾⁽²⁾⁽³⁾ (with dividends reinvested)	Year Ended 31 March 2020	Year Ended 31 March 2019
Net asset value ⁽¹⁾ (NAV) – debt at market value	-26.7%	+2.9%
Share price	-29.4%	+4.6%
FTSE All-Share Index	-18.5%	+6.4%

The Company's benchmark is the FTSE All-Share Index.

Capital Return⁽¹⁾	At 31 March 2020	At 31 March 2019	Change %
Net asset value – debt at market value	490.40p	696.91p	-29.6
Share price ⁽²⁾	434.0p	644.0p	-32.6
FTSE All-Share Index ⁽²⁾	3,107.42	3,978.28	-21.9
Discount⁽¹⁾⁽³⁾ – debt at market value	(11.5)%	(7.6)%	
Gearing (debt at market value)⁽¹⁾⁽³⁾ – gross gearing	13.4%	11.0%	
– net gearing	8.3%	10.8%	

Revenue and Dividends⁽³⁾	Year Ended 31 March 2020	Year Ended 31 March 2019	Change %
Revenue return per ordinary share	27.8p	28.7p	-3.1
Dividends			
– first interim	6.40p	6.25p	
– second interim	6.40p	6.25p	
– third interim	6.40p	6.25p	
– final proposed	9.45p	9.25p	
– total dividends ⁽¹⁾	28.65p	28.00p	+2.3 ⁽³⁾
Retail Price Index⁽²⁾ – annual change	2.6%	2.4%	
Consumer Price Index⁽²⁾ – annual change	1.5%	1.9%	
Dividend Yield⁽¹⁾	6.6%	4.3%	
Ongoing Charges Ratio⁽¹⁾⁽³⁾	0.55%	0.56%	

Notes:

⁽¹⁾ These terms are defined in the Glossary of Terms and Alternative Performance Measures, including reconciliations, on pages 77 to 79. NAV with debt at market value is widely used by the investment company sector for the reporting of performance, premium or discount, gearing and ongoing charges.

⁽²⁾ Source: Refinitiv.

⁽³⁾ Key Performance Indicator.

Ten Year Historical Information

Year ended 31 March	Ordinary shareholders' funds £m	Shares (bought back)/ issued m	Per ordinary share				Share price p	(Discount)/ Premium (debt at market value) %	Gross gearing (debt at market value) %	Net gearing (debt at market value) %
			Revenue return p	Dividend rate p	Net asset value (debt at market value) p					
2011	894	–	23.0	22.99 ⁽¹⁾	434.0	444.0	2.3	28.8	28.8	
2012	982	–	22.1	22.00	478.3	497.6	4.0	26.4	26.4	
2013	1,138	–	22.0	22.80	559.0	572.0	2.3	22.4	22.4	
2014	1,228	–	23.2	23.50	613.3	594.0	(3.1)	19.1	18.6	
2015	1,376	–	24.8	23.85	686.1	662.0	(3.5)	13.9	13.8	
2016	1,392	0.55	26.7	24.35	695.3	665.0	(4.4)	15.5	15.3	
2017	1,535	–	27.9	25.35	768.8	713.5	(7.2)	15.9	15.7	
2018	1,400	–	29.3	26.60	703.3	642.0	(8.7)	12.1	11.8	
2019	1,382	(0.19)	28.7	28.00	696.9	644.0	(7.6)	11.0	10.8	
2020	872	(20.80)	27.8	28.65	490.4	434.0	(11.5)	13.4	8.3	

Note:

⁽¹⁾ Includes a special dividend of 2.19p arising on refunds of VAT on management fees.

Capital Returns (excluding dividends paid) to 31 March 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	3yr	5yr	10yr
NAV (debt at market value) (%)	8.8	10.2	16.9	9.7	11.9	1.3	10.6	-8.5	-0.9	-29.6	-36.2	-28.5	22.9
Share Price (%)	12.0	12.1	15.0	3.8	11.4	0.5	7.3	-10.0	0.3	-32.6	-39.2	-34.4	9.5
FTSE All-Share Index (%)	5.4	-2.1	12.6	5.2	3.0	-7.3	17.5	-2.4	2.2	-21.9	-22.1	-15.2	6.8

Source: Refinitiv.

Total Returns (with dividends reinvested) to 31 March 2020

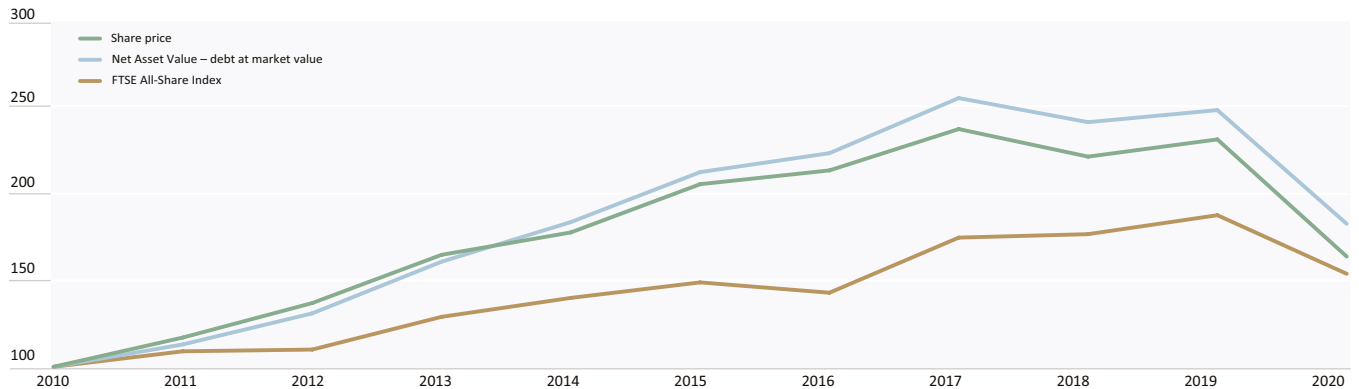
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	3yr	5yr	10yr
NAV (debt at market value) (%)	11.8	16.3	22.9	14.3	16.2	5.0	14.7	-5.9	2.9	-26.7	-28.6	-14.1	82.9
Share Price (%)	16.5	17.6	20.1	8.0	15.7	4.0	11.2	-6.7	4.6	-29.4	-31.1	-20.3	64.0
FTSE All-Share Index (%)	8.7	1.4	16.8	8.8	6.6	-3.9	22.0	1.2	6.4	-18.5	-12.2	2.9	53.6

Source: Refinitiv.

Ten Year Historical Information / continued

Total Returns Over Ten Years

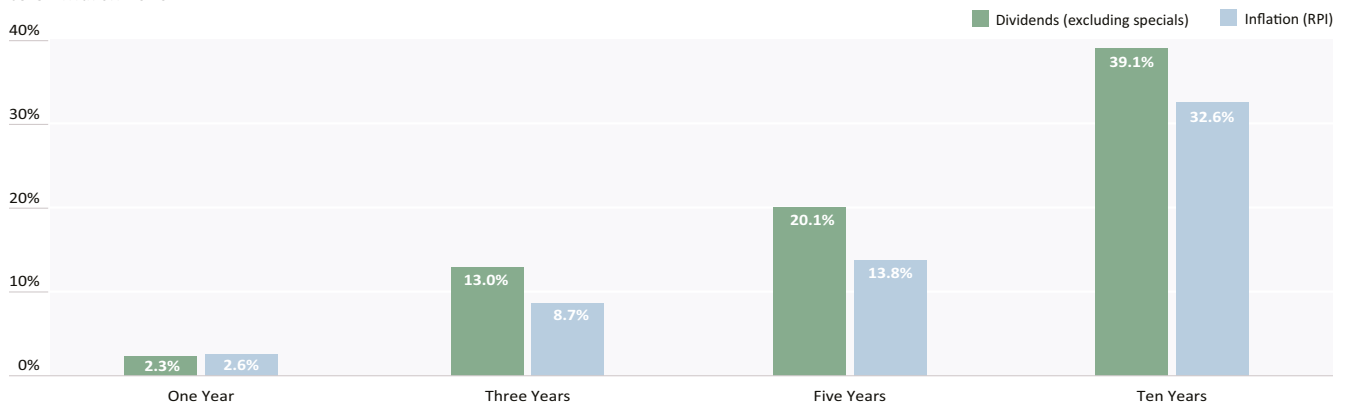
Rebased to 100 at 31 March 2010



Source: Refinitiv.

Cumulative Real Dividend Growth

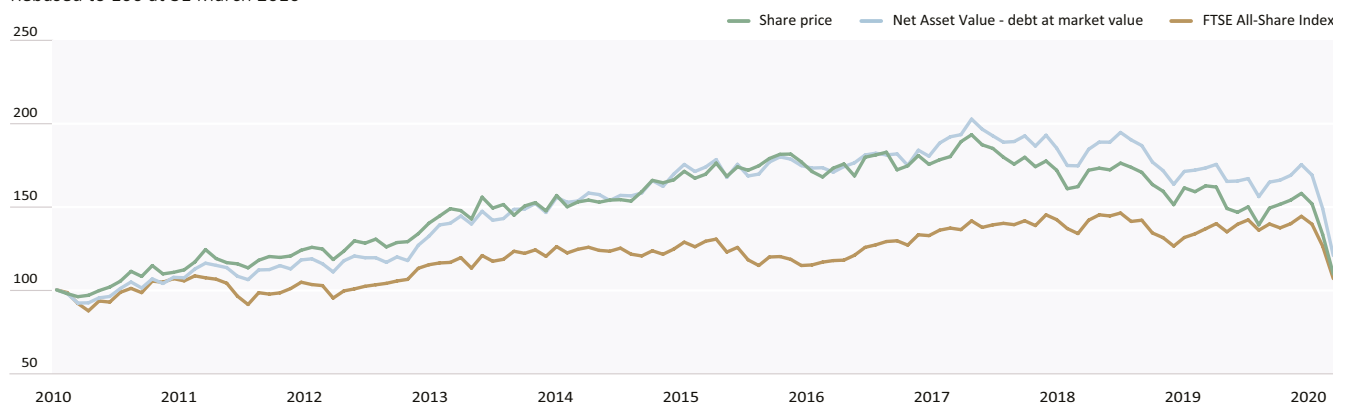
to 31 March 2020



Source: Refinitiv.

Capital Returns Over Ten Years

Rebased to 100 at 31 March 2010



Source: Refinitiv.

Chairman's Statement



GLEN SUAREZ / CHAIRMAN

DEAR SHAREHOLDER

These are challenging times, both economically and socially. I very much hope that you are safe and well.

This has been another disappointing year of investment performance: the Company's Net Asset Value (NAV), including reinvested dividends, returned -26.7% over the financial year, and the share price returned -29.4%. These compare with a total return of -18.5% for the FTSE All-Share Index and come on top of three previous years of underperformance. Over the past three years, the Company's NAV total return has been -28.6% cumulatively, with the Company's benchmark index returning -12.2% over the same period. Over the past five years, the Company's NAV total return has been -14.1% cumulatively, with the Company's benchmark index returning 2.9% over the same period. In all these cases, the NAV is stated after deducting debt at market values.

These results reflect the fact that UK domestic-focused stocks continued to be out of favour for most of the year, a number of stock specific issues and the sharp falls in markets following the onset on the COVID-19 crisis and the associated lockdowns. These issues were discussed by the previous Manager in the half-year's report and are covered below by the new Manager.

In last year's report, I highlighted the steps the Board had taken to increase the scrutiny over the then Manager's performance. During the past year, after further review, the Board decided that the interests of the Company and its shareholders would be better served by terminating the relationship with Invesco and appointing Majedie Asset Management Limited (Majedie) instead as its new Manager. James de Uphaugh, our new Portfolio Manager, assumed full control of the portfolio on 27 March after a transition period from 7 February to 26 March, during which the portfolio was restructured in accordance with his instructions. Given this, the performance over this year includes the period when Mark Barnett of Invesco was the Manager, a period of transition and a short period when James de Uphaugh has been the Manager.

On behalf of the Board, I would like to thank Mark Barnett for his service over the previous eight years. I would also like to welcome James de Uphaugh as our new Manager.

CHANGE OF INVESTMENT MANAGER

The decision to terminate Invesco as the Company's manager was not taken lightly. The Board understands that all good conviction fund managers experience periods of underperformance and that a focus on long-term results sometimes requires shareholders to bear periods of relative weakness, especially during times when the fund manager's style is out of favour. But the Board considered it appropriate to conduct a detailed assessment of Invesco's continuing suitability as the Company's manager. To this end the Board appointed Willis Towers Watson to advise us and, after much deliberation, we concluded that we should consider alternative approaches to the management of the Company's portfolio.

We reviewed, with our advisors, possible managers based on their ability to meet both the Company's objectives as well as the ability to manage a fund of this size. Based on this, we invited a short list of five of the most qualified firms, including Invesco, to present to the Board and its advisors. Following these interviews, we decided that it was in shareholders' best interests to change manager. Accordingly, we announced in December that the Company would terminate its arrangements with Invesco and appoint Majedie, led by James de Uphaugh, as its new Manager.

The Board is particularly impressed by Majedie's pragmatic style, its focus on total return, its deep understanding of the UK equity market and the depth of the team and resources that are at its disposal. Over time, we expect that this approach should lead to improved results for shareholders. Further information on the Portfolio Manager's core investment beliefs are set out on page 13.

Chairman's Statement / continued

PORTFOLIO REORGANISATION AND COSTS

As the portfolio that James de Uphaugh wanted to hold was substantially different from the one held by the Company under its previous Manager, it was necessary to restructure the portfolio. This took place in February and March 2020. Ninety-eight percent of intended trading was completed by 26 March. As you will see from the portfolio on page 16 the Company is left with a small number of legacy positions which amount to about 1% of NAV. Total direct costs of reorganising the portfolio, representing the transition manager fee, dealing commission and stamp duty, as well as advisors' fees, were 0.50% of average net assets during the transition. More detail on costs of transition are given on page 57.

The investment management fee charged by the previous Manager was 0.55% per annum of the market value of the Company. As part of the new arrangements, the Board has agreed with Majedie a lower fee for investment management services of 0.48% per annum on the first £500 million of the Company's market value and 0.465% on market value above £500 million, as well as a three month fee waiver to help with the costs of the transition. This excludes the cost of company secretarial services which will now be provided by PraxisIFM Fund Services (UK) Limited, for which the Company will pay a fixed fee separately.

Overall, this should mean future costs should be lower as a percentage of net assets. At the Company's year-end, the annual Ongoing Charges Ratio was 0.55%, compared with 0.56% over the prior twelve months and is anticipated to be 0.51% for the current year.

GEARING

The Company has in place a £100m debenture, which was issued in 1997 and matures in September 2022. The cost of this debt is 7.4% per annum. This debenture in effect provides permanent gearing and is not subject to any covenants. There is also a bank credit facility, although this is currently undrawn and has not been used since July 2019. The Company's Articles of Association stipulate that total borrowings must not exceed 25% of its net assets.

At the Company's year end, the debenture (using its fair market value) represented 13.4% of NAV. In practice, the Manager also holds a balance of cash and cash equivalents. This was 5.1% at the year end. Adjusting for this, gearing was a more modest 8.3%. As the Manager describes in his report, he is comfortable with this level of gearing and may seek to increase it further in the event of any further equity market sell-off.

DISCOUNT AND SHARE BUYBACKS

The Company's share price at its year end was 434p, a decrease of 32.6% from a price of 644p twelve months before. This reflects the decrease in NAV and a widening of the discount: with debt at market value, the discount increased to 11.5% compared with 7.6% a year before.

During the year, the Company's discount traded in a range of 5.4% to 21.8%, and the average discount was 11.7%.

As the discount widened during the year, the Company began a programme of share buybacks, which began on 5 June 2019 and lasted until 21 February 2020 when the discount began to narrow. The Company bought back a total of 20,798,805 shares, representing 10.6% of the opening issued share capital, at an average discount of 12.4%. The effect of these repurchases has been to enhance NAV by 1.3%.

At 10 June, the latest practical date before the signing of this report, the NAV and share price had increased and were respectively 552.53p and 483.0p and the resultant discount was 12.6% with debt at fair market value.

DIVIDEND

The Company flagged in its statement of 27 March that it would pay a third interim dividend in May. We also indicated that a final dividend would be paid in July. The Board is proposing, subject to shareholder approval, that this should be 9.45 pence and should be paid on 31 July 2020 to shareholders on the register on 26 June 2020. If this is approved, it would mean that shareholders will receive a total payout of 28.65 pence per share for the year. This compares with a total of 28.00 pence per share in the previous financial year, a rise of 2.3%, compared with an increase in the RPI of 2.6%.

Over the past few years, under the previous Manager, there has been strong income growth and as a result the Company's reserves are strong. However, shareholders will be aware that even before the current economic crisis, the overall yield on the UK market had become increasingly dependent on the dividends paid by a small number of companies and sectors. In the previous decade, important dividend paying companies had been taken over, bank dividends following the 2008 crisis were smaller than before and a number of other companies cut dividends. The net effect is that before the current crisis, about 40 companies accounted for about 75% of total dividends in the Index.

During the current crisis, companies which account for a significant share of dividends paid out in the UK have cut or stopped their dividend payments, including Shell, BT and banks. This is further discussed in Manager's Report. While there is considerable uncertainty over future payments from many of the companies that have temporarily stopped paying dividends, it is already clear that the underlying level of income generated by the UK market will decline.

The Board is working with the Manager to consider how best to give effect to the Company's objective of growing dividends in excess of the rate of UK inflation given these circumstances, while also bearing in mind the Company's reserves and the importance of dividends to our shareholders.

RELATIONSHIP WITH STAKEHOLDERS

The Board's primary objective is to look after the interests of shareholders. This led us to review the Company's investment manager last year, which required extensive additional oversight and engagement and time-commitment by all the Directors. There were ten additional board meetings, as well as a significant number of separate calls and meetings with our external advisors throughout the process. I would like to thank all my colleagues on the Board and our advisors for making themselves available throughout this process and for putting so much consideration into a better outcome for shareholders.

In this context, I should draw attention to the Company's new website which is at www.edinburghinvestmenttrust.com. The website contains further information on the Manager and the Majedie team and includes videos, factsheets and a range of investment articles. Shareholders may register to receive their own updates, such as the notification of publication of monthly factsheets and Company announcements, through the website.

The Board has maintained oversight of all service providers in these challenging times. The Manager's report sets out the positioning of the portfolio. The Board is encouraged by its well-diversified nature. We have also discussed with the Manager the range of different economic scenarios that could unfold in the months ahead. This interaction and challenge will continue in the months ahead. The Manager is keeping an open mind about the pace of economic recovery and is alert to those companies and sectors that have been impaired. As the Manager describes in his report, many aspects of consumer and corporate behaviour are likely to change as a result of the COVID-19 Pandemic. We are supportive of his open-minded approach to dealing with this.

BOARD COMPOSITION AND SUCCESSION

Given the changes that have taken place during the year, the Nominations Committee has asked both Maxwell Ward and Gordon McQueen (who would normally have stepped down at this year's AGM having served as directors for nine years) to continue for a further year to ensure a degree of continuity. In order to avoid having to make two new appointments next year, we propose to make one appointment this year, taking the Board temporarily to seven members and another appointment during 2021.

AGM PLANS

The Company will hold its Annual General Meeting on the 23 July 2020. However, current UK emergency measures mean that this will be a closed meeting and, regrettably, shareholders will be unable to attend in person. I would therefore strongly encourage shareholders to vote instead by proxy.

Full details of the Annual General Meeting, the resolutions proposed and how to vote by proxy are described in the Notice of Meeting and supporting explanatory notes on pages 71 to 73. Shareholders who have questions that they would have raised at the Annual General Meeting should submit them by 16 July 2020 to the Company's email address, edinburghinvestmenttrust@majedie.com. Answers will be published on the Company's website in advance of the meeting. There will also be an on-line presentation on the Company's website by the Manager on the day of the AGM. This presentation will be recorded and will be able to be viewed after the event on the website.

I would like to take this opportunity to thank all shareholders for their continued support and understanding in these exceptional circumstances. The Company will return to full shareholder engagement as soon as feasible.

