The Edinburgh Investment Trust plc

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2022

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www.edinburghinvestmenttrust.com

The Company is a member of

The Association of Investment Companies

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.

£1,176m
Net assets

634.00p
Share price

3.9%
Dividend Yield

(7.7)%
Discount*

0.52%
Ongoing charges ratio*

4.4%
Gearing (net)*

Comparative figures for last year are given on page 2

* Alternative Performance Measures as defined on pages 83 to 85

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 an external manager, Liontrust Fund Partners LLP ('LFP' or the Manager, formerly Majedie Asset Management Limited) as Alternative Investment Fund Manager ('AIFM') to manage its investments. Liontrust Asset Management PLC acquired Majedie Asset Management Limited on 1 April 2022. Other administrative functions are contracted to external services 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 are adhered to. The Company has no employees.

Financial Information and Performance Statistics

Total Return[1][4] (all with dividends reinvested)	Year Ended 31 March 2022	Year Ended 31 March 2021
Net asset value[1] (NAV) - debt at market value	+14.1%	