OUTLOOK

I am encouraged by the new portfolio put in place by Majedie. This should help our Company navigate the highly uncertain economic and market backdrop. Majedie is also thinking carefully about the 'new normal' and which companies will be best placed to generate attractive returns in the more challenging business climate. Through their investment process, the strong companies they identify should underpin attractive long-term returns for shareholders.

GLEN SUAREZ / CHAIRMAN / 11 JUNE 2020

Strategic Report



Portfolio Manager's Report

For the year ended 31 March 2020



JAMES DE UPBAUGH /
PORTFOLIO MANAGER



CHRIS FIELD /
DEPUTY PORTFOLIO MANAGER

INTRODUCTION

Despite the worrying COVID-19 healthcare crisis, this is an exciting time to take on the important responsibility of managing this Company.

The pandemic has resulted in rapid changes to businesses and economies: the opportunities and threats that these bring to our investment universe are significant. While we do not underestimate the threats, we firmly believe that we can position the Company to capitalise on the many positive investment opportunities that are available now and in the future.

We apply a total return approach to managing the portfolio. This means that we have a flexible investment style when deciding on investments – the income paid by companies is an important factor, as is their potential for future growth. Our rigorous stock-driven investment analysis is designed to ensure that the Company owns strong, attractive businesses. The relevant Environmental, Social and Governance factors that affect these businesses are carefully considered throughout our work. After reviewing historic performance, the rest of this report sets out the new portfolio structure and how we are applying our investment process in this rapidly changing environment. We also set out our approach to the financial leverage that the Company can employ.

As the Chairman has also said, the Company's new website is kept up to date with a range of documents and articles which set out our investment views. There will inevitably be evolution in our thoughts over time. We look forward to keeping shareholders abreast of our thinking, whether in person or through other media, in the months and years ahead.

HISTORIC PERFORMANCE

For most of the twelve months to the Company's 31 March 2020 year end, the UK stock market was exposed to regularly changing investor sentiment. Factors included the Brexit process, as a new Prime Minister attempted to agree a deal with the EU, and the global economic outlook. The latter was particularly affected by US-Sino trade tensions. In the second half of the period, there were initially encouraging signs about the direction of the UK economy and strong grounds for optimism. Helped

by a clear outcome in the December general election, employment growth in the UK looked set to remain firm and real wages were set to increase further. Growth in government spending picked up and investment spending was likely to strengthen. On this basis, overall rates of economic growth were expected to accelerate throughout 2020. However, improving portfolio returns during the Company's second half were undone by events in February and March, as the COVID-19 panic led shares lower on fears that the pandemic could pose a serious challenge to economic growth. The market sell-off was widespread but there was a disproportionate impact on UK domestic stocks. The NAV underperformed the benchmark by 8.2% over the year, of which 7.7% was in the first six months. Prominent negative contributors included Burford Capital, Amigo and the tobacco holdings.

PORTFOLIO STRUCTURE

We have set out the portfolio by company, sector and industry positions: this can be found on pages 16 and 17.

The COVID-19 virus has imposed a hard stop on chunks of the UK and the developed world economies. The resulting extreme uncertainty has also exposed weak links and interconnectedness. In this harsh new environment, companies have pulled all levers to conserve cash and increase liquidity. This includes passing dividends in many instances. Huge government packages in many countries have attempted to support employment levels. At the time of writing, despite the challenging economic backdrop, equity markets have rebounded sharply from the lows of March. Investors are focusing on the pace at which economies are reopening and the increasing scale of policy action.

Against this backdrop we have constructed a diversified portfolio of shares, with a focus on companies with strong market positions. Many of the larger positions are holdings that we judge to be leaders in their fields. Examples include Tesco, Smith & Nephew, Hays and Marshalls: they and other holdings should emerge from this crisis in

Portfolio Manager's Report / continued

even stronger shape. Despite the massive monetary and fiscal stimulus, weaker companies are likely to close or be taken over at depressed prices. In short, the competitive landscape will tighten yet further: this will be corporate Darwinism on steroids. Our focus on strong and sustainable business models will be even more important than before the crisis.

The holdings of Unilever and Hargreaves Lansdown illustrate this. Unilever has built leading market positions in these regions over many decades and there remains huge potential as low income levels grow at a faster pace than developed economies. Importantly, the group has moved the portfolio towards sectors with greater long-term potential such as Personal and Home Care: in many of these categories, it is the market leader. A renewed focus on innovation and sharper marketing should improve growth rates towards mid-single digits over time: this is not reflected in the current share price. The purchase of Hargreaves Lansdown reflects the fact that its wealth management platform is very well positioned to benefit from the structural growth forecast for the industry. It comes with strong management and a reputation for excellent customer service.

The bar chart on page 17 illustrates the largest industry positions. Within these, prominent exposures include the food retailers, benefitting from selling essentials; the telecoms stocks, capitalising on changing working habits and with many customers trading up; and defence companies, with long duration earnings. We have also modestly used our ability to buy non-UK listed shares. We have, for example, invested in selected US-listed gold shares. These should provide a hedge against the unprecedented fiscal and monetary measures being used to mitigate the economic consequences of COVID-19.

PORTFOLIO ACTIVITY

In these unprecedented times, we have worked hard to balance the portfolio across robust, well run companies with strong management teams that we believe are well placed to ride out this volatility. We remain alert to the evolution of the market and will endeavour to act swiftly to take advantage of attractive pricing opportunities or rebalance the portfolio as the situation dictates. An important dimension to our work in the near term is identifying those companies with sufficiently robust business models, balance sheet and liquidity profiles to weather the social and economic storm. We see a role in the Edinburgh Investment Trust plc for both companies with attractive long-term earnings growth profiles, as well as those that may be out of favour but with the potential to recover. We also aim to hold companies at attractive valuations.

Risk management is carefully integrated in our investment process. Never has it been more important than now. The downside is considered for each position: protecting the Company's capital over the long term is critical. Thus those shares in which we consider the downside to be more limited typically represent larger positions in the portfolio. In addition, an Investment Oversight Committee, chaired by our CEO, governs a separate risk oversight process which

provides further challenge of individual stock selection as well as macroeconomic and market risks.

In the light of the changing environment, and as equity markets have fallen, what have we been doing? Our research focus moved swiftly to assessing each company's resilience to a lockdown and the consequential collapse in revenue and in some cases, a zero-revenue environment. For all companies, now more than ever, cash and liquidity are king. For all our major holdings and those that were most vulnerable to a no revenue situation, we have modelled the number of days of liquidity that companies have with and without cost mitigation actions. The vast majority are well prepared. Some, such as the industrial supplier Electrocomponents, had seen from their Chinese operations what a lockdown entails; this gave them a head start. The best management teams are those that have one eye on the present and one eye on the future. We have been increasing the size of the holdings of those companies that can emerge into the new competitive landscape in a stronger way.

This market dislocation has given us an opportunity to invest in other companies such as Weir Group, which has a fantastic business selling aftermarket spares to the mining industry, and Ashtead, a successful operator in the US machine and equipment rental industry. Both have debt levels that have impacted their ratings.

Given the very short period from the end of the portfolio reorganisation to the Company's year end, there are no material sales to report. However, we have sold shares in BP. The level of its dividend is likely to be threatened by the lower oil price and changing patterns of energy consumption. Longer term, we question the rate of return that the oil majors will be able to generate on renewable investments.

THE RAPIDLY CHANGING ECONOMIC LANDSCAPE

"The Coronavirus epidemic is testing governments across the world in ways which have not been seen before; they are trying to develop policy based on information which is often contradictory and changes from day to day, and at the same time civil servants and politicians are having to adapt to ways of working and decision-making which are very different from those used in previous crises. It is hardly surprising then, that all governments are feeling their way, taking decisions on the data they have in front of them, and often having to change direction on a moment's notice. Just as we are."

Extract from Serco Group's coronavirus trading update, 2 April 2020.¹

As Serco's statement eloquently describes, we are in a fast-moving environment. Today's seeming certainties are tomorrow's disproven theories. Fascinating though it has been to attempt to familiarise ourselves with the epidemiological studies of the coronavirus, we do not have an information edge in anticipating how the biological angle to the crisis unfolds. However, it is clear to us that there will be significant and profound changes to many aspects of life once the immediate health crisis passes. We are already starting to see these affect the thinking of corporate management teams.

¹ <https://www.serco.com/media-and-news/2020/trading-update-regarding-coronavirus>

Consumer behaviour and working patterns. The length and nature of this pandemic will determine, for example, how quickly consumers return to travel – whether for business or pleasure. Companies themselves have also found that having some or all staff working from home (all in the case of the Majedie) has actually been good for staff efficiency. Technology has shown that the daily commute is not strictly necessary for large swathes of the working population. Call centres and offices in city centres are big overheads and it seems reasonable to expect many companies to reduce some of these. As employees working from home turn ever more to the convenience of home shopping, the pressure on retailers and their landlords is also likely to continue to increase.

Role of the state. Effective nationalisation of parts of the economy now appears likely. An obviously affected industry is travel: air and rail companies face increased state ownership or subsidisation, especially if national borders remain closed for a prolonged period. The cost of the government programmes to support economies, while evidently enormous, will also have major consequences in terms of future taxation. UK Chancellor Rishi Sunak unveiled a stimulus package of £330bn or roughly 16% of GDP with a commitment to provide more support if necessarily. Fiscal stimulus packages in the US and Germany have come in at about 10% and 22% of GDP, respectively. The FT, in an editorial shortly after the Company's year end, neatly summarised this new world:

“Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities, and look for ways to make labour markets less insecure. Redistribution will again be on the agenda; the privileges of the elderly and wealthy in question. Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix.”²

Corporate strategies. At the more prosaic company level, we also expect to see major changes in how companies are managed. Notions of efficient balance sheets, implying a permanent state of indebtedness in order to maximise returns on equity, are likely to be consigned to the economic dustbin. Where previously some companies might have been condemned by some investors for holding a healthy cash balance, such criticism is likely to vanish.

Dividends. Another consequence of less efficient balance sheets, and a greater emphasis on ready liquidity to see companies through crises, is that corporates will have less money available to pay out to their shareholders. This, plus the broader economic consequences of the abrupt halt to many parts of the economy, means that the UK's 2020 dividend payments could be down by about 40% compared to 2019. We think such a decline is a reasonable working assumption for the Company's holdings too. There is pressure on dividends on other fronts, too. For example, the Bank of England has instructed UK-listed banks to withhold dividends this year and put a shot across the bows of the major insurers.

More broadly, we view dividends as an output of profitability not as a payment that should be maintained at a cost to the long-term fabric of a business. Clearly in the current crisis, with corporates facing an unprecedented array of “unknown unknowns”, many have decided to cancel or defer their dividend decisions. Layered on this there is also a societal dimension: those companies that either access government employment support schemes, or access or are deemed to be beneficiaries of government credit facilities, are expected to pass on paying their dividends.

Thus the medium term outlook for dividends remains uncertain. Much will turn on the rate at which economies recover. While we expect the companies in the portfolio to emerge from this crisis stronger, it is unclear at what rate their dividends will grow. We do not underestimate the economic damage of the COVID-19 recession, which sadly is likely to be far ranging and severe. In such an environment, even the strongest of companies will, sensibly, seek to preserve cash even if that means reducing or cancelling dividends. Your Company's dividend income will also be under pressure compared with historic norms. While we have some short-term flexibility to support dividends through use of its distributable reserves, we will be working with the Board in the months ahead to help the Board decide what might be a sustainable level payout for shareholders. We expect to be able to say more about this by the time of the Interim results in November.

BORROWINGS AND GEARING

One of the potential advantages of an investment trust is the ability to borrow funds to boost long term investment returns. This relies on investment returns exceeding the cost of the borrowed funds (borrowings plus falling investment values boosts losses too). Despite the current uncertainty, we believe that borrowing against the assets of the Company (“gearing”) remains attractive strategically, and potentially tactically too after the recent market sell-off. The opportunity to invest in a number of shares with sustainable business models at highly attractive valuations may be a sound reason to deploy additional gearing in time.

The Company has in place a £100m debenture which matures in 2022. It carries an annual coupon of 7¾%. When this debenture matures, we anticipate looking to replace it with an appropriate form of borrowing with a lower annual coupon. We are also able to access a 364-day revolving credit facility at the Bank of New York Mellon. This facility is not currently being used but we stand ready to draw down on it.

In the meantime, shareholders should expect the portfolio to be largely fully invested and, because of the debenture, to be geared. At the Company's year end, gearing (defined as the market value of all borrowings divided by the Company's net assets) was 13.4%. Adjusting for cash and cash equivalents, the level of net gearing was 8.3%.

² <https://www.ft.com/content/7eff769a-74dd-11ea-95fe-fcd274e920ca>

Portfolio Manager's Report / continued

CONCLUSION

Drawing all this together, governments around the world have put in place important schemes to support companies and employees through this period of economic uncertainty. We are thinking carefully about what the 'new normal' will look like. In a rapidly changing environment, we believe it is more important than ever for our fundamental research to be stock driven. We believe that our experience in dealing with periods of market dislocations, our liquidity advantage and our fundamental research process will help us navigate your Company through this period of instability. We are already beginning to see which management teams are being most pro-active for corporate life post COVID-19. Our aim is to position your assets to benefit from this change in the corporate landscape through a portfolio dominated by companies that will thrive as the world economy emerges from this crisis. We are optimistic that such a portfolio will support attractive returns to shareholders – through both capital and income – over the medium to long term.

JAMES DE UPHAUGH / PORTFOLIO MANAGER

CHRIS FIELD / DEPUTY PORTFOLIO MANAGER

11 JUNE 2020



The Portfolio Manager's Core Investment Beliefs

Majedie was established in 2002 and to this day we remain loyal to our single purpose: to make money for our clients, responsibly. We are owned and managed internally. We only manage equity portfolios and have no other forms of income to fall back on, ensuring full alignment with our clients' interests.

Our competitive edge rests on the combination of our independent business structure and our flexible investment style. Our independence provides a stable environment in which our fund managers operate, and our investment approach produces portfolios that aim to deliver long-term outperformance on a repeatable basis.

ACTIVE MANAGEMENT

Stock-driven. Share prices follow fundamentals over the long term. Through our proven investment approach, we expect to outperform over the long term, net of fees.

High conviction portfolio. We expect the portfolio to contain around 40 to 50 stocks. Holdings sizes reflect the conviction we have in each company and our assessment of the upside and downside potential of its share price.

Risk. We think of risk as permanent capital loss. To mitigate this, our analysis of a company's valuation is the first line of defence. Our risk management process combines our depth of knowledge of the stocks in the portfolio, plus separate analysis of portfolio risk by our Performance and Risk Team.

FLEXIBLE INVESTMENT STYLE

Open-minded approach. We do not have dogmatic style biases, such as 'growth' or 'value'. We are also prepared to invest in companies that we identify as having scope for recovery through management change, business transformation or an improving business environment. We expect the profile of the portfolio to evolve, depending on our assessment of individual companies, and our reading of the economic and market background.

Disciplined, rigorous, fundamental research. In keeping with the stock-driven nature of the portfolio, typically around approximately three quarters of our effort takes the form of in-depth stock research. The remainder is spent on macroeconomic and geopolitical analysis.

Full Environmental, Social and Governance ('ESG') integration. ESG-related issues have financial implications for the portfolio's holdings. We prioritise and engage our holdings on their key, material issues, many of which are ESG-related. The outcomes from our in-depth analysis and engagements help form our conviction level and investment decisions. In this way, ESG lies at the heart of our investment process.

TOTAL RETURN STRATEGY

A focus on both capital growth and income. We take a total return approach: investor returns should derive over the long term from both capital appreciation and dividend income. We often prefer companies with organic investment opportunities: as such, we normally expect companies with growing profits – and share prices – to contribute to returns. We view income as an important component rather than the primary driver of investment return. This aligns with the Company's twin objectives.

LONG TERM

Typical holding period of 3-5 years. This is an appropriate period to ensure that underlying corporate fundamentals drive investment returns. It is therefore also a sensible period over which to measure an active manager.

Gearing should enhance shareholder returns. One of the advantages of an investment trust is the ability to borrow to enhance equity returns. We therefore expect gearing to boost investment returns over time.

CAPACITY MANAGEMENT

Scale diseconomies. In our view, investment performance can rapidly suffer if assets under management become too large. Since Majedie was established in 2002, we have carefully managed capacity to ensure that the interests of existing clients take precedence over new clients. The approach ensures we retain a size advantage. It enables us to reposition the portfolio – and those of all our other clients – quickly and efficiently when required.

DEEP INVESTMENT RESOURCE WITH GLOBAL PERSPECTIVE

A close-knit investment team of 21. Average experience for each member of the team is 15 years. The team has been stress-tested across various market cycles.

Challenge and debate. This is encouraged within a structured risk control environment, with robust oversight processes. Every member of the Majedie team is an equity owner, which fosters a deep sense of teamwork and collaboration.

Business Review

STRATEGY AND BUSINESS MODEL

The Edinburgh Investment Trust plc is an investment company and its investment objective is set out below. The strategy the Board follows to achieve that objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below and have been approved by shareholders.

The business model the Company has adopted to achieve its investment objective has been to contract the services of Majedie Asset Management Limited (the 'Manager') to manage and administer the portfolio in accordance with the Board's strategy and under its oversight. The portfolio manager with individual responsibility for the day-to-day management of the portfolio is James de Uphaugh and the deputy portfolio manager is Chris Field.

In addition, the Company has contractual arrangements with Link Asset Services to act as registrar, The Bank of New York Mellon (International) Limited as depositary and custodian, and PraxisIFM Fund Services (UK) Limited to act as Company Secretary.

INVESTMENT OBJECTIVE AND POLICY

Investment Objective

The Company invests primarily in UK securities with the long term objective of achieving:

1. an increase of the Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and
2. growth in dividends per share in excess of the rate of UK inflation.

Investment Policy

The Company will generally invest in companies quoted on a recognised stock exchange in the UK. The Company may also invest up to 20% of the market value of the Company's investment portfolio, measured at the time of any acquisition, in securities listed on stock exchanges outside the UK. The portfolio is selected by the Manager on the basis of its assessment of the fundamental value available in individual securities. Whilst the Company's overall exposure to individual securities is monitored carefully by the Board, the portfolio is not primarily structured on the basis of industry weightings. No acquisition may be made which would result in a holding being greater than 10% of the market value of the Company's investment portfolio. Similarly, the Company may not hold more than 5% of the issued share capital (or voting shares) in any one company. Investment in convertibles is subject to normal security limits. Should these or any other limit be exceeded by subsequent market movement, each resulting position is specifically reviewed by the Board.

The Company may borrow money to provide gearing to the equity portfolio of up to 25% of net assets.

Use of derivative instruments is monitored carefully by the Board and permitted within the following constraints: the writing of covered calls against securities which in aggregate amount to no more than 10% of the value of the portfolio and the investment in FTSE 100 futures which when exercised would equate to no more than 15% of the value of the portfolio. Other derivative instruments may be employed, subject to prior Board approval, provided that the cost (and potential liability) of exercise of all outstanding derivative positions at any time should not exceed 25% of the value of the portfolio at that time. The Company may hedge exposure to changes in foreign currency rates in respect of its overseas investments.

RESULTS AND DIVIDENDS

At the year end the share price was 434.0p per ordinary share (2019: 644.0p). The net asset value (debt at market value) per ordinary share was 490.4p (2019: 696.9p).

Subject to approval at the AGM, the final proposed dividend for the year ended 31 March 2020 of 9.45p (2019: 9.25p) per ordinary share will be payable on 31 July 2020 to shareholders on the register on 26 June 2020. The shares will be quoted ex-dividend on 25 June 2019. This will give total dividends for the year of 28.65p per share, an increase of 2.3% on the previous year's dividends of 28.00p. The revenue return per share for the year was 27.8p, a 3.1% decrease on the 2019 return of 28.7p.

PERFORMANCE

The Board reviews the Company's performance by reference to a number of key performance indicators (KPIs) which are shown on page 2. Notwithstanding that some KPIs are beyond its control, they are measures of the Company's absolute and relative performance. The KPIs assist in managing performance and compliance and are reviewed by the Board at each meeting.

The Chairman's Statement on pages 5 to 7 gives a commentary on the performance of the Company during the year, the gearing and the dividend.

The Board reviews an analysis of expenditure at each Board meeting, and the Audit and Management Engagement Committees formally review the fees payable to the main service providers, including the Investment Manager, on an annual basis. The charges figure is calculated in accordance with the AIC methodology and is reviewed by the Board annually in comparison to peers. The change in investment manager and company secretary arrangements during the year has also enabled the Board to reduce the combined fees payable for these services; based on the market capitalisation of the Company as at 31 March 2020 we anticipate the annualised costs falling from £4.2 million to £3.7 million, and the Ongoing charges figure reducing from 0.55% to 0.51%. In addition, this does not account for the waiver of investment management fee for the first three months of the Majedie engagement which is expected to save the Company £0.9 million between 4 March and 3 June 2020.

Business Review / continued

For the year being reported, except for long term disappointing performance which has been addressed through the change of Manager, all other KPIs are considered satisfactory.

The Board also regularly reviews the performance of the Company in relation to the 23 investment trusts in the UK Equity Income sector. As at 31 March 2020 the Company was ranked 18th by NAV performance in this sector over one year, three years and five years (source: Morningstar).

OUTLOOK, INCLUDING THE FUTURE OF THE COMPANY

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Portfolio Manager's Report. Details of the principal risks affecting the Company can be found on pages 18 to 20.

FINANCIAL POSITION AND BORROWINGS

The Company's balance sheet on page 53 shows the assets and liabilities at the year end. Borrowings at the year end comprised the £100 million 7¼% debenture which matures in 2022 and £nil (2019: £30.8 million) drawn down on the Company's £150 million bank revolving credit facility. Details of this facility are contained in note 11.

PERFORMANCE ATTRIBUTION

	for year ended 31 March 2020 %
Total Return Basis⁽¹⁾	
NAV (debt at market value)	(26.7)
Less: Benchmark	(18.5)
Relative underperformance	(8.2)
Analysis of Relative Performance	
Portfolio total return	(23.8)
Less: Benchmark total return ⁽¹⁾	(18.5)
Portfolio underperformance	(5.3)
Borrowings:	
Net gearing effect	(2.6)
Interest	(0.7)
Market value movement	0.3
Management fee	(0.5)
Portfolio transition costs	(0.5)
Other expenses	(0.1)
Tax	(0.1)
Share buybacks	1.3
Total	(8.2)

⁽¹⁾ Source: Refinitiv.

PERFORMANCE ATTRIBUTION – analyses the performance of the Company relative to its benchmark index.

Relative performance – represents the arithmetic difference between the NAV and benchmark returns.

Portfolio total return – represents the return of the holdings in the portfolio including transaction costs, cash and income received, but excluding expenses incurred by the Company.

Net gearing effect – measures the impact of the debenture stock, bank loan and cash on the Company's relative performance. This will be positive if the portfolio has positive capital performance and negative if capital performance is negative.

Interest – the debenture stock and bank loan interest paid has a negative impact on performance.

Management fee – the base fee reduces the Company's net assets and decreases returns.

Other expenses and tax – reduce the level of assets and therefore result in a negative effect on relative performance.

Share buybacks – measures the effect of ordinary shares bought back at a discount to net asset value on the Company's relative performance.

Investments in Order of Valuation

At 31 March 2020

UK LISTED ORDINARY SHARES UNLESS OTHERWISE STATED

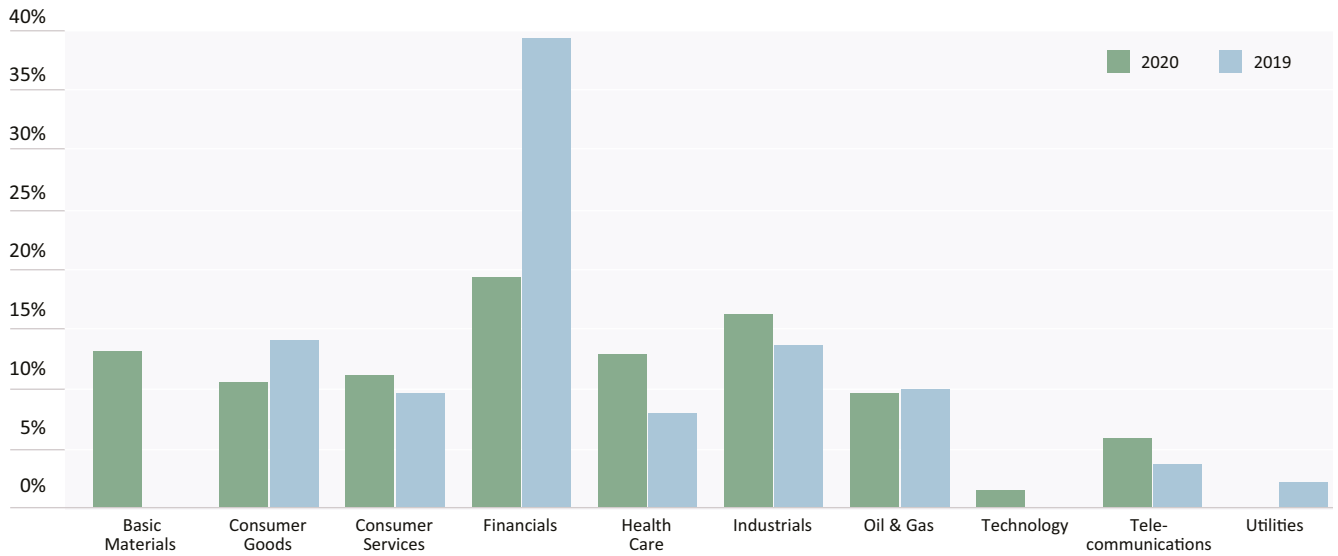
Investment	Sector	Value £'000	% of Portfolio
Unilever	Food Producers	52,031	5.6
Tesco	Food & Drug Retailers	49,551	5.4
Royal Dutch Shell – A shares	Oil & Gas Producers	31,639	
Royal Dutch Shell – B Shares		17,868	
		49,507	5.4
AstraZeneca	Pharmaceuticals & Biotechnology	44,539	4.8
BAE Systems	Aerospace & Defence	39,702	4.3
GlaxoSmithKline	Pharmaceuticals & Biotechnology	39,016	4.2
BP	Oil & Gas Producers	38,067	4.1
Mondi	Forestry & Paper	35,918	3.9
Direct Line Insurance	Non-Life Insurance	34,641	3.8
Anglo American	Mining	34,250	3.7
TEN TOP HOLDINGS		417,222	45.2
Smith & Nephew	Health Care Equipment & Services	33,399	3.6
Legal & General	Life Insurance	31,828	3.5
Associated British Foods	Food Producers	26,900	2.9
Ashtead	Support Services	24,394	2.6
Hays	Support Services	24,169	2.6
Vodafone	Mobile Telecommunications	21,081	2.3
HSBC	Banks	20,181	2.2
Hargreaves Lansdown	Financial Services	18,762	2.0
Royal Bank of Scotland	Banks	17,252	1.9
Rio Tinto	Mining	17,247	1.9
TWENTY TOP HOLDINGS		652,435	70.7
Newmont – US Listed	Mining	17,012	1.8
Orange – French Listed	Fixed Line Telecommunications	17,005	1.8
Barrick Gold – US Listed	Mining	16,640	1.8
Koninklijke KPN – Dutch Listed	Fixed Line Telecommunications	16,588	1.8
3i	Financial Services	15,443	1.7
Lloyds Bank	Banks	15,252	1.7
Electrocomponents	Support Services	15,122	1.6
Qinetiq Group	Aerospace & Defence	14,608	1.6
Barclays	Banks	14,106	1.5
WPP	Media	12,737	1.4
THIRTY TOP HOLDINGS		806,948	87.4
Diageo	Beverages	12,560	1.4
Sage Group	Software & Computer Services	11,953	1.3
Wm Morrison Supermarkets	Food & Drug Retailers	11,840	1.3
Weir Group	Industrial Engineering	11,829	1.3
Daily Mail & General Trust	Media	11,798	1.3
Marshalls	Construction & Materials	10,342	1.1
Dunelm	General Retailers	10,084	1.1
Travis Perkins	Support Services	9,161	1.0
CLS	Real Estate Investment & Services	9,086	1.0
Marks & Spencer	General Retailers	6,860	0.7
FORTY TOP HOLDINGS		912,461	98.9
Bellway	Household Goods & Home Construction	6,041	0.7
Raven Property – Preference shares	Real Estate Investment & Services	2,133	0.2
Vectura	Pharmaceuticals & Biotechnology	1,644	0.2
Eurovestech ^{UQ}	Financial Services	154	0.0
TOTAL HOLDINGS (44)		922,433	100.0

^{UQ} Unquoted investment.

Portfolio Analysis

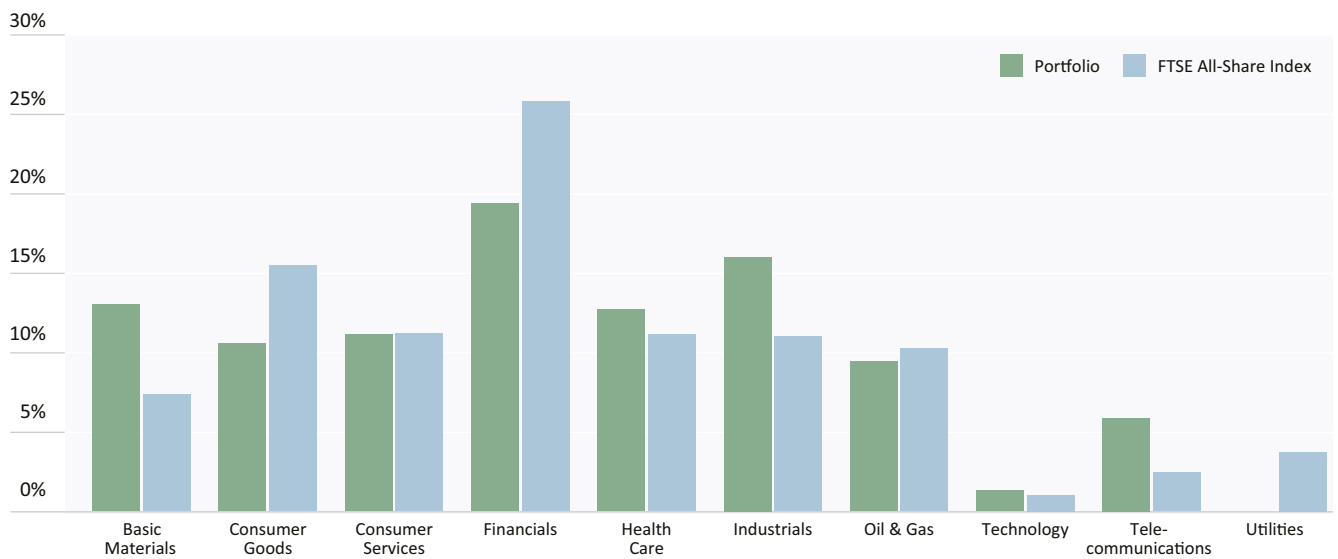
Analysis of Portfolio by Industry

At 31 March 2020 and 2019



Comparison of Portfolio to FTSE All-Share by Industry

At 31 March 2020



Principal Risks and Uncertainties

RISK MANAGEMENT AND MITIGATION

The Board, through the Audit Committee and with the assistance of the Manager, maintains and regularly reviews a report of the risks to the Company in the form of a risk control summary. The document includes a description of each identified risk, the mitigating action taken, reporting and disclosure to the Board and an impact and probability risk rating. The rating is given both prior to and after the Board's mitigation of each risk. The information is then displayed in matrix form which allows the Board to identify the Company's key risks. As the changing risk environment in which the Company operates has evolved, the total number of risks has fluctuated, with certain risks having been removed and new risks added with emerging risks actively discussed as part of this process and, so far as practicable, mitigated.

The composition of the Board is regularly reviewed to ensure its members offer sufficient knowledge and experience to assess, anticipate and mitigate these risks, as far as possible.

The Company's key long-term investment objectives are an increase in the net asset value per share in excess of the growth in the FTSE All-Share Index (the 'benchmark') and an increase in dividends in excess of the growth in RPI. The principal risks and uncertainties facing the Company are an integral consideration when assessing the operations in place to meet these objectives, including the performance of the portfolio, share price and dividends. The Board is ultimately responsible for the risk control systems but the day-to-day operation and monitoring is delegated to the Manager. The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity with consideration being given to the effect of the COVID-19 Pandemic and possible regulatory uncertainty arising from Brexit. The following sets out a description of the principal risks and how they are being managed or mitigated.

MARKET RISK

A great majority of the Company's investments are traded on recognised stock exchanges. The principal risk for investors in the Company is a significant fall, and/or a prolonged period of decline in those markets. The Company's investments, and the income derived from them, are influenced by many factors such as general economic conditions, interest rates, inflation, the severe impact of the COVID-19 Pandemic, political events including Brexit and government policies as well as by supply and demand reflecting investor sentiment. Such factors are outside the control of the Board and Manager and may give rise to high levels of volatility in the prices of investments held by the Company. The asset value and price of the Company's shares and its earnings and dividends may consequently also experience volatility and may decline.

Market risk is included in the risk control summary report that is reviewed by the Board at each meeting. Additionally, the Board receives reports on the performance of the portfolio at each meeting.

INVESTMENT PERFORMANCE RISK

The Board sets investment policy and risk guidelines, together with investment limits, and monitors adherence to these at each Board meeting. All Individual investment decisions are delegated to the fund manager. The Manager's approach is to construct a portfolio which should benefit from expected future trends in the UK and global economies. The Manager is a long-term investor, prepared to take substantial positions in securities and sectors, across a range of different types of stock. This reflects the Manager's high conviction, stock-driven investment process and total return approach. Strategy, asset allocation and stock selection decisions by the Manager can lead to underperformance of the portfolio relative to the benchmark and/or income targets.

The Manager's style may result in a concentrated portfolio with significant overweight or underweight positions in individual stocks or sectors compared to the index and consequently the Company's performance may deviate significantly, possibly for extended periods, from that of the benchmark. In a similar way, the Manager manages other portfolios holding many of the same stocks as the Company which reflects the Manager's high conviction style of investment management. This could significantly increase the liquidity and price risk of certain stocks under certain scenarios and market conditions. However, the Board and Manager believe that the investment process and policy outlined above should, over the long term, meet the Company's objectives of capital growth in excess of the benchmark and real dividend growth. Investment selection is delegated to the Manager. The Board does not specify asset allocations. Information on the Company's performance against the benchmark and peer group is provided to the Board at each Board meeting. The Board uses this to review the performance of the Company, taking into account how performance relates to the Company's objectives. The Manager is responsible for monitoring the portfolio selected and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

As described in the investment policy, derivatives may be used provided that the market exposure arising is less than 25% of the value of the portfolio.

Investment Performance risk is included in the risk control summary report that is reviewed by the Board at each meeting. The Board also receives reports on the performance of the portfolio and on compliance with the Company's investment policy guidelines from the manager at each meeting.

BORROWING RISK

The Company may borrow to provide gearing to the equity portfolio of up to 25% of net assets. Borrowing is a mix of the Company's £100 million debenture stock and the Company's £150 million bank facility. Details of all borrowings are given in Notes 11 and 12. The principal gearing risk is that the level of gearing may have an adverse impact on performance. Secondary risks include whether the cost of borrowing is too high and whether the bank facility can be renewed and on terms acceptable to the Company.

Within an overall limit set by the Board, the Manager has full discretion over the amount of the borrowing it uses to gear its portfolio, whilst the issuance, repurchase, or restructuring of borrowing are for the Board to decide.

Borrowing and gearing risk is included in the risk control summary report that is reviewed by the Board at each meeting. Additionally, compliance with the Company's investment policy guidelines is continuously monitored by the manager and reported to the Board at each meeting.

INCOME/DIVIDEND RISK

The Company is subject to the risk that income generation from its investments fails to reach the level of income required to meet its objectives.

The Board monitors this risk through the review of detailed income forecasts and comparison against budget. These are contained within the Board papers and the Board considers the level of income at each meeting.

SHARE PRICE RISK

There is a risk that the Company's prospects and NAV may not be fully reflected in the share price from time-to-time.

The share price is monitored on a daily basis and the Board is empowered to repurchase shares within agreed parameters which are regularly reviewed with the Company's Broker. The discount at which the shares trade to NAV can be influenced by share repurchases. During the year, the Company has repurchased 20,798,805 shares for holding in treasury (2019: 185,000) and the effect of these repurchases was to add 1.3% to the Net Asset Value of the Company.

Share Price risk is included in the risk control summary report that is reviewed by the Board at each meeting.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS RISK

The Board has delegated to third party service providers the management of the investment portfolio, depositary and custody services (which include the safeguarding of the assets), registration services, accounting and company secretarial services.

The principal risks arising from the above contracts relate to performance of the Manager, the performance of administrative, registration, depositary, custodial and banking services, and the failure of information technology systems used by third party service providers. These risk areas could lead to the loss or impairment of the Company's assets, inadequate returns to shareholders and loss of investment trust status. Consequently, in respect of these activities the Company is dependent on the Manager's control systems and those of its administrator, depositary, custodian and registrar.

An annual review of the control environments of all service providers is carried out by the Company Secretary who provides an assessment of these risks and the operation of the controls for consideration by the Audit Committee and is formally reported to and considered by the Board.

RELIANCE ON THE MANAGER AND OTHER THIRD PARTY PROVIDERS RISK

The Company is reliant upon the performance of third party providers for its executive function and other service provisions. The Company's most significant contract is with the Manager, to whom responsibility for management of the Company's portfolio is delegated. The Company has other contractual arrangements with third parties to act as administrator, company secretary, registrar, depositary and broker. The Company's operational structure means that all cyber risk (information and physical security) arises at its third party service providers, including fraud, sabotage or crime against the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to pursue successfully its investment policy and expose the Company to risk of loss or to reputational risk.

In particular, the Manager performs services which are integral to the operation of the Company. The Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy.

The Board seeks to manage these risks in a number of ways:

- The Company Secretary reviews the performance and the service organisation control reports of third party providers and reports to the Board on an annual basis.
- The Board reviews the performance of the Manager at every Board meeting and otherwise as appropriate. The Board has the power to replace the Manager and reviews the management contract formally once a year.

Principal Risks and Uncertainties / continued

- The day-to-day management of the portfolio is the responsibility of the named portfolio manager, James de Uphaugh, Chairman and Chief Investment Officer of Majedie Asset Management. He is a Fund Manager and Analyst with 32 years' investment experience in UK and international equity markets. James is responsible for co-managing the UK Equity Fund of Majedie and managing the Edinburgh Investment Trust.
- The risk that the portfolio manager might be incapacitated or otherwise unavailable is mitigated by the fact that he works within, and is supported by, the wider Majedie team. Moreover, Chris Field, as deputy portfolio manager, would be able to manage the portfolio if James de Uphaugh was unable to do so for any reason.
- The Board has set guidelines within which the portfolio manager is permitted wide discretion. Any proposed variation outside these guidelines is referred to the Board and compliance with the guidelines and the guidelines themselves are reviewed at every Board meeting.

EMERGING RISKS

Climate Change

Globally, climate change effects are already emerging in the form of changing weather patterns. Extreme weather events could potentially impair the operations of individual investee companies, potential investee companies, their supply chains and their customers. The Manager takes such risks into account, along with the downside risk to any company – whether in the form of its business prospects or market valuation or sustainability of dividends – that is perceived to be making a detrimental contribution to climate change. The Company invests in a broad portfolio of businesses with operations spread geographically, which should limit the impact of location-specific weather events.

Pandemic (COVID-19)

The rapid spread of COVID-19 has caused governments to implement policies to restrict the gathering, interaction or movement of people. These policies have inevitably changed the nature of the operations of some aspects of the Company, its key service providers and the companies in which it invests. As cited in Market Risk, share prices respond to assessments of future economic activity as well as their own forecast performance and the Pandemic has had a materially negative impact on the economy and will continue do so for a period of time. The Board and its manager have regular discussions to assess this impact on both the investment portfolio and on its ability to generate income for shareholders.

OTHER RISKS

The Company is subject to laws and regulations by virtue of its status as an investment trust and is required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. The Company is subject to the continuing obligations imposed by the UK Listing Authority on all companies whose shares are listed on the Official List.

The Manager reviews compliance with investment trust tax conditions and other financial and regulatory requirements on a daily basis with any issues being immediately brought to the attention of the Board.

The Company may be exposed to other business, strategic and political risks in the future, as well as regulatory risks (such as an adverse change in the tax treatment of investment companies), credit, liquidity and concentration risks. The risk control summary report allows the Board to consider all these risks, the measures in place to control them and the possibility of any other risks that could arise.

The Board ensures that satisfactory assurances are received from the service providers. The Manager's compliance officers produce regular reports for review by the Company's Audit Committee.

Additionally, the depositary monitors stock, cash, borrowings and investment restrictions throughout the year. The depositary reports formally once a year and also has access to the Company Chairman and the Audit Committee Chairman if needed during the year.

Brexit

The Board considered the market uncertainty arising from the effect of a negotiated trade deal or no trade deal with the EU at the end of the transition period. As the Company's shares are not currently marketed in Europe, investee companies are predominantly listed in the UK and key counterparties of and service providers to the Company are UK domiciled with suitable contingency arrangements available as necessary, the Board does not expect the Company's operations or performance over the longer term, to be materially affected by Brexit.

Viability Statement

The Company is a collective investment vehicle rather than a commercial business venture and is designed and managed for long term investment. The Company's investment objective clearly sets this out. Long term for this purpose is considered by the Directors to be at least five years and accordingly they have assessed the Company's viability over that period. However, the life of the Company is not intended to be limited to that or any other period.

In assessing the viability of the Company under various scenarios, the Directors considered the principal risks to which it is exposed (including the issues arising from the COVID-19 Pandemic), as set out on pages 18 to 20 together with mitigating factors. The risks of failure to meet the Company's investment objective, and contributory market and investment risks, were considered to be of particular importance. The Directors also took into account: the investment capabilities of the portfolio manager; the liquidity of the portfolio, with nearly all investments being listed and readily realisable; the Company's borrowings as considered in further detail in the Going Concern Statement on page 37; the ability of the Company to meet its liabilities as they fall due; and the Company's annual operating costs.

In taking account of these factors, the Directors have concluded that the viability of the Company may start to be challenged if the value of investments reduced by over 75% from the aggregate level at the year end. The Directors noted that since the inception of the Company's FTSE All Share Total Return benchmark in December 1985, the largest fall over any calendar year has been 29.9%, the largest fall over any rolling five year period was 28.8% and the largest fall over any period was 42.9% (all based on benchmark calendar month end values). Based on the above, and assuming there is no significant adverse change to the regulatory environment and tax treatment of UK investment trusts, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

Section 172 Statement, Company Sustainability and Stakeholders

BOARD RESPONSIBILITIES

As set out in the Directors' Report on pages 33 to 39 the Directors have a statutory duty to promote the success of the Company, whilst also having regard to certain broader matters, including the need to engage with employees, suppliers, customers and others, and to have regard to their interests (s172 Companies Act 2006). However, the Company has no employees and no customers in the traditional sense. Consistent with the Company's nature as an investment trust, the Board's principal concern has been, and continues to be, the interests of the Company's shareholders taken as a whole.

COMPANY SUSTAINABILITY AND STAKEHOLDERS

As an externally managed investment company, the Company does not have any employees. The Board considers its main stakeholders to be its shareholders, service providers, investee companies and the Manager

ENGAGEMENT WITH SHAREHOLDERS

Shareholder relations are given high priority by both the Board and the Manager and the Board welcomes feedback from shareholders throughout the year. The prime medium by which the Company communicates with shareholders is through the half-yearly and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and results. This information is supplemented by the daily publication of the net asset value, monthly factsheets as well as dividend and other announcements.

Shareholders can also visit the Company's website www.edinburghinvestmenttrust.com in order to access copies of the annual and half-yearly financial reports, pre-investment information, Key Information Documents (KIDs), proxy voting results, factsheets and stock exchange announcements. The Company's website also hosts videos and other applicable written materials by the Manager to enhance the information available.

Typically at each AGM, a presentation is made by the Manager following the formal business of the meeting and shareholders have the opportunity to attend, vote and most importantly to communicate directly with the Manager and Board. Presentations to both institutional shareholders and analysts also follow the publication of the annual results. In addition to the AGM and presentation, the Board and Manager also host an annual Shareholder event in London. The Chairman uses these events to lead the Company's engagement with its shareholders.

Regular dialogue is maintained between the Manager and major institutional shareholders throughout the year to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. All meetings between the Manager and shareholders are reported to the Board.

There is a clear channel of communication between the Board and the Company's Shareholders via the Company Secretary. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all communications, other than junk mail, are redirected to the Chairman.

ENGAGEMENT WITH THE MANAGER, SERVICE PROVIDERS AND INVESTEE COMPANIES

At least annually the Board reviews the performance and services of all its service providers including the Manager, and receives and considers the internal control reports from them covering their operations, their policies and control environments. The Board has regular dialogue with and reporting from the Manager on the portfolio of investments and a representative of the Manager attends each Board meeting to provide updates and answer questions from the Board.

The Manager maintains regular dialogue with both investee and potential investee companies and reports back on these conversations to the Board. As described below the Board and Manager believe engagement with investee companies is positive, beneficial and welcomed and that consistent exercise of voting rights is a key activity in the dialogue with these companies.

CHANGE OF MANAGER

The Chairman shared his disappointment concerning the Trust's NAV performance in his reports to shareholders during 2018 and 2019, and as formally reported in the 2019 Financial Report, the Board increased scrutiny of the Manager and engaged Willis Towers Watson to provide an independent assessment of the Manager's investment performance.

Willis Towers Watson also conducted a review into the Manager's investment process in Spring 2019 and made a number of recommendations to the Board which were implemented by the manager.

In addition, a review of company strategy was prepared by the Company's Broker and potential options available to the Board were discussed in the event the Board should lose confidence in the Manager.

The occurrence of further negative stock specific events in August and September, coupled with the strong feedback received at the shareholder event held in September 2019 led to further discussions between the Board, Willis Towers Watson and the Broker, culminating in the invitation to four external fund management companies to submit due diligence questionnaires from a longer list of considered candidates. Presentations and proposals were made to the Board, alongside one from the incumbent Manager for the future investment management of the Company and two proposals were taken forward for further due diligence. As well as investment philosophy, process and performance of potential candidates, it was also important to

the Board that shareholders received straightforward access to company documents and information and that the company's affairs continued to be well organised. The decision to appoint Majedie as the new investment manager reflected the board's confidence in its flexible investment approach and team culture: both clearly distinguished the firm during the selection process. The decision to appoint Majedie to replace Invesco was communicated to the shareholders via a regulatory announcement on 12 December, along with the publication of the interim results. Throughout this period the Board convened on numerous occasions, both with its advisors and in private session, and utilised the services of its legal advisor, to minute any decisions and actions rightly requiring Board approval.

The previous manager had also provided company secretarial services to the Company and a similar process in terms of invitations to pitch and the submission of Due Diligence Questionnaires was undertaken for the role of Company Secretary during December and January. Following a day of presentations from experienced company secretarial service providers in this area, references being sought and Board consideration, the appointment was awarded to PraxisIFM Fund Services (UK) Limited and announced to the market on 4 March 2020.

The most cost effective way to transition the portfolio between the old and new Manager was carefully considered by the Board along with its advisors. Specialist transition management teams - both within Invesco and also with a third party - were used to reduce less liquid holdings and manage the process of transitioning the portfolio. Co-ordination with the incoming manager was frequent with the Board being regularly appraised of progress during what was a very volatile period for markets, culminating in the announcement made on 27 March 2020 that the transition had been completed and the full portfolio released to the market.

ENVIRONMENTAL SOCIAL AND GOVERNANCE ("ESG") MATTERS

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not necessarily decide to, or not to, make an investment on environmental and social grounds alone. The Manager is a signatory to the United Nations Principles for Responsible Investment.

EXERCISE OF VOTING POWERS AND STEWARDSHIP CODE

Stewardship

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high Environmental, Social and Governance standards are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. The Company's voting rights are exercised on an informed and independent basis.

The Manager has adopted a clear and considered policy towards its stewardship responsibility on behalf of the Company. The Manager takes steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value and comply with local recommendations and practices, such as the UK Corporate Governance Code. The Manager's approach to corporate governance and the UK Stewardship Code can be found on the Manager's website at www.majedie.com together with a copy of the Manager's Stewardship Policy and the Manager's global proxy voting policy.

Two members of the Manager's investment team are responsible for overseeing all aspects of the Stewardship process, including voting on all resolutions at all Annual General Meetings and Extraordinary General Meetings in the UK and overseas ballots. The Manager assesses corporate governance, remuneration policies and if deemed necessary will challenge management where it is felt that the best interests of shareholders are not being met.

When voting against or abstaining in a vote the Manager may communicate with management beforehand, either setting out its position in its regular meetings with the management of investee companies or in a communication to management.

The Manager discloses its voting record to the Board at each meeting with notes explaining the reasons for any votes against resolutions.

In addition, the Manager discloses to all clients an annual Responsible Capitalism report, providing cumulative voting statistics, full disclosure on voting policy and extracts of engagement for the year. The Manager publishes an annual voting record for the previous year on its website www.majedie.com

Section 172 Statement, Company sustainability and stakeholders / continued

MODERN SLAVERY DISCLOSURE

The Company aims to act to the highest standards and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery as an important part of corporate good governance.

The Company is an investment vehicle and does not provide goods or services in the normal course of its business, or have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

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.

PREVENTION OF THE FACILITATION OF TAX EVASION

The Board has adopted a zero-tolerance approach to the criminal facilitation of tax evasion.

GREENHOUSE GAS EMISSIONS AND STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Company has no employees, physical assets, property or operations of its own, does not provide goods or services and does not have its own customers. It follows that the Company has little to no direct environmental impact. In consequence, the Company has limited greenhouse gas emissions to report from its operations aside from travel to board meetings, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

As the Company has no material operations and therefore has low energy usage, it has not included an energy and carbon report.

This Strategic Report was approved by the Board on 11 June 2020

PRAXISFM FUND SERVICES (UK) LIMITED / COMPANY SECRETARY

Governance



The Directors

All Directors are non-executive and considered independent.



GLEN SUAREZ

Date of appointment:

24 May 2013

Became Chairman on 22 November 2017

Committees:

M Management Engagement

N Nomination

Glen is Chairman of Knight Vinke Asset Management. Prior to joining Knight Vinke, he was a Partner in Soditic Limited and before that he was Head of European Utilities at Morgan Stanley. He is a specialist in the banking and energy sectors, and is a Fellow of the Institute of Chartered Accountants in England and Wales, Royal Society of Arts and a member of the Capital Markets Advisory Committee.



VICKY HASTINGS

Date of appointment:

23 May 2013

Committees:

M Management Engagement

N Nomination

A Audit

Vicky was appointed Senior Independent Director on 25 July 2019. She has over 30 years' experience in the investment management industry and is a non-executive director of Impax Environmental Markets plc and Henderson European Focus Trust plc. In her executive career, she was a European Equity fund manager and then held investment leadership roles at Merrill Lynch Investment Managers and J O Hambro Capital Management. Previously held non executive directorships include Investment Trusts as well as JPMorgan Asset Management UK Ltd and JPMorgan Asset Management International Ltd. She is currently also a trustee of Moorfields Eye Charity.



GORDON MCQUEEN

Date of appointment:

31 May 2011

Committees:

M Management Engagement

N Nomination

A Audit Chairman

Gordon is a Chartered Accountant and a Fellow of the Chartered Institute of Bankers of Scotland. He is a former Finance Director of Bank of Scotland and until 2003, he was an Executive Director of HBOS plc, where his main role was Chief Executive, Treasury. He is a former non-executive director and audit committee Chairman of Scottish Mortgage Investment Trust plc, Shaftesbury plc and JPMorgan Midcap Investment Trust plc.

**STEVE BALDWIN****Date of appointment:**

10 September 2018

Committees:

- M** Management Engagement
- N** Nomination
- A** Audit

Steve is a Chartered Accountant. He is currently senior independent non-executive director at TruFin plc, a non-executive director at Plus500 Ltd and a Trustee at Howard de Walden Estates Limited. He was formerly a non-executive director of Elegant Hotels Group plc and Panmure Gordon & Co plc. He was the Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until February 2015. Prior to this Steve was a Director at JPMorgan Cazenove for ten years and was a Vice President of Corporate Finance at UBS from 1995-1998.

**ELISABETH STHEEMAN****Date of appointment:**

23 May 2019

Committees:

- M** Management Engagement
- N** Nomination
- A** Audit

Elisabeth is currently an External Member of the Financial Policy Committee (FPC) and Financial Markets Infrastructure (FMI) board of the Bank of England. She is a member of the supervisory board of Aareal Bank AG in Germany. She was recently appointed as an External Member of the Audit and Risk Committee of The Asian Infrastructure Investment Bank (effective from April 2021). She is also a member of Council at The London School of Economics and a member of Council of the German British Chamber of Industry and Commerce. Previously, she was a senior advisor to the Bank of England/Prudential Regulation Authority, an independent member of the board and audit committee for Korian SA in France and a member of the supervisory board and audit committee of TLG Immobilien AG and global chief operations officer and member of global management committee at LaSalle Investment Management and COO at Morgan Stanley International. She was previously a non-executive director at RDI REIT plc.

**MAXWELL WARD****Date of appointment:**

8 August 2011

Committees:

- M** Management Engagement
- N** Nomination
- A** Audit

Max joined Baillie Gifford in 1971 becoming a partner in the firm in 1975 and was head of the UK Equity Department from 1981 until his retirement in April 2000. He was also a member of the firm's Management and Investment Policy Committees and Chairman of Baillie Gifford Overseas. From 1989 until 2000 he was manager of Scottish Mortgage and Trust plc. Following his retirement from Baillie Gifford, he floated The Independent Investment Trust plc and has been its managing director since. He is a former non-executive director of Aegon UK plc and Foreign and Colonial Investment Trust plc.

The Company's Corporate Governance Framework

THE BOARD AND COMMITTEES

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that it is an Investment Company with no employees and outsources investment management to the Manager and administration to the Manager and other external service providers.

The Board

Chairman Glen Suarez

Senior Independent Director Vicky Hastings

Four additional non-executive directors (NEDs)

Chairman

Key responsibilities:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent effective controls which enable risk to be assessed and managed;
- to appoint the Manager and other external service providers; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee Function
All NEDs excluding Glen Suarez	All NEDs	All NEDs	The Board as a whole performs this function
Chairman Gordon McQueen	Chairman Glen Suarez	Chairman Glen Suarez	
Key responsibilities: <ul style="list-style-type: none"> – to oversee the control environment and financial reporting; – to make recommendation for the appointment of the auditor; and – to review the performance of other service providers, including the auditor. 	Key responsibilities: <ul style="list-style-type: none"> – to review regularly the management contract and the performance of the Manager. 	Key responsibilities: <ul style="list-style-type: none"> – to review regularly the Board's structure, composition and performance; and – to make recommendations for any changes or new appointments. 	Key responsibilities: <ul style="list-style-type: none"> – to set the remuneration policy of the Company.

Corporate Governance Statement

For the year ended 31 March 2020

This Corporate Governance statement forms part of the Directors' Report. The Board is committed to maintaining high standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

The Board has considered the principles and recommendations of the 2019 AIC Code of Corporate Governance (AIC Code). The Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of The UK Corporate Governance Code 2018 (the "UK Code"), as issued by the Financial Reporting Council ("FRC"). The UK Code can be viewed on the FRC's website.

The AIC Code is available from the Association of Investment Companies (www.theaic.co.uk). It 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 recommendations of the AIC Code and the relevant provisions of the UK Code, except the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

The Board considers these provisions are not relevant to the position of The Edinburgh Investment Trust plc, being an externally managed investment company with no executive employees. It considers an internal audit function unnecessary as the relevant issues are addressed through the Manager's own control environment which itself is subject to routine external independent review. The Company has therefore not reported further in respect of these provisions.

Information on how the Company has applied the principles of the AIC Code and the UK Code is provided in the Directors' Report as follows:

- the composition and operation of the Board and its committees are summarised on pages 26 to 28, and page 30 in respect of the Audit Committee;
- the Company's approach to internal control and risk management is summarised on page 32;
- the contractual arrangements with, and assessment of, the Manager are summarised on page 37;
- the Company's capital structure and voting rights are summarised on pages 37 and 38;
- the most substantial shareholders in the Company are listed on page 38;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on pages 34 and 35. There are no agreements between the Company and its directors concerning compensation for loss of office; and
- powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require a resolution to be passed by shareholders.

By order of the Board

PRAXISIFM FUND SERVICES (UK) LIMITED /

COMPANY SECRETARY / 11 JUNE 2020

Audit Committee Report

For the year ended 31 March 2020

COMMITTEE COMPOSITION AND ROLE

The Audit Committee comprises all the Directors with the exception of Glen Suarez, under my chairmanship.

The Committee has written terms of reference which clearly define its authority, meetings, duties and reporting. These were updated during the year, to ensure good practice and compliance with the latest AIC Code. They can be inspected at the registered office of the Company or viewed on the Company's website.

AUDIT COMMITTEE RESPONSIBILITIES

The responsibilities of the Audit Committee include:

- consideration of the integrity of the annual and half-yearly financial reports prepared by the Manager, the appropriateness of the accounting policies applied and any financial judgements and key assumptions, together with ensuring compliance with relevant statutory and listing requirements;
- at the Board's request, advising it on whether the Committee believes the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy;
- evaluation of the effectiveness of the internal control systems and risk management systems, including reports received on the operational controls of the Company's service providers and the Manager's whistleblowing arrangements;
- consideration of the scope of work undertaken by the Manager's compliance department, monitoring and reviewing the effectiveness of the Manager's and the Company's procedures for detecting fraud; and

- management of the relationship with the external auditor, including evaluation of their reports and the scope, effectiveness, independence and objectivity of their audit, as well as making recommendations to the Board in respect of their appointment, reappointment and removal and for the terms of their audit engagement.

AUDIT COMMITTEE ACTIVITIES

The Committee meets at least twice a year to review the internal financial and non-financial controls and, when applicable, the contents of the half-yearly and annual financial reports, including accounting policies. In addition, the Committee reviews the auditor's independence, objectivity and effectiveness, the quality of the services provided to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk management processes. Representatives of the Manager's Compliance Department attend at least two meetings each year. Representatives of the auditor attend the Committee meetings at which the draft half-yearly and annual financial reports are reviewed and are given the opportunity to speak to Committee members in the absence of representatives of the Manager.

The external audit programme and timetable are drawn up and agreed with the auditor in advance of the end of the financial period and matters for audit focus are discussed and agreed. The auditor ensures that these matters are given particular attention during the audit process and reports on them, and other matters as required, in its report to the Committee. In addition, the Committee reviews any material issues raised by the auditor. There have been no such issues raised during the year. The auditor's report, together with reports from the Manager, the Manager's Compliance Department and the depositary, form the basis of the Committee's consideration and discussions with the various parties and any recommendations to the Board, including the Committee's recommendation to sign the 2020 financial statements.

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

For the year end, the accounting matters that were identified for specific consideration by the Committee follow:

Significant area	How addressed
Accuracy of the portfolio valuation, with emphasis on any investments held at Directors' valuation.	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value. This is set out in accounting policies note 1C(v). Any such valuations are carefully considered by the Manager's pricing committee and the Committee.
Proof of existence of portfolio holdings.	The Manager, the auditor and the depositary confirmed that the holdings shown in the accounting records agreed with the custodian records.
Recognition of investment income, with emphasis on special dividend income.	Investment income is recognised in accordance with accounting policies note 1F. The Manager provides detailed revenue estimates for the Board's review, and income is assessed to ensure it is complete and accounted for correctly. Careful consideration is given to special dividends. These are allocated to revenue or capital according to the nature of the payment by the underlying company and the allocation is also reviewed by the auditor.
The allocation of management fees and finance costs between revenue and capital.	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio, both historic and projected; yield; the objective of the Company; and the latest market practice of peers. The committee last reviewed the allocation at its meeting in May 2020.

These matters were discussed with the Manager and the auditor in pre year end audit planning, and were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditor at the conclusion of the audit process.

Consequently, and following a thorough review process of the 2020 annual financial report, the Audit Committee advised the Board that the report 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.

REVIEW OF THE EXTERNAL AUDITOR, INCLUDING NON-AUDIT SERVICES

The Committee evaluated the performance and effectiveness of the external auditor and their audit process. This included a review of the audit planning, execution and reporting and the quality of the audit work, results and audit team. This review sought the view of the Manager in their dealings with the auditor. The Committee also considered the independence of PricewaterhouseCoopers LLP (PwC) and the objectivity of the audit process. No significant modifications were required to the

external audit approach. Combining the output of all the above, and the Audit Committee Chairman's and the Committee's direct interaction with PwC, the Committee concluded that it continued to be satisfied with the performance of PwC and that the auditor continued to display the necessary attributes of objectivity and independence.

Prior to any engagement for non-audit services, the Audit Committee considers whether the skills and experience of the auditor make them a suitable supplier of such services and ensures there is no threat to objectivity and independence in the conduct of the audit as a result. Excluding VAT and any expenses, the annual audit fee was £30,000 (2019: KPMG LLP £24,000) and the non-audit fee was £3,000 (2019: KPMG LLP £7,000); this latter item covered the annual certificate of compliance to the trustees of the debenture stock. The Committee does not believe that this has impaired the auditor's independence and objectivity. Non-audit services up to £5,000 do not require approval in advance of the Audit Committee; amounts in excess of this require the approval of the Audit Committee.

Audit Committee Report / continued

AUDITOR

PwC were appointed as the Company's Auditors at the AGM on 25 July 2019 replacing KPMG LLP. After due consideration, the Committee recommends the re-appointment of PwC and their re-appointment will be put forward to the Company's shareholders at the 2020 AGM.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Committee undertakes a robust assessment of the risks to which the Company is exposed by reference to a risk control summary, which maps the risks, mitigating controls in place and relevant information reported to the Directors, throughout the year. The resultant ratings of the mitigated risks allow the Directors to concentrate on those risks that are most significant and also form the basis of the list of principal risks and uncertainties set out in the Strategic Report on pages 18 to 20.

The Committee, on behalf of the Board, is responsible for ensuring that the Company maintains a sound system of internal control to mitigate risk and safeguard the Company's assets. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems, is reviewed at least annually. Appropriate action is taken to remedy any significant failings or weaknesses identified from these reviews. No significant items were identified in the year. As part of this, the Committee receives and considers, together with representatives of the Manager, reports in relation to the operational controls of the Manager, accounting administrator, custodian, company secretary and registrar. These reviews identified no issues of significance during the year.

INTERNAL AUDIT

The Company, being an externally managed investment company with no executive employees, does not require its own specific internal audit function but relies on the control environment of the Manager which itself is subject to routine external independent reviews.

COMMITTEE EVALUATION

The Committee's activities fell within the scope of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on page 35.

GORDON MCQUEEN / CHAIRMAN OF THE AUDIT COMMITTEE / 11 JUNE 2020

Directors' Report

For the year ended 31 March 2020

BUSINESS AND STATUS

The Company was incorporated and registered in Scotland on 1 March 1889 as a public limited company, registered number SC1836. 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 and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have 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.

CORPORATE GOVERNANCE

The Corporate Governance Statement set out on page 29 is included in this Directors' Report by reference.

THE BOARD

At the year end the Board comprised six non-executive Directors. The Company's Corporate Governance Framework is set out on page 28. This shows the key objectives of the Board and also the membership and key objectives of the Board's supporting committees which deal with specific aspects of the Company's affairs: the Audit, Management Engagement and Nomination Committees.

The Board regards all of the Directors to be wholly independent of the Company's Manager.

Chairman

The Chairman of the Company is Glen Suarez. He has been a member of the Board since 2013 and was appointed Chairman on 22 November 2017.

Senior Independent Director

The Company's Senior Independent Director is Vicky Hastings who was appointed to the role on 25 July 2019 on the retirement of Sir Nigel Wicks.

Board Balance and Diversity

The Board's policy for the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity. The Board has considered the recommendations of the Davies and Hampton-Alexander reviews as well as the Parker review, but does not consider it appropriate to establish targets or quotas in these regards. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of a combination of people with a range of business, financial or asset management skills and experience relevant to the direction and control of the Company for ensuring effective oversight of the

Company and constructive support and challenge to the Manager.

As a norm, the Board comprises six non-executive directors of which, at present, two are female. Summary biographical details of the Directors are set out on pages 26 and 27.

BOARD RESPONSIBILITIES

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under United Kingdom law for promoting the success of the Company and for the proper conduct of the Company's affairs taking into consideration the likely consequences of any decision in the long-term; the need to foster business relationships with its Manager, other service providers and advisors; 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 between shareholders of the Company. This is reported in the Strategic Report on page 22. The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has put in place procedures for and on behalf of the Company that the Board considers adequate to prevent persons associated with it from engaging in bribery and has a zero tolerance approach towards the criminal facilitation of tax evasion. In addition, the Directors are responsible for ensuring that their policies and operations are in the interest of all of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered.

The Board has a schedule of matters reserved for its consideration, which clearly define the Directors' responsibilities. The main responsibilities include: setting long-term strategy; setting the Company's objectives, policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; selecting an appropriate Manager; approving accounting policies and dividend policy; determining dividends payable; managing the capital structure; reviewing investment performance; assessing risk; approving borrowing; and reviewing, and, if agreed, approving recommendations made by the Board's committees. The schedule of matters reserved for the Board will be available for inspection at the AGM and is otherwise available at the registered office of the Company and on the Company's website.

The Board ensures that shareholders are provided with sufficient information in order to understand the risk:reward balance to which they are exposed by holding their shares, through the portfolio details given in the half-yearly and annual financial reports, factsheets and daily NAV disclosures.

The Board meets at least five times each year. Additional meetings are arranged as necessary. Regular contact is maintained by the Manager with the Board between formal meetings. Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Manager on the current investment position and outlook, strategic direction, performance

Directors' Report / continued

against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, investment policy guidelines, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

To enable the Directors of the Board to fulfil their roles, the Manager and Company Secretary ensure that all Directors have timely access to all relevant management, financial and regulatory information.

There is an agreed procedure for the Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted with the Chairman.

Finally, the Board as a whole undertakes the responsibilities which would otherwise be assumed by a remuneration committee, determining the Company's remuneration policy. The Board takes into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report.

AUDIT INFORMATION

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's 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.

THE COMMITTEES

The Board has three committees: the Audit Committee, the Management Engagement Committee and the Nomination Committee. Each committee has written terms of reference, which clearly define each committees' responsibilities and duties. The terms of reference of each committee are available for inspection at the AGM, at the registered office of the Company and also available on the Company's page of the Manager's website.

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on page 30, which is included in this Directors' Report by reference.

The Management Engagement Committee

The Management Engagement Committee comprises all directors under the chairmanship of Glen Suarez. The Committee meets at least annually to review the investment management agreement and to review the services provided by the Manager.

During the year and subsequent to the year end the Committee met to consider the performance of the previous and current Manager. In his Statement on page 5 the Chairman explains the review and process carried out to change the Manager during the year.

The Nomination Committee

All Directors are members of the Nomination Committee which is chaired by Glen Suarez. The Committee meets at least once a year to review the composition of the Board and its committees and evaluating whether they have the appropriate balance of skills, experience, independence and knowledge of the Company; and making recommendations to the Board for the re-election of directors at AGMs.

The Committee is also responsible for identifying and nominating to the Board suitable candidates taking into consideration the above requirements; the ability of any new director to devote sufficient time to the Company to carry out his or her duties effectively; and with due regard for the benefits of diversity (including gender). The Board has not set any measurable objectives in respect of the latter.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will also be available at the AGM. A Director can be removed from office without notice or compensation upon being served with a written notice signed by all the other Directors.

APPOINTMENT, RE-ELECTION AND TENURE

New Directors are appointed by the Board following recommendation by the Nominations Committee. The Articles of Association require that a Director shall be subject to election at the first AGM after appointment and re-election at least every three years thereafter. However, in accordance with the UK Code of Corporate Governance, the Board has resolved that all Directors shall stand for annual re-election at the AGM.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Company Secretary and the Board have formulated a programme of induction training for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors which include briefings from the Company Secretary which ensure that Directors can keep up to date with new legislation and the changing risk environment.

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. It is the Board's policy that all Directors, including the Chairman, shall normally have tenure limited to nine years from their first appointment to the Board, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director, or the Chairman, is in the best interests of the Company and its shareholders. This is also subject to the Director's re-election annually by shareholders. The Board considers that this policy encourages regular refreshment and is conducive to fostering diversity. The Board acknowledges that two board members will have reached their ninth anniversary of their appointment to the Board during the forthcoming financial year, Gordon McQueen will be celebrating his ninth anniversary on 31 May 2020 and Maxwell Ward on 8 August 2020. The Board considers that their independence has not been compromised by their length of service. Indeed, given the value of their experience, the Board believes the effectiveness of the Board as a whole continues to be enhanced by their length of service and, accordingly, each of them has agreed to extend their tenure through the transition period until the AGM in 2021.

BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE APPRAISAL

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees of the Board and individual Directors.

During the year the Board appointed Linstock Limited, an external consultant, to undertake a review of the Board, its Committees and the Directors individually. The conclusion was that the performance of the Board as a whole, the Committees, the Chairman and individual Directors was effective and in the Board's considered view, all Directors were independent. Linstock will again undertake a review in the months ahead to evaluate the new Manager and Secretary and the transition process.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

All Directors are considered to have a good attendance record at Board and Committee meetings of the Company. The table below sets out the number of scheduled Directors' meetings held during the year and the number of meetings attended by each Director. In addition, Directors attended a number of ad hoc meetings during the year.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The number of scheduled meetings held during the year to 31 March 2020 and the attendance of individual Directors are shown in the table below:

	Scheduled Board	Audit Committee	Management Engagement Committee	Nomination Committee
Meetings held	7	3	–	1
Meetings attended:				
– Glen Suarez [†]	7	3	–	1
– Steve Baldwin	7	2	–	1
– Vicky Hastings	7	3	–	1
– Gordon McQueen	7	3	–	1
– Elisabeth Stheeman ^{**}	6	2	–	–
– Maxwell Ward	7	3	–	1
– Sir Nigel Wicks ^{***}	2	1	–	1

[†] Glen Suarez is not a member of the Audit Committee but was in attendance at the meetings.

^{**} Elisabeth Stheeman was appointed on 23 May 2019 and has attended all meetings since her appointment.

^{***} Sir Nigel Wicks retired as a Director on 25 July 2019.

In addition to scheduled Board meetings, a number of meetings were held during the year to consider the performance of and subsequently the change of manager as well as meetings of an administrative nature.

The scheduled Management Engagement Committee meeting for the year was replaced by the Board meetings that reviewed the performance of and subsequently the change of manager.

Directors' Report / continued

DIRECTORS

Directors' Interests in Shares

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 43.

Disclosable Interests

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end.

Director's Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, deeds of indemnity have been executed on behalf of the Company for each of the Directors under the Company's Articles of Association. Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

CONFLICTS OF INTEREST

A Director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or has the potential to conflict with the company's interests. The Articles of Association of the Company give the Directors authority to authorise potential conflicts of interest and there are safeguards which apply when Directors decide whether to do so. First, only Directors who have no interest in the matter being considered are able to take the relevant decision, and second, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors can impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. The Register of Potential Conflicts of Interests is kept at the registered office of the Company. It is reviewed regularly by the Board and Directors know to advise the Company Secretary as soon as they become aware of any potential conflicts of interest.

STREAMLINED ENERGY & CARBON REPORTING 'SECR'

The Company's disclosure with respect to SECR reporting is given in the Strategic Report on page 24.

INTERNAL CONTROLS AND RISK MANAGEMENT

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports.

The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

The Company's internal controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Board reviews a risk map at its quarterly Board meetings and an annual formal review of the risk procedures and controls in place at the Manager and other key service providers is performed.

The Audit Committee reviews, and makes recommendations to the Board, at least annually, the effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems. The Company's system of internal controls is designed to manage rather than eliminate risk of failure to achieve the Company's investment objective and/or adhere to the Company's investment policy and/or investment limits. This system can therefore provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that necessary actions would be taken to remedy any significant failings or weaknesses identified from their review and that no significant failings or weaknesses occurred throughout the year ended 31 March 2020 and up to the date of this annual financial report.

The Board reviews financial reports and performance against forecasts, relevant stock market criteria and the Company's peer group. In addition, the Manager and custodian maintain their own systems of internal controls and risk management and the Board and Audit Committee receive regular reports from the Compliance Department of the Manager. Formal reports are also produced annually on the internal controls and procedures in place for the operation of secretarial and administrative, custodial, investment management and accounting activities.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet, for the same reasons as set out in the Viability Statement. In considering this, the Directors took into account both ongoing expenses and any obligations under the Company's borrowing (both the debenture and the bank facility). In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 March 2020, the Company held £44.0 million (2019: £3.1 million) in cash and cash equivalents and £922.3 million (2019: £1,500.9 million) in quoted investments. The Company's audited net assets at 31 March 2020 were £872.5 million (2019: £1,382.4 million). It is estimated that approximately 99% by value of the quoted investments held at the year end could be realised in one month under normal market conditions.

Given the level of market volatility experienced due to the impact of the COVID-19 Pandemic, the Manager has performed stress tests on the Company's portfolio of investments under current conditions and the Board remain comfortable with the liquidity of the portfolio.

The Board also considered the Company's obligations under the Company's borrowing. The £100 million debenture, which is not subject to any covenant, matures in September 2022. The Board does not anticipate difficulties in meeting this repayment obligation, either through replacement borrowings or Company assets. The bank facility which is not currently drawn, remains available whilst the Company's Net Asset Value is above £700 million (see notes 11 and 12 to the financial statements). The facility is due for renewal or replacement on 17 June 2020.

The total ongoing charges (excluding taxation, non-recurring legal and professional fees and finance costs) for the year ended 31 March 2020 were £6.7 million (2019: £7.9 million), which represented approximately 0.55% of average net assets during the year.

THE MANAGER

On 4 March 2020, the Board appointed Majedie Asset Management Limited (Majedie) as its new Manager. The Directors have delegated to Majedie the responsibility for the day-to-day investment management activities of the Company.

Investment Management Agreement (IMA)

The Manager provides investment and administration services to the Company under an investment management agreement dated 3 March 2020. The agreement is terminable by either party by giving not less than three months' notice. Prior to this, Invesco Asset Management provided these services.

The management fee is calculated on 0.04000% on the first £500 million and 0.03875% on the remainder of the market capitalisation of the Company's ordinary shares at each month end and paid monthly in arrears (equivalent to an annualised fee of 0.480% on the first £500m and 0.465% on the remainder) which compares to an annual fee of 0.55% for the prior year. There is no performance fee. The Manager has additionally waived its fee for the first three months of its appointment.

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's 2020 financial year end and, following recommendation from the Committee, the Board considers that the continuing appointment of Majedie as Manager is in the best interests of the Company and its shareholders.

COMPANY SECRETARY

On 3 March 2020, the Board appointed PraxisIFM Fund Services (UK) Limited as replacement for Invesco Asset Management Limited as secretary to the Company. The Board has had continuous direct access to the advice and services of the relevant corporate Company Secretary, whether PraxisIFM Fund Services (UK) Limited or Invesco Asset Management Limited, whichever entity has been in office who are responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary provides full company secretarial services to the Company, ensuring that the Company complies with all legal, regulatory and corporate governance requirements and officiating at Board meetings and shareholders' meetings. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

SHARE CAPITAL

Capital Structure

At the year end, the Company's allotted and fully paid share capital consisted of 195,666,734 ordinary and treasury shares of 25p each of which 20,983,805 shares are held in treasury. To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders every year to buy back and sell shares. No shares were issued in the year. During the year 20,798,805 ordinary shares were repurchased for holding in treasury at an average price of 585.56p per share (including costs). Since the year end, 165,000 ordinary shares have been bought back for holding in treasury at an average price of 461.01p per share.

Directors' Report / continued

SUBSTANTIAL HOLDINGS IN THE COMPANY

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital:

	Shares	%	Date of Notification
Brewin Dolphin Limited	9,763,384	4.99	30 October 2012
Investec Wealth and Investment Limited	7,838,389	4.01	17 October 2013
Axa S.A.	7,666,671	3.92	17 September 2010

Restrictions

There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company, no restrictions on the distribution of dividends and the repayment of capital, and no agreements to which the Company is party that might affect its control following a successful takeover bid.

Voting

At a general meeting of the Company, every shareholder has one vote on a show of hands and, on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

Repurchase Powers

The Board's current powers to repurchase shares and proposals for their renewal are disclosed on page 39.

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 all such reporting applied only to non-applicable events for the year to 31 March 2020.

INDIVIDUAL SAVINGS ACCOUNT (ISA)

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

BUSINESS OF THE ANNUAL GENERAL MEETING (AGM)

The following summarises the business of the forthcoming AGM of the Company, which is to be held on 23 July 2020 at 2pm. The notice of the AGM and related notes can be found on pages 71 to 73. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive and consider this Annual Financial Report (AFR), including the financial statements and auditor's report.

Resolution 2 is for members to approve the Annual Statement and Report on Remuneration for the year ended 31 March 2020.

Resolution 3 is to declare the final dividend for the year.

Resolutions 4 to 9 are to re-elect the Directors. Biographies of the Directors can be found on pages 26 and 27.

All Directors will stand for election or re-election by shareholders at the AGM. The Board has determined that each of the Directors is independent, continues to perform effectively and demonstrates commitment to their role. Their balance of knowledge and skills combined with their diversity and business experience makes a major contribution to the functions of the Board and its Committees. Glen Suarez's experience in the asset management industry and accountancy background brings valuable technical information to the meetings. Gordon McQueen is a Chartered Accountant and together with his experience in banking, finance and investment management, has thereby acquired skills that have enabled him to successfully Chair the Audit Committee. Steven Baldwin is also a Chartered Accountant and his experience in a range of industries brings a breadth of experience to the meetings. Victoria Hastings had an executive career in the investment management industry that has brought her broad sector experience to the Board. Maxwell Ward has extensive investment management experience that brings industry knowledge to the Board. Elisabeth Stheeman has extensive executive and non-executive experience in financial services and real estate that bring highly relevant and valuable skills to the Board.

Resolutions 10 and 11 are to re appoint PricewaterhouseCoopers LLP as auditor and to authorise the Audit Committee to determine their remuneration.

Special Business

Resolution 12: Authority to Allot Shares is an Ordinary Resolution seeking renewal of the current authority for the Directors' to allot up to 10% of the issued ordinary share capital, this being an aggregate nominal amount of £4,362,948 as at 11 June 2020.

Special Resolution 13: Authority to Allot Shares is a Special Resolution which seeks renewal of the current authority to allot equity securities pursuant to a rights issue or to issue up to 10% of the issued ordinary share capital otherwise than in connection with a rights issue, dis-applying pre-emption rights. This will allow shares to be issued to new shareholders, within the prescribed limits, without having to be offered to existing shareholders first, thus broadening the shareholder base of the Company. The Directors will not dilute the interests of existing shareholders by using the authority to issue shares at a price which is less than the Net Asset Value (calculated with debt at market value) of the existing shares in issue at that time. These authorities will expire at the next AGM of the Company or fifteen months after the passing of the resolutions, whichever is the earlier.

Special Resolution 14: Authority to Buy Back Shares

This resolution seeks to renew the Directors' authority to purchase up to 14.99% of the Company's issued share capital, this being 26,160,238 ordinary shares as at 11 June 2020. The authority will expire at the Company's next AGM or 15 months following the passing of this resolution, if earlier. The principal purpose of share buy backs is to enhance the net asset value for remaining shareholders and purchases will only be made if they do so.

In accordance with the UK Listing Rules, the maximum price which may be paid for a share must not be more than the higher of: (i) 5% above the average of the mid-market values of the shares for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price which may be paid will be 25p per share, this being the nominal value of a share. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The Company will finance the purchase of ordinary shares by using its existing cash balance or borrowing facilities or by selling securities in the Company's portfolio.

The Directors might consider holding repurchased shares as treasury shares with a view to possible resale.

Special Resolution 15: Notice Period for General Meetings

The EU Shareholder Rights Directive increased the notice period for general meetings of companies to 21 days unless certain conditions are met in which case it may be 14 days' notice. A shareholders' resolution is required to ensure that the Company's general meetings (other than Annual General Meetings) may be held on 14 days' notice. Accordingly, Special Resolution 16 will propose that the period of notice for general meetings of the Company (other than AGMs) shall not be less than 14 days' notice. It is intended that this flexibility will be used only where the Board believes it is in the best interests of shareholders as a whole, and an explanation will be provided.

Special Resolution 16: Amendments to Articles of Association is a special resolution to adopt a new set of Articles of Association. The Company's Articles of Association were last amended in 2012, and, while they remain generally fit for purpose, the Board thinks the upcoming AGM is a good opportunity to update them. The main proposed changes are to the provisions of the Articles which relate to general meetings, where the Board considers there should be more flexibility in case we face in any future year a similar situation to that we are currently faced with: i.e. a pandemic which restricts or prevents meetings happening safely. The Articles of Association as proposed to be adopted would take effect from the conclusion of the AGM.

The principal differences between the proposed new and the existing Articles of Association are as follows:

Changes in light of COVID-19

In light of recent circumstances, the Articles are proposed to be amended to give greater flexibility for general meetings to be held where events like COVID-19 occur and related actions are taken by the UK government to restrict physical gatherings. The proposed amendments will: (1) reduce the quorum for general meetings from 3 persons to 2; (2) provide that general meetings may be held electronically or virtually; and (3) permit the postponement of general meetings.

Minor updates

Various minor updates are proposed to be made to the Articles none of which are material but which the Board has taken this opportunity to propose.

The full terms of the proposed amendments would have been made available for inspection as required under LR 13.8.10R (2) but for the coronavirus restrictions. A copy of the Company's existing Articles of Association, and a copy marked to show the differences between those and the Articles of Association as proposed to be adopted pursuant to resolution 15, will instead be available in soft copy for inspection from the date of this document and up to the time of the AGM at the website of the Company at <https://edinburghinvestmenttrust.com>. Hard copies will be made available at the relevant places should the current restrictions be lifted before the close of the AGM.

The Directors have carefully considered all the resolutions proposed in the Notice of AGM and, in their opinion, consider them all to be in the best interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution as they intend to do in respect of their own beneficial holdings.

By order of the Board

PRAXISIFM FUND SERVICES (UK) LIMITED / COMPANY
SECRETARY / 11 JUNE 2020

Statement of Directors' Responsibilities

in respect of the preparation of the Annual Financial Report

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, which is maintained by the Company's Manager. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the annual financial report, 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.

Signed on behalf of the Board of Directors

GLEN SUAREZ / CHAIRMAN / 11 JUNE 2020

Directors' Remuneration Report

For the year ended 31 March 2020

This report has been prepared under the requirements of The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013.

The Company's auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditor's opinion is included on pages 45 to 51.

REMUNERATION RESPONSIBILITIES

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered.

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy is put before shareholders for approval every three years and was approved by shareholders at the AGM on 25 July 2019 and became effective on that date.

The policy is that the remuneration of Directors: be fair and reasonable in relation to that of other investment trusts and to the time commitment and responsibilities undertaken; be reviewed relative to movements in the Retail Price Index; be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board but not be more than necessary for the purpose; and take into consideration any committee memberships and chairmanship duties.

Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association (Articles). The maximum currently is £250,000 in aggregate per annum.

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. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in the performance of their duties. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office.

Notwithstanding the above, the Company's Articles also provide that additional discretionary payments can be made for services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director.

The level of Directors' remuneration is reviewed annually, although such review will not automatically result in any changes. This Directors' Remuneration Policy will apply to any new directors, who will be paid the appropriate fee based on the Directors' fees level in place at the date of appointment. The Board will consider, where raised, shareholders' views on Directors' remuneration.

The Board may amend the level of remuneration paid to Directors within the parameters of the Directors' Remuneration Policy.

This Directors' Remuneration Policy is the same as that currently followed by the Board as disclosed in last year's Directors' Remuneration Report.

The Company has no employees and consequently has no policy on the remuneration of employees.

ANNUAL STATEMENT ON DIRECTORS' REMUNERATION

For the year ended 31 March 2020, fees paid to the Directors per annum were:

Chairman £44,000; Senior Independent Director £27,500; Audit Committee Chairman £30,000; Other Directors £24,200.

Directors' fees have remained unchanged since 1 April 2007, with the exception of the Audit Committee Chairman's fee which increased from £27,000 with effect from 1 April 2015. During the year under review the Board reviewed Directors' fees and considered that the current level of remuneration remained appropriate. No discretionary payments were made in the year, or the previous year. In reaching their decision, the Board considered information supplied by the Company Secretary at their request. This included the fee rates of comparable investment companies.

Directors' Remuneration Report / continued

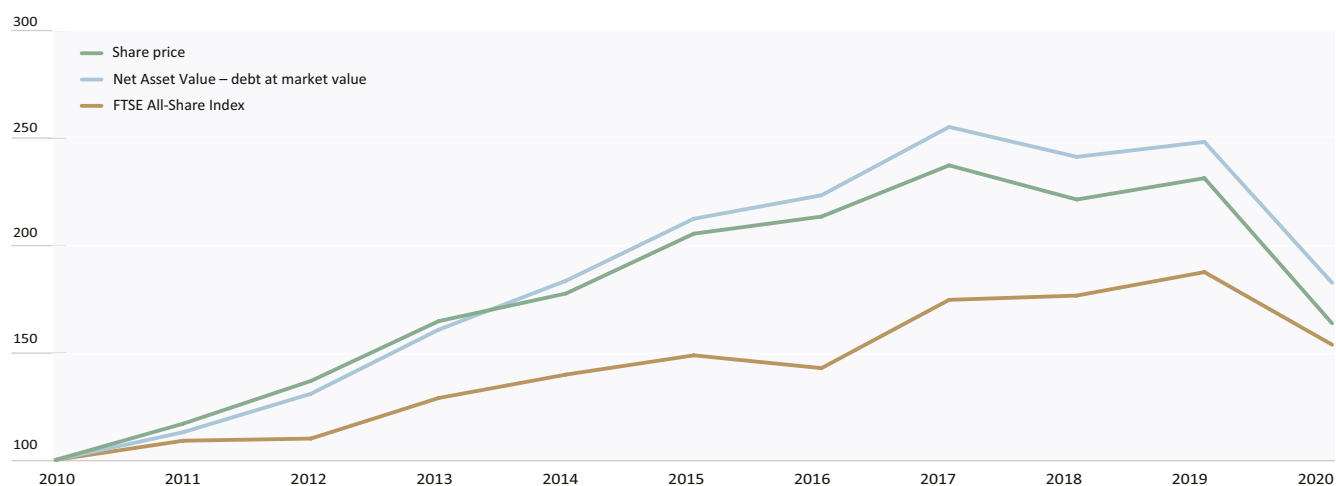
REMUNERATION FOR THE YEAR ENDED 31 MARCH 2020

THE COMPANY'S PERFORMANCE

The following graph plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the ten years to 31 March 2020. This index is the benchmark adopted by the Company for comparison purposes.

Total Return Graph

Figures have been rebased to 100 at 31 March 2010.



Source: Refinitiv.

SINGLE TOTAL FIGURE OF REMUNERATION FOR THE YEAR (AUDITED)

The single total figure of remuneration for each Director is detailed below, together with the prior year comparative:

	Fees £	2020 Taxable Benefits ⁽¹⁾ £	Total £	Fees £	2019 Taxable Benefits ⁽¹⁾ £	Total £
Glen Suarez (Chairman)	44,000	9,327	53,327	44,000	4,822	48,822
Steve Baldwin	24,200	–	24,200	13,459	–	13,459
Vicky Hastings (Senior Independent Director from 25 July 2019)	26,502	–	26,502	24,200	–	24,200
Gordon McQueen (Chairman of the Audit Committee)	30,000	3,109	33,109	30,000	3,265	33,265
Maxwell Ward	24,200	2,552	26,752	24,200	2,817	27,017
Elisabeth Stheeman (appointed 23 May 2019)	20,763	–	20,763	–	–	–
Sir Nigel Wicks (retired 25 July 2019)	8,759	–	8,759	27,500	–	27,500
Total	178,424	14,988	193,412	163,359	10,904	174,263

⁽¹⁾ Taxable benefits relate to grossed up costs of travel.

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

Save as here stated, no Director had any interests, beneficial or otherwise, in the ordinary shares or debenture stock of the Company during the year. No changes to these holdings have been notified since the year end. No connected person interests have been notified.

Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set.

The beneficial interests of the Directors in the ordinary share capital of the Company are set out below:

	31 March 2020	31 March 2019
Glen Suarez	37,000	37,000
Steve Baldwin	–	–
Vicky Hastings	5,000	5,000
Gordon McQueen	2,000	2,000
Maxwell Ward	20,000	20,000
Elisabeth Stheeman	–	–

Elisabeth Stheeman was appointed as a Director on 23 May 2019, Sir Nigel Wicks retired as a Director on 25 July 2019.

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table compares the remuneration paid to the non-executive Directors with aggregate distributions to shareholders in respect of the year to 31 March 2020 and the prior year:

	2020 £'000	2019 £'000	Change £'000
Aggregate Directors' Remuneration	193	174	+19
Aggregate Shareholder Distributions	50,490	54,681	-4,191

VOTING AT LAST ANNUAL GENERAL MEETING

At the Annual General Meeting of the Company held on 25 July 2019 resolutions approving the Directors' Remuneration Policy and the Chairman's Annual Statement and Report on Remuneration were passed. The votes cast (including votes cast at the Chairman's discretion) were as follows.

	Votes For	%	Votes Against	%	Votes Withheld
Directors' Remuneration Policy	59,963,812	99.70	182,644	0.30	119,607
Annual Statement and Report	60,047,313	99.73	162,776	0.27	55,974

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 11 June 2020.

GLEN SUAREZ / CHAIRMAN

Signed on behalf of the Board of Directors

Financial Review



Independent Auditor's Report

To the members of The Edinburgh Investment Trust plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, The Edinburgh Investment Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its return/loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Financial Report (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Company in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview



- Overall materiality: £8.7 million, based on 1% of net assets.
 - The Company is a standalone Investment Trust Company and engages Majedie Asset Management Limited (the "Manager") to manage its assets.
 - We conducted our audit of the financial statements using information from Bank of New York Mellon (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
 - We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
 - We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.
-
- Valuation and existence of investments
 - Income from investments
 - Consideration of the impact of COVID-19

Independent Auditor's Report / continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Company's ongoing qualification as an Investment Trust under the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net asset value of the Company. We performed the following procedures in response to those risks:

- Discussions with the Directors, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Identifying and testing journal entries, in particular any journals posted as part of the financial year end close process.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation and existence of investments

Refer to page 30 (Audit Committee Report), page 54 (Accounting Policies and Notes to the Financial Statements).

The investment portfolio at the year end principally comprised quoted equity investments valued at £922 million.

We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the Financial Statements.

How our audit addressed the key audit matter

We tested the valuation of the equity investments by agreeing the prices used in the valuation to independent third-party sources. No misstatements were identified from this testing.

We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No misstatements were identified from this testing.

Key audit matter

Income from investments

Refer to page 30 (Audit Committee Report), page 54 (Accounting Policies and Notes to the Financial Statements).

We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.

We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Income Statement for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"), as incorrect application could indicate a misstatement in income recognition.

How our audit addressed the key audit matter

We assessed the accounting policy for investment income recognition for compliance with accounting standards and the AIC SORP and performed testing to verify that income from investments had been accounted for in accordance with this stated accounting policy.

We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy.

We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data.

To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market for investment holdings had been recorded.

We tested occurrence by tracing a sample of dividends received to bank statements.

We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions.

Our procedures did not identify any misstatements.

Consideration of the impact of COVID-19

Refer to the Chairman's Statement (page 5), Principal Risks and Uncertainties (page 18), Viability Statement (page 21) and the Going Concern Statement (page 37), which disclose the impact of the COVID-19 coronavirus pandemic.

From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date.

The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company had adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third-party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.

We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Company by:

- Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19.
- Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements.

We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report.

- We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third-party service providers.

We assessed the disclosures presented in the Annual Report in relation to COVID-19 by:

- Reading the other information, including the Principal Risks and Uncertainties and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit.

Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report.

Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below.

Independent Auditor's Report / continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£8.7 million.
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £436,242 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (as set out on page 29) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (as set out on page 29) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 18 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 21 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Independent Auditor's Report / continued

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 40, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 30 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 25 July 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Jeremy Jensen

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

11 June 2020

Income Statement

For the year ended 31 March

	Notes	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Losses on investments held at fair value	9(b)	–	(377,639)	(377,639)	–	(8,567)	(8,567)
Gains on derivative instruments – futures		–	40	40	–	–	–
Foreign exchange (losses)/gains		–	(625)	(625)	–	22	22
Income	2	58,964	1,467	60,431	62,916	1,002	63,918
Investment management fee	3	(1,778)	(4,148)	(5,926)	(2,124)	(4,957)	(7,081)
Other expenses	4	(1,635)	(6)	(1,641)	(872)	(1)	(873)
Return/(loss) before finance costs and taxation		55,551	(380,911)	(325,360)	59,920	(12,501)	47,419
Finance costs	5	(2,490)	(5,810)	(8,300)	(2,612)	(6,095)	(8,707)
Return/(loss) before taxation		53,061	(386,721)	(333,660)	57,308	(18,596)	38,712
Tax	6	(1,440)	–	(1,440)	(1,251)	–	(1,251)
Return/(loss) on ordinary activities after taxation for the financial year		51,621	(386,721)	(335,100)	56,057	(18,596)	37,461
Return/(loss) per ordinary share:							
Basic	7	27.8p	(208.5)p	(180.7)p	28.7p	(9.5)p	19.2p

The total column of this statement represents the Company's income statement, prepared in accordance with UK Accounting Standards. The return/(loss) after taxation is the total comprehensive income/(expense) and therefore no additional statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

Statement of Changes in Equity

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve £'000 ⁽¹⁾	Revenue Reserve £'000 ⁽¹⁾	Total £'000
Balance at 1 April 2018		48,917	10,394	24,676	1,235,091	80,791	1,399,869
Return on ordinary activities		–	–	–	(18,596)	56,057	37,461
Dividends paid	8	–	–	–	–	(53,635)	(53,635)
Shares bought back and held in treasury		–	–	–	(1,258)	–	(1,258)
Balance at 31 March 2019		48,917	10,394	24,676	1,215,237	83,213	1,382,437
(Loss)/Return on ordinary activities		–	–	–	(386,721)	51,621	(335,100)
Dividends paid	8	–	–	–	–	(53,063)	(53,063)
Shares bought back and held in treasury		–	–	–	(121,790)	–	(121,790)
Balance at 31 March 2020		48,917	10,394	24,676	706,726	81,771	872,484

The accompanying notes are an integral part of these financial statements.

⁽¹⁾ The capital and revenue reserves are distributable by way of dividend.

Balance Sheet

As at 31 March

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	9(a)	922,433	1,501,151
Current assets			
Debtors	10	7,399	8,987
Cash and cash equivalents		43,958	3,114
		51,357	12,101
Creditors: amounts falling due within one year			
Other payables	11	(1,934)	(894)
Bank facility	11	–	(30,800)
		(1,934)	(31,694)
Net current assets/(liabilities)			
		49,423	(19,593)
Total assets less current liabilities			
		971,856	1,481,558
Creditors: amounts falling due after more than one year			
	12	(99,372)	(99,121)
Net assets			
		872,484	1,382,437
Capital and reserves			
Called up share capital	13	48,917	48,917
Share premium account	14	10,394	10,394
Capital redemption reserve	14	24,676	24,676
Capital reserve	14	706,726	1,215,237
Revenue reserve	14	81,771	83,213
Total Shareholders' funds			
		872,484	1,382,437
Net asset value per ordinary share			
Basic – debt at par value	15	499.11p	706.75p
– debt at market value	15	490.40p	696.91p

These financial statements were approved and authorised for issue by the Board of Directors on 11 June 2020.

GLEN SUAREZ / CHAIRMAN

Signed on behalf of the Board of Directors

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year and the preceding year.

A. Basis of Preparation

Accounting Standards Applied

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice (UK GAAP)) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in October 2019 (SORP).

The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019. As a result, the presentation of gains and losses arising from disposals of investments and gains and losses on revaluation of investments have now been combined, as shown in note 9 with no impact to the net asset value or profit/(loss) reported for both the current or prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

The financial statements are issued on a going concern basis. Details of the Directors assessment of the going concern status of the Company, which considered the adequacy of the Company's resources and the impacts of the COVID-19 Pandemic, are given on page 37.

As an investment fund the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all investments are highly liquid and are carried at market value, and where a Statement of Changes in Equity is provided: all of which are satisfied.

Significant Accounting Estimates, Assumptions and Judgements

The preparation of the financial statements may require the use of estimates, assumptions and judgements which may affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available the actual outcome may differ from these estimates. The directors do not believe that any accounting estimates, assumptions or judgements have been applied to these accounting statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year. The Directors do apply judgement as to the allocation of expenses between capital and revenue in the income statement. The allocation and rationale is set out in Note 1G.

B. Foreign Currency and Segmental Reporting

(i) Functional and presentational currency

The financial statements are presented in sterling, which is the Company's functional and presentational currency and the currency in which the Company's share capital and expenses, as well as its assets and liabilities, are denominated.

(ii) Transactions and balances

Transactions in foreign currency, whether of a revenue or capital nature, are translated to sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses, whether realised or unrealised, are taken to the capital reserve or to the revenue account, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(iii) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity and debt securities, issued by companies quoted mainly on the UK or other recognised stock exchanges.

C. Financial Instruments

The Company has chosen to apply Section 11 and 12 of FRS102 in full in respect of the financial instruments.

(i) Recognition of financial assets and financial liabilities

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

(ii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as an asset.

(iii) Derecognition of financial liabilities

The Company derecognises financial liabilities when its obligations are discharged, cancelled or have expired.

(iv) Trade date accounting

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

(v) Classification and measurement of financial assets and financial liabilities

– Financial assets

The Company's investments are classified as held at fair value through profit or loss.

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, with transaction costs expensed in the income statement, and are subsequently valued at fair value.

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. Fair value for investments that are actively traded but where active stock exchange quoted bid prices are not available is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Unquoted, unlisted or illiquid investments are valued by the Directors at fair value using a variety of valuation techniques including earnings multiples, recent transactions and other market indicators, cash flows and net assets.

– Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

D. Cash and Cash Equivalents

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: short term in duration (typically three months or less from the date of acquisition), highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond.

E. Hedging

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are recognised in the income statement and taken to capital reserves.

F. Income

Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital in the income statement.

Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

G. Expenses and Finance Costs

Expenses are recognised on an accruals basis and finance costs are recognised using the effective interest method in the income statement.

The investment management fee and finance costs are allocated 70% to capital and 30% to revenue. This is in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the portfolio.

Transaction costs are recognised as capital in the income statement. All other expenses are allocated to revenue in the income statement.

Notes to the Financial Statements / continued

H. Taxation

The liability to corporation tax is based on net revenue for the year, excluding non-taxable dividends. The tax charge is allocated between the revenue and capital account on the marginal basis whereby revenue expenses are matched first against taxable income in the revenue account.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the Directors, it is more likely than not that these amounts will be realised in future periods.

A deferred tax asset is only recognised in respect of surplus management expenses, losses on loan relationships and eligible unrelieved foreign tax to the extent that it is probable that the Company will be able to recover them from future taxable revenue.

I. Dividends Payable

Dividends are not recognised in the accounts unless there is an obligation to pay at the balance sheet date. Proposed dividends are recognised in the year in which they are paid to shareholders.

J. Critical accounting estimates and judgements

The Directors do not believe that any accounting judgements or estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

K. Accounting for reserves

The share premium comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 25 pence and any applicable issue costs. The capital redemption reserve maintains the equity share capital of the Company and arose from the nominal value of any shares bought back and cancelled; both are non-distributable.

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date. It also includes cumulative realised gains/(losses) and costs related to share buybacks. Capital investment gains and losses are shown in note 9(b) and form part of the capital reserve.

The revenue reserve shows the net revenue retained after payment of any dividends. The capital and revenue reserves are distributable by way of dividend.

2. INCOME

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

	2020 £'000	2019 £'000
Income from investments:		
UK dividends	44,556	47,446
UK special dividends	534	955
UK unfranked income	1,509	2,785
Overseas dividends	11,650	11,705
Overseas special dividends	475	–
Income from money market funds	237	22
	58,961	62,913
Other income:		
Deposit interest	3	3
Total income	58,964	62,916

Special dividends of £1,467,000 were recognised in capital during the year (2019: £1,002,000).

3. INVESTMENT MANAGEMENT FEE

This note shows the fee due to the Manager. This is calculated and paid monthly.

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,778	4,148	5,926	2,124	4,957	7,081

Details of the investment management agreement is disclosed on page 37 in the Directors' Report. At 31 March 2020 investment management fees of £385,000 (2019: £577,000) were accrued.

4. OTHER EXPENSES

The other expenses of the Company are presented below; those paid to the Directors and the auditor are separately identified.

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Other expenses	1,635	6	1,641	872	1	873
Other expenses include the following:						
Directors' remuneration ⁽ⁱ⁾	193	–	193	174	–	174
Auditors fees ⁽ⁱⁱ⁾						
– the audit of the Company's annual financial statements	30	–	30	24	–	24
– audit related assurance services	3	–	3	7	–	7

The maximum Directors' fees authorised by the Articles of Association are £250,000 per annum.

- (i) There were seven directors for a period during the year and the Director's Remuneration Report on page 41 provides further information on Directors' fees.
- (ii) Auditor's fees include expenses but excludes VAT. The VAT is included in other expenses.
- (iii) Other expenses include:
 - £16,000 (2019: £16,000) of employer's National Insurance payable on Directors' remuneration. As at 31 March 2020, the amounts outstanding on Directors' remuneration and employer's National Insurance was £7,000 (2019: £9,000); and
 - custodian transaction charges of £6,000 (2019: £1,000). These are charged to capital.
 - other expenses also include fees of £704,000 (2019: £14,000). These costs relate to fees and expenses incurred in relation to the review of the previous manager and subsequent change of manager.

Notes to the Financial Statements / continued

5. FINANCE COSTS

Finance costs arise on any borrowing facilities the Company has used. Borrowing facilities are the £100 million debenture stock and a £150 million bank revolving credit facility.

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on borrowings repayable not by instalments:						
– interest on bank facility	90	209	299	212	494	706
– debenture stock repayable within 3 years	2,325	5,425	7,750	2,325	5,425	7,750
Amortised debenture stock discount and issue costs	75	176	251	75	176	251
	2,490	5,810	8,300	2,612	6,095	8,707

6. TAX AND TOTAL RETURN ON ORDINARY ACTIVITIES

As an investment trust the Company pays no tax on capital gains. As the Company invests principally in UK equities, it has little overseas tax and the overseas tax charge is the result of withholding tax deducted at source. This note also clarifies the basis for the Company having no deferred tax asset or liability.

(a) Tax charge

	2020 £'000	2019 £'000
Overseas tax	1,440	1,251

(b) Reconciliation of tax charge

	2020 £'000	2019 £'000
Total (loss)/return before taxation	(333,660)	38,712
UK Corporation Tax rate of 19% (2019: 19%)	(63,395)	7,355
Effect of:		
– non-taxable UK dividends	(7,514)	(7,939)
– non-taxable special dividends	(471)	(372)
– non-taxable overseas dividends	(2,134)	(2,175)
– non-taxable losses on investments	71,745	1,628
– non-taxable losses/(gains) on foreign exchange	118	(4)
– excess of allowable expenses over taxable income	1,650	1,507
– disallowable expenses	1	–
– overseas tax	1,440	1,251
Tax charge for the year	1,440	1,251

(c) Deferred tax

Owing to the Company's status as an investment company, and the Directors' intention that it continues to meet the conditions required to maintain that approval in the foreseeable future, no deferred tax has been provided on any capital gains and losses arising on the revaluation or disposal of investments.

(d) Factors that may affect future tax changes

The Company has cumulative excess management expenses of £464,617,000 (2019: £455,650,000) that are available to offset future taxable revenue.

A deferred tax asset of £88,277,000 (2019: £77,461,000) at 19% (2019: 17%), has not been recognised in respect of these expenses since the Directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset.

7. RETURN/(LOSS) PER ORDINARY SHARE

Return per share is the amount of gain generated for the financial year divided by the weighted average number of ordinary shares in issue.

The basic revenue, capital and total returns/(loss) per ordinary share is based on each of the returns on ordinary activities after taxation and on 185,459,576 (2019: 195,560,762) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

8. DIVIDENDS ON ORDINARY SHARES

Dividends represent the distribution of income to shareholders. The Company pays four dividends a year – three interims and one final dividend.

	2020		2019	
	pence	£'000	pence	£'000
Dividends paid and recognised in the year:				
– third interim paid in respect of previous year	6.25	12,218	5.80	11,349
– final paid in respect of previous year	9.25	18,027	9.20	18,001
– first interim paid	6.40	11,535	6.25	12,218
– second interim paid	6.40	11,283	6.25	12,218
	28.30	53,063	27.50	53,786
Return of unclaimed dividends from previous years	–	–	–	(151)
	28.30	53,063	27.50	53,635

	2020		2019	
	pence	£'000	pence	£'000
Dividends per share payable in respect of the year:				
– first interim	6.40	11,535	6.25	12,218
– second interim	6.40	11,283	6.25	12,218
– third interim	6.40	11,180	6.25	12,218
– proposed final	9.45	16,492	9.25	18,027
	28.65	50,490	28.00	54,681

The proposed final dividend is subject to approval by ordinary shareholders at the AGM.

Notes to the Financial Statements / continued

9. INVESTMENTS

The portfolio comprises investments which are principally listed on a regulated stock exchange or traded on AIM. A very small proportion of investments are valued by the Directors as they are unlisted.

Gains or losses are either:

- realised, usually arising when investments are sold; or
- unrealised, being the difference from cost on those investments still held at the year end.

(a) Analysis of investments by listing status

	2020 £'000	2019 £'000
Investments listed on a regulated stock exchange	922,279	1,384,447
AIM quoted investments	–	116,458
Unquoted investments at Directors' valuation	154	246
	922,433	1,501,151

(b) Analysis of investments losses

	2020 £'000	2019 £'000
Opening book cost	1,390,495	1,305,093
Opening investment holding gains	110,656	230,836
Opening valuation	1,501,151	1,535,929
Movements in year:		
– purchases at cost	1,106,098	221,902
– sales proceeds	(1,307,177)	(248,113)
Losses on investments in the year	(377,639)	(8,567)*
Closing valuation	922,433	1,501,151
Closing book cost	1,068,853	1,390,495
Closing investment holding (losses)/gains	(146,420)	110,656
Closing valuation	922,433	1,501,151

The Company received £1,307,177,000 (2019: £248,113,000) from investments sold in the year. The book cost of these investments when they were purchased was £1,427,740,000 (2019: £136,500,000) realising a loss of £120,563,000 (2019 profit: £111,613,000). These investments have been revalued over time and until they were sold any unrealised profits/losses were included in the fair value of the investments.

* Due to adoption of the revised SORP issued in October 2019 (see Note 1A). The loss on investments figure of £8,567,000 for the year ended 31 March 2019 is as follows:

	2019 £'000
Net realised profit on sales	111,613
Investment holding loss in the year	(120,180)
Loss on investments	(8,567)

The transaction costs included in gains on investments amount to £4,856,000 (2019: £740,000) on purchases and £444,000 (2019: £149,000) for sales.

10. DEBTORS

Debtors are amounts which are due to the Company, such as monies due from brokers for investments sold and income which has been earned (accrued) but not yet received.

	2020 £'000	2019 £'000
Amounts due from brokers	3,217	2,219
Overseas withholding tax recoverable	2,621	2,437
Prepayments and accrued income	1,561	4,331
	7,399	8,987

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors are amounts which must be paid by the Company and are split between those payable within 12 months of the balance sheet date and those payable after that time. The main creditors are the debenture and bank borrowings. The other creditors include any amounts due to brokers for the purchase of investments or amounts owed to suppliers (accruals) such as the Manager and auditor.

	2020 £'000	2019 £'000
Bank facility	–	30,800
Amounts due to brokers	996	–
Share buybacks awaiting settlement	68	–
Accruals and deferred income	870	894
	1,934	31,694

The Company has a 364 day committed revolving credit facility (the 'facility') of £150 million (2019: £150 million) with the lender, The Bank of New York Mellon. The facility is due for renewal on 17 June 2020. Interest is payable at 0.70% over LIBOR with a commitment fee for undrawn amounts. Under the facility's covenants, the Company's total indebtedness must not exceed 25% of net assets and net assets must not be less than £700 million (2019: £700 million).

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

These creditors are amounts that must be paid, as shown by note 11, but are due more than one year after the balance sheet date.

	2020 £'000	2019 £'000
Debenture Stock 7¾% redeemable 30 September 2022	100,000	100,000
Unamortised discount and issue expenses on debenture stock	(628)	(879)
	99,372	99,121

The debenture is secured by a floating charge on the Company, under which borrowing must not exceed a sum equal to the Adjusted Total of Capital and Reserves. The interest on the 7¾% debenture is payable in half-yearly instalments, in March and September, each year.

The effect on the net asset value of deducting the debenture stock at market value, rather than at par, is disclosed in note 15.

Notes to the Financial Statements / continued

13. SHARE CAPITAL

Share capital represents the total number of shares in issue.

	2020 £'000	2019 £'000
Share capital:		
Ordinary shares of 25p each	43,671	48,871
Treasury shares of 25p each	5,246	46
	48,917	48,917
	2020	2019
Number of ordinary shares in issue:		
Brought forward	195,481,734	195,666,734
Shares bought back and held in treasury	(20,798,805)	(185,000)
Carried forward	174,682,929	195,481,734
Number of treasury shares held:		
Brought forward	185,000	–
Shares bought back into treasury	20,798,805	185,000
Carried forward	20,983,805	185,000
Total ordinary shares and treasury shares	195,666,734	195,666,734

During the year the Company bought back, into treasury, 20,798,805 ordinary shares at an average price of 585.56p (including costs). Since the year end, 165,000 shares have been bought back into treasury, at an average price of 461.01p.

The Directors' Report on pages 37 and 38 sets out the Company's share capital structure, restrictions and voting rights.

14. RESERVES

This note explains the different reserves attributable to shareholders. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The share premium comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 25 pence and any applicable issue costs. The capital redemption reserve maintains the equity share capital of the Company and arose from the nominal value of any shares bought back and cancelled; both are non-distributable.

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date. It also includes cumulative realised gains/(losses) and costs related to share buybacks. Capital investment gains and losses are shown in note 9(b) and form part of the capital reserve.

The revenue reserve shows the net revenue retained after payment of any dividends. The capital and revenue reserves are distributable by way of dividend.

15. NET ASSET VALUE PER ORDINARY SHARE

The Company's total net assets (total assets less total liabilities) are often termed shareholders' funds and are converted into NAV per ordinary share by dividing by the number of shares in issue.

The NAV – debt at par is the NAV with the value of the £100 million debenture (the debt) at its nominal (equivalent to the par) value of £100 million. The NAV – debt at market value reflects the debenture stock at the value that a third party would be prepared to pay for the debt, and this amount fluctuates owing to various factors including changes in interest rates and the remaining life of the debt. The number of ordinary shares in issue at the year end was 174,682,929 (2019: 195,481,734).

(a) NAV – debt at par value

The shareholders' funds in the balance sheet are accounted for in accordance with accounting standards; however, this does not reflect the rights of shareholders on a return of assets under the Articles of Association. These rights are reflected in the net assets with debt at par value and the corresponding NAV per share. A reconciliation between the two sets of figures follows:

	2020		2019	
	NAV per share pence	Shareholders' funds £'000	NAV per share pence	Shareholders' funds £'000
Shareholders' funds	499.47	872,484	707.20	1,382,437
Less:				
Unamortised discount and expenses arising from debenture issue	(0.36)	(628)	(0.45)	(879)
NAV – debt at par value	499.11	871,856	706.75	1,381,558

(b) NAV – debt at market value

The market value of the debenture stock is determined by reference to the daily closing price, and is subject to review against various data providers to ensure consistency between data providers and against the reference gilt.

The net asset value per share adjusted to include the debenture stock at market value rather than at par is as follows:

	2020		2019	
	NAV per share pence	Shareholders' funds £'000	NAV per share pence	Shareholders' funds £'000
NAV – debt at par value	499.11	871,856	706.75	1,381,558
Debenture stock – debt at par value	57.25	100,000	51.15	100,000
– debt at market value	(65.96)	(115,209)	(60.99)	(119,220)
NAV – debt at market value	490.40	856,647	696.91	1,362,338

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments comprise the Company's investment portfolio, derivative instruments (if any) as well as cash, and any borrowings, debtors and creditors. This note sets out the Company's financial instruments and the risks related to them.

Financial instruments

The Company's financial instruments mainly comprise its investment portfolio (as shown on page 16), a debenture, a bank loan as well as its cash, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. For the purpose of this note 'cash' should be taken to comprise cash and cash equivalents as defined in note 1D. The accounting policies in note 1C include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

Notes to the Financial Statements / continued

The main financial risks that the Company faces from its financial instruments are market risk, liquidity risk, and credit risk. These are set out below:

Market risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

- **Currency risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;
- **Interest rate risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and
- **Other price risk** – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

Liquidity risk – arising from any difficulty in meeting obligations associated with financial liabilities.

Credit risk – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities and management of gearing of the Company as more fully described in the Directors' Report.

As an investment trust the Company invests in equities and other investments for the long-term so as to fulfil its investment policy (incorporating the Company's investment objective). In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. These policies are summarised below and have remained substantially unchanged for the two years under review.

16.1 Market Risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk for the whole of the investment portfolio on an ongoing basis. The Board has meetings in each calendar quarter to assess risk and review investment performance, as disclosed in the Board Responsibilities on pages 33 and 34. Any borrowing to gear the investment portfolio is used to enhance returns but also increases the Company's exposure to market risk and volatility. The Company has the ability to gear by using its £100 million debenture stock 2022 and its bank facility of £150 million.

16.1.1 Currency risk

The majority of the Company's assets and all of its liabilities are denominated in sterling. There is some exposure to US dollar, Swiss franc and the Euro.

Management of the currency risk

The Manager monitors the Company's direct exposure to foreign currencies on a daily basis and reports to the board on a regular basis. Forward currency contracts can be used to reduce the Company's exposure to foreign currencies arising naturally from the Manager's choice of securities. All contracts are limited to currencies and amounts commensurate with the assets denominated in currencies. No forward currency contracts were used during the year (2019: none).

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

The Company may invest up to 20% of the portfolio in securities listed on non-UK stock exchanges. At the year end holdings of non-UK securities total £67.2 million (2019: £138.3 million) representing 7.2% (2019: 9.2%) of the portfolio.

Currency exposure

The fair values of the Company's monetary items that have currency exposure at 31 March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2020			2019		
	USD £'000	CHF £'000	EUR £'000	USD £'000	CHF £'000	EUR £'000
Foreign currency exposure on net monetary items	1,037	2,041	580	1,474	2,189	249
Investments at fair value through profit or loss that are equities	33,652	–	33,593	52,412	85,869	–
Total net foreign currency exposure	34,689	2,041	34,173	53,886	88,058	249

The above may not be representative of the exposure to risk during the year, because the levels of foreign currency exposure may change significantly throughout the year.

Currency sensitivity

In respect of the Company's direct foreign currency exposure to investments denominated in currencies, if sterling had weakened by 2.8% (2019: 2.8%) for the US dollar, 3.4% (2019: 2.5%) for the Swiss franc and 2.7% (2019: 1.4%) for the Euro during the year, the income statement, capital return and net assets of the Company would have increased by £2.0 million (2019: £3.7 million). Conversely, if sterling had strengthened to the same extent for the currencies mentioned above, the capital return and net assets of the Company would have decreased by the same amount. The exchange rate variances noted above have been based on market volatility in the year, using the standard deviation of sterling's fluctuation to the applicable currency. This sensitivity takes no account of any impact on the market values of the Company's investments arising from the foreign currency mix of their respective revenues, expenses, assets and liabilities.

16.1.2 Interest rate risk

Interest rate movements will affect the level of income receivable on cash deposits and money market funds, and the interest payable on variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate determined by the custodian, The Bank of New York Mellon.

The Company has in place a revolving credit facility (the 'facility'), details of which are shown in note 11. The Company uses the facility when required at levels monitored by the Board. At the maximum possible facility gearing of £150 million, the effect of a 1% increase/decrease in the interest rate would result in a decrease/increase to the Company's income of £1,500,000 per annum.

The Company also has an uncommitted bank overdraft facility which it uses for settlement purposes and interest is dependent on the base rate determined by the custodian. At the year end, no amounts were overdrawn (2019: none).

The Company's debt of £100 million (2019: £100 million) of debenture stock is fixed which exposes the Company to changes in market value in the event that the debt is repaid before maturity. Details of the debenture stock interest is shown in note 12, with details of its market value and the affect on net asset value in note 15(b).

The Company held one fixed income security during the year (2019: nil), being a short-term zero coupon government bond which, due to its short term to maturity, was recognised as a Cash and Cash Equivalent at the Balance Sheet date.

Notes to the Financial Statements / continued

Interest rate exposure

At 31 March the exposure of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates (giving cash flow interest rate risk) – when the interest rate is due to be re-set; and
- fixed interest rates (giving fair value interest rate risk) – when the financial instrument is due for repayment.

	2020			2019		
	Within one year £'000	Between one and five years £'000	Total £'000	Within one year £'000	Between one and five years £'000	Total £'000
Exposure to floating interest rates:						
Cash and cash equivalents	43,958	–	43,958	3,114	–	3,114
Bank facility	–	–	–	(30,800)	–	(30,800)
Exposure to fixed interest rates:						
Debenture stock - debt at par value	–	(100,000)	(100,000)	–	(100,000)	(100,000)
Total exposure to interest rates	43,958	(100,000)	(56,042)	(27,686)	(100,000)	(127,686)

16.1.3 Other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, but it is the business of the portfolio manager to manage the portfolio to achieve the best return that he can.

Management of the other price risk

The Directors manage the market price risks inherent in the investment portfolio by meeting regularly to monitor on a formal basis the Manager's compliance with the Company's stated objectives and policies, and to review investment performance.

The Company's portfolio is the result of the Manager's investment process and need not be highly correlated with the Company's benchmark or the market in which the Company invests. The value of the portfolio will not move in line with the market but will move as a result of the performance of the company shares within the portfolio.

If the value of the portfolio fell by 10% at the balance sheet date, the profit after tax for the year and the net assets of the Company would decrease by £92 million (2019: £150 million). Conversely, if the value of the portfolio rose by 10%, the profit after tax and the net assets of the Company would increase by the same amounts.

During the financial year a FTSE 100 Index futures contract was open and closed resulting in a realised gain of £40,000 (2019: nil) which was recognised in capital in the Income Statement. There were no derivative financial instruments outstanding at the financial year end (2019: nil).

16.2 Liquidity risk

Liquidity risk is minimised as the majority of the Company's investments constitute a diversified portfolio of readily realisable securities which can be sold to meet funding commitments as necessary. In addition, the Company has an overdraft facility which it can use to provide short-term funding flexibility.

Liquidity risk exposure

The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
2020				
Debenture stock – debt at par value	–	–	100,000	100,000
Interest on debenture stock	–	7,750	11,625	19,375
Amounts due to brokers	996	–	–	996
Accruals	938	–	–	938
	1,934	7,750	111,625	121,309
2019				
Debenture stock – debt at par value	–	–	100,000	100,000
Bank facility	30,800	–	–	30,800
Interest on debenture stock	–	7,750	19,375	27,125
Accruals	894	–	–	894
	31,694	7,750	119,375	158,819

16.3 Credit risk

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved counterparties. The Company's ability to operate in the short-term may be adversely affected if the Company's custodian suffers insolvency or other financial difficulties. However, with the support of the depositary's restitution obligation the risk of outright credit loss on the investment portfolio is remote. The Board reviews the custodian's annual controls report and the Manager's management of the relationship with the custodian. Cash balances are limited to a maximum of 1% of net assets with any one deposit taker, with only approved deposit takers being used, and a maximum deposit of 6% of net assets in aggregate in liquidity funds with credit ratings of AAAm (or equivalent). These limits are at the discretion of the Board and are reviewed on a regular basis. The investment policy also allows for UK Government Treasuries to be held. Such holdings are recorded as cash equivalents if they meet the criteria set out in Note 1D on page 55.

Notes to the Financial Statements / continued

17. FAIR VALUE

The values of the financial assets and financial liabilities are carried either at their fair value (investments), or at a reasonable approximation of fair value (amounts due from brokers, dividends receivable, accrued income, amounts due to brokers, accruals, cash and any drawings on the bank facility) or at amortised cost (debenture).

Fair Value Hierarchy Disclosures

All except one of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102 as amended for fair value hierarchy disclosures (March 16). The three levels set out in this follow.

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

The valuation techniques used by the Company are explained in the accounting policies note.

	2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through profit or loss				
Quoted investments:				
Equity and preference shares	922,279	–	–	922,279
Unquoted investments	–	–	154	154
Total for financial assets	922,279	–	154	922,433

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through profit or loss				
Quoted investments:				
Equity and preference shares	1,481,205	19,700	–	1,500,905
Unquoted investments	–	–	246	246
Total for financial assets	1,481,205	19,700	246	1,501,151

The valuation techniques used by the Company are explained in the accounting policies note. At the end of the financial year there were no level 2 investments, the prior year level 2 holding in Honeycomb Investment Trust of £19,700,000 had been sold during the year. The investment in Level 3 is in the unquoted company Eurovestech. The holding in Eurovestech did not change during the year, but the fair value was reduced to £154,000 (2019: £246,000).

The book cost and fair value of the debenture stock, based on the offer value at the balance sheet date, are as follows:

	2020		2019	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Debenture stock repayable between one and five years:				
7¾% Debenture Stock 2022	100,000	115,209	100,000	119,220
Discount on issue of debenture stock	(628)	–	(879)	–
	99,372	115,209	99,121	119,220

Incorporating the fair value of the debenture, results in the reduction of the net asset value per ordinary share to 490.40p (2019: 696.91p).

18. CAPITAL MANAGEMENT

The Company's total capital employed at 31 March 2020 was £971,856,000 (2019: £1,512,358,000) comprising borrowings of £99,372,000 (2019: £129,921,000) and equity share capital and other reserves of £872,484,000 (2019: £1,382,437,000).

The Company's total capital employed is managed to achieve the Company's objective and investment policy as set out on page 14, including that borrowings may be used to provide gearing of the equity portfolio up to the maximum authorised by shareholders, currently 25% of net assets. Net gearing was 8.3% (2019: 10.8%) at the balance sheet date. The Company's policies and processes for managing capital were unchanged throughout the year and the preceding year.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 18 to 20. These also explain that the Company is able to use borrowings to gear and that gearing will amplify the effect on equity of changes in the value of the portfolio.

The board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy-back shares and it also determines dividend payments.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by section 1158 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the facility by the terms imposed by the lender. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year. Borrowings comprise the debenture stock, details of which are contained in note 12, a bank facility and an overdraft facility which may be used for short-term funding requirements.

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

This note would show any liabilities the Company is committed to honour, and which are dependent on future circumstances or events occurring.

There are no contingencies, guarantees or financial commitments of the Company at the year end (2019: £nil).

20. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. Under accounting standards, the Manager is not a related party.

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed in pages 42 and 43 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 37, and in note 3.

21. POST BALANCE SHEET EVENTS

There are no significant events after the end of the reporting year requiring disclosure.

Other Information for Shareholders



Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in The Edinburgh Investment Trust plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and thirtieth Annual General Meeting of The Edinburgh Investment Trust plc will be held at the Company's registered offices, Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP at 2pm on the 23 July 2020, for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions all of which will be proposed as Ordinary Resolutions.

1. To receive and consider the Annual Financial Report for the year ended 31 March 2020;
2. To approve the Annual Statement and Report on Remuneration for the year ended 31 March 2020;
3. To declare a final dividend on the ordinary shares;
4. To re-elect Glen Suarez as a Director of the Company;
5. To re-elect Steven Baldwin as a Director of the Company;
6. To re-elect Victoria Hastings as a Director of the Company;
7. To re-elect Gordon McQueen as a Director of the Company;
8. To re-elect Maxwell Ward as a Director of the Company;
9. To re-elect Elisabeth Stheeman as a Director of the Company;
10. To re-appoint PricewaterhouseCoopers LLP as auditor of the Company; and
11. To authorise the Audit Committee to determine the remuneration of the auditor.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which resolution 12 will be proposed as an Ordinary Resolution and resolutions 13, 14, 15 and 16 as Special Resolutions:

12. That:

in substitution for any existing authority under section 551 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Act as amended from time to time prior to the date of the passing of this resolution, to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount within the meaning of sections 551(3) and (6) of the Act) of £4,362,948, this being 10% of the Company's issued ordinary share capital as at 11 June 2020, such authority to expire at the conclusion of the next Annual

General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier unless the authority is renewed or revoked at any other general meeting prior to such time, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted, or rights to be granted, after such expiry as if the authority conferred by this resolution had not expired.

13. That:

subject to the passing of resolution number 12 set out in the notice of this meeting (the 'Section 551 Resolution') and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the 'Act') but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby empowered, in accordance with sections 570 and 573 of the Act as amended from time to time prior to the date of the passing of this resolution to allot equity securities (within the meaning of section 560(1), (2) and (3) of the Act) for cash, either pursuant to the authority given by the Section 551 Resolution or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal, regulatory or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and
- (b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £4,362,948, this being 10% of the Company's issued ordinary share capital as at 11 June 2020.

and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, unless the authority is renewed or revoked at any other general meeting prior to such time, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this resolution.

Notice of Annual General Meeting / continued

14. That:

the Company be generally and subject as hereinafter appears 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 the issued ordinary shares of 25p each in the capital of the Company ('Shares')

Provided always that:

- (a) the maximum number of Shares hereby authorised to be purchased shall be 26,160,238 ordinary shares (being 14.99% of the issued ordinary share capital of the Company as at 11 June 2020);
- (b) the minimum price which may be paid for a Share shall be 25p;
- (c) the maximum price which may be paid for a Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Shares for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade in the Shares and the highest then current independent bid for the Shares on the London Stock Exchange;
- (d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, whichever is the earlier, unless the authority is renewed or revoked at any other general meeting prior to such time;
- (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
- (g) any shares so purchased shall be cancelled, or, if the Directors so determine and subject to the provisions of section 724 to 731 of the Companies Act 2006 and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with section 727 or 729 of the Companies Act 2006) as treasury shares.

15. That:

the period of notice required for general meetings of the Company (other than AGMs) shall be not less than 14 days.

16. That:

That the articles of association in the form produced to the meeting and initialled by the chairman for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

The resolutions are explained further in the Directors' Report on pages 38 and 39.

Notes

- ¹ In view of the ongoing COVID-19 pandemic, the Company and the Board remind all members of the UK Government's rules prohibiting gatherings of more than two people from a

different household. Members should therefore comply with the Government's rules by not attending the Annual General Meeting in person and instead appoint the Chairman of the Meeting as their proxy with their voting instructions. Notwithstanding anything to the contrary set out in the notes to this form regarding a member's right to attend the Annual General Meeting, any member seeking to attend the Annual General Meeting will be refused entry. The Company is taking these precautionary measures to comply with the UK Government's rules in relation to the COVID-19 pandemic, to safeguard its members' and employees' health and to make the Annual General Meeting as safe as possible. Please note that there will be a separate meeting later in the year which all shareholders will be invited to (either in person or by videoconference, depending on the status of the Government rules).

- ² A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. In view of the ongoing COVID-19 pandemic Members should appoint the Chairman of the Meeting as their proxy with their voting instructions and not appoint more than one proxy. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
 - via Link Asset Services website www.signalshares.com; or
 - in hard copy form by post, by courier or by hand to the Company's Registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

and in each case, to be received by the Company not less than 48 hours before the time of the meeting. Any amended proxy appointment must be received by this time.

- ³ CREST members who wish to appoint a proxy by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any changes of instructions to proxies through CREST should be communicated

to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com/CREST.

4. A form of appointment of proxy is enclosed.

To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's Registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by no later than 11am on 20 July 2020.

5. A person entered on the Register of Members at close of business on 22 July 2020 (a 'member') is entitled to vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to vote at the Meeting. If the Meeting is adjourned, entitlement to vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.
6. The Terms of Reference of the Audit, Management Engagement and Nominations Committees and the Letters of Appointment for Directors will be available for inspection at the website of the Company at <https://edinburghinvestmenttrust.com>.
7. A copy of the Company's Articles of Association, and a copy of the Articles of Association as proposed to be adopted pursuant to resolution 16 in this Notice, are available for inspection at the website of the Company at www.edinburghinvestmenttrust.com.
8. 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 shareholder 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 shareholder as to the exercise of voting rights.

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

9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
10. Members are encouraged to send any questions to the Company in advance of the AGM and the answer will be given on the Company's website.
11. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. As at 11 June 2020 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 174,517,929 ordinary shares of 25p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 174,517,929.
13. A copy of this notice (which is at the back of the annual financial report), and other information required by section 311A of the Companies Act 2006, can be found at www.edinburghinvestmenttrust.com.
14. Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM for the financial year beginning on 1 April 2019; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 April 2019 ceasing to hold office since the previous meeting at which the annual financial report was laid in accordance with section 437 of the Companies Act 2006 (in each case) that the members propose to raise at the relevant AGM.

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 AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Shareholder Information

HOW TO INVEST IN THE EDINBURGH INVESTMENT TRUST PLC (THE COMPANY)

The Company's shares are quoted on the London Stock Exchange. There are a variety of ways by which investors can buy the shares. Shares may be purchased through discretionary wealth managers, banks, independent financial advisors and via a large number of execution-only trading platforms. The Manager's website contains a list of some of the larger dealing platforms as well as a link to unbiased.co.uk, for those seeking financial advice, and to the AIC's website for detailed information on investment companies.

SHARE PRICE

The price of your ordinary shares can be found in the Financial Times, Daily Telegraph, The Scotsman and The Times.

In addition, share price information can be found at the London Stock Exchange website using the EDIN ticker code, on the website of most sharedealing platforms and on the Company's own website www.edinburghinvestmenttrust.com

NAV PUBLICATION

The NAV of the Company's ordinary shares is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. It is published daily in the newspapers detailed above.

COMPANY'S WEBSITE

Information relating to the Company including investment objective, supporting philosophy and investment performance along with news, opinions, disclosures, results and key information documents can be found on the Company's website www.edinburghinvestmenttrust.com

The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated in to, nor do they form part of this annual financial report.

FINANCIAL CALENDAR

In addition, the Company publishes information according to the following calendar:

ANNOUNCEMENTS

Annual financial report	June
Half-yearly financial report	November

LONDON SHAREHOLDER PRESENTATION

The Company intends to invite Shareholders to a presentation by the portfolio manager, James de Uphaugh and to meet with Directors in September. However, if restrictions on gatherings are still in place at that time this will be an online event accessed via the Company's website <https://www.edinburghinvestmenttrust.com>.

Please note this is a non-voting meeting.

DIVIDEND PAYABLE TIMETABLE

1st interim	November
2nd interim	February
3rd interim	May
Final	July

DEBENTURE STOCK

Interest payable on 7¼% 2022	September and March
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ANNUAL GENERAL MEETING

July

YEAR END

31 March

LOCATION OF AGM

The one hundred and thirtieth Annual General Meeting of the Company will be held at the registered offices of the Company, Quatermile One, 15 Lauriston Place, Edinburgh, EH3 9EP on 23 July 2020 at 2pm but, as mentioned in the Chairman's Statement, shareholders will be unable to attend in person due to the current UK restrictions on gatherings.

GENERAL DATA PROTECTION REGULATION (GDPR)

GDPR is a positive step towards individuals knowing how their personal data is used and also having more control over how it is used. The Company has a privacy notice which sets out what personal data is collected, and how and why it is used. The latest privacy notice can be found at <https://www.edinburghinvestmenttrust.com> under the 'Other Documents' section, or a copy can be obtained from the Company Secretary whose correspondence address is shown on the next page.

Advisors and Principal Service Providers

REGISTERED OFFICE

Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

COMPANY NUMBER

Registered in Scotland.
Number: SC1836

ALTERNATIVE INVESTMENT FUND MANAGER (MANAGER)

Majedie Asset Management Limited
Majedie Asset Management
10 Old Bailey
London EC4M 7NG
☎ 020 8126 0088

COMPANY SECRETARY

PraxisIFM Fund Services (UK) Limited
Company Secretarial Contact: Jenny Thompson
Correspondence Address
Mermaid House
2 Puddle Dock
London
EC4V 3DB
☎ 020 7653 9690

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

DEPOSITARY AND CUSTODIAN

The Bank of New York Mellon (International) Limited
1 Canada Square
London
E14 5AL

BANKER

The Bank of New York Mellon
160 Queen Victoria Street
London
EC4V 4LA

CORPORATE BROKER

Investec Bank plc
30 Gresham Street
London
EC2V 7QP

THE ASSOCIATION OF INVESTMENT COMPANIES

The Company is a member of the Association of Investment Companies. Contact details are as follows:

☎ 020 7282 5555
Email: enquiries@theaic.co.uk
Website: www.theaic.co.uk

LAWYER

Dentons UK and Middle East LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

REGISTRAR

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

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on:

☎ 0371 664 0300.

Calls are charged at the standard geographic rate and will vary by provider.

From outside the UK: +44 371 664 0300. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Shareholders can also access their holding details via Link's website:

www.signalshares.com.

Link Asset Services provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or

☎ 0371 664 0445.

Calls are charged at the standard geographic rate and will vary by provider.

From outside the UK: +44 371 664 0445. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 8.00am to 5.30pm, Monday to Friday (excluding UK Public Holidays).

Link Asset Services is the business name of Link Market Services Limited.

Glossary of Terms and Alternative Performance Measures

ALTERNATIVE PERFORMANCE MEASURE (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the years ended 31 March 2019 and 2020. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability, providing useful additional information.

BENCHMARK (OR BENCHMARK INDEX)

A standard against which performance can be measured, usually an index that averages the performance of companies in a stock market or a segment of the market. The benchmark most often referred to in this annual financial report is the FTSE All-Share Index.

DISCOUNT OR PREMIUM (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value of that share. Conversely, Premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this annual financial report the discount is expressed as a percentage of the net asset value per share with debt at market value (see reconciliation of net asset value per share with debt at market value in note 15 on page 63) and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount it will be negative.

	Page		2020	2019
Share price	2	a	434.0p	644.0p
Net asset value per share – debt at market value (note 15)	2 and 63	b	490.4p	696.9p
Discount		$c = (a-b)/b$	(11.5)%	(7.6)%

DIVIDEND YIELD

The annual dividend payable expressed as a percentage of the year end share price.

	Page		2020	2019
Dividends per share payable in respect of the year (note 8)	2 and 59	a	28.65p	28.00p
Share price	2	b	434.0p	644.0p
Dividend yield		$c = a/b$	6.6%	4.3%

GEARING

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets or shareholders' funds would move if the value of a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested and is holding net cash as described below.

There are several methods of calculating gearing and the following has been used in this report:

GROSS GEARING (APM)

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of net assets.

	Page		2020 £'000	2019 £'000
Bank facility	61		–	30,800
Debenture stock – debt at market value (note 15)	63		115,209	119,220
Gross borrowings		a	115,209	150,020
Net asset value – debt at market value (note 15)	63	b	856,647	1,362,338
Gross gearing		$c = a/b$	13.4%	11.0%

Glossary of Terms and Alternative Performance Measures / continued

NET GEARING OR NET CASH (APM)

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (incl. investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings.

	Page		2020 £'000	2019 £'000
Bank facility	61		–	30,800
Debenture stock – debt at market value (note 15)	63		115,209	119,220
Less cash and cash equivalents	53		(43,958)	(3,114)
Net borrowings		a	71,251	146,906
Net asset value – debt at market value (note 15)	63	b	856,647	1,362,338
Net gearing		c = a/b	8.3%	10.8%

LEVERAGE

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure.

NET ASSET VALUE (NAV)

Also described as shareholders' funds, the NAV is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per share is calculated by dividing the net asset value by the number of ordinary shares in issue. For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at amortised cost (their repayment – often nominal – value). An alternative, NAV with debt at market value, values long term liabilities at their market (fair) value and is shown in note 15 on pages 62 and 63.

ONGOING CHARGES RATIO (APM)

The ongoing administrative costs of operating the Company are encapsulated in the ongoing charges ratio, which is calculated in accordance with guidance issued by the AIC. The calculation incorporates charges allocated to capital in the financial statements as well as those allocated to revenue, but excludes non-recurring costs, transaction costs of investments, finance costs, taxation, and the costs of buying back or issuing shares. The ongoing charges ratio is the aggregate of these costs expressed as a percentage of the daily average net asset value (debt at market value) reported in the year. This ratio excludes both the direct cost of changing the Manager (see page 57) and the benefit of the three month fee waiver by Majedie.

	Page		2020 £'000	2019 £'000
Investment management fee	57		5,926	7,081
Other expenses	57		1,641	873
Less: non-recurring costs			(770)	(11)
Total recurring expenses		a	6,797	7,943
Average daily net assets		b	1,228,294	1,410,844
Ongoing charges ratio %		c = a/b	0.55%	0.56%

RETURN

The return generated in a period from the investments.

CAPITAL RETURN

Reflects the return on NAV, excluding any dividends reinvested.

TOTAL RETURN

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid together with the rise or fall in the share price or NAV. In this annual financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

Net Asset Value Total Return (APM)

Total return on net asset value per share, with debt at market value, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Share Price Total Return (APM)

Total return to shareholders, on a mid-market price basis, assuming all dividends received were re-invested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

2020	Page		Net Asset Value	Share Price
As at 31 March 2020	2 and 63		490.40p	434.00p
As at 31 March 2019	2 and 63		696.91p	644.00p
Change in year		a	-29.6%	-32.6%
Impact of dividend reinvestments	See (1) below	b	2.9%	3.2%
Total return for the year		c = a+b	-26.7%	-29.4%

2019	Page		Net Asset Value	Share Price
As at 31 March 2019	2 and 63		696.91p	644.00p
As at 31 March 2018	3		703.34p	642.00p
Change in year		a	-0.9%	0.3%
Impact of dividend reinvestments	See (1) below	b	3.8%	4.3%
Total return for the year		c = a+b	2.9%	4.6%

⁽¹⁾ Total dividends paid during the year of 28.30p (2019: 27.50p) reinvested at the NAV (debt at market value) or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, vice versa if NAV or share price rises.

Benchmark

Total return on the benchmark is on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

Alternative Investment Fund Managers Directive Disclosure

ALTERNATIVE INVESTMENT FUND MANAGER (AIFM) AND THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (THE 'AIFMD', THE DIRECTIVE)

The Company falls within the definition of an Alternative Investment Fund (AIF) under the Directive and, as such, is required to have (or be) an authorised AIFM. Majedie Asset Management Limited (Majedie) appointed by the Company with effect 4 March 2020, is authorised as a full-scope AIFM.

Amongst other things, regulations implementing AIFMD require certain information to be provided to prospective investors. This information can be found in the Company's page of the Manager's website (www.majedie.com) in a downloadable document entitled 'AIFMD Investor Information'. There has been no material change to this document in the year except that relating to the change in Manager from Invesco Asset Management to Majedie. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the Company's leverage (both 'gross' and 'commitment' – see the Glossary of Terms and Alternative Performance Measures on pages 77 to 79) and the remuneration of the Company's AIFM to be made available to investors.

Accordingly:

- the leverage calculated for the Company at its year end was 107% for gross and 106% for commitment (2019: both 109%). The limits the AIFM has set for the Company remain unchanged at 250% and 200% respectively;
- the AIFM summary remuneration policy is available from the corporate policies page of the Manager's website (www.majedie.com) and from the Company's company secretary, on request (see contact details on page 76); and
- the AIFM remuneration paid for the year to 31 March 2020 was £nil as set out below.

AIFM REMUNERATION

As set out on page 37, the Manager has waived its fee for the first three months of its engagement, starting from its appointment on 4 March 2020. As the Company is the only AIF managed by the Manager and as therefore the Manager has not earned any revenues from its AIFM activities, it has determined the AIFM remuneration it has paid for the year to 31 March 2020 to be £nil.

The Remuneration Policy of the Manager is available at www.majedie.com.

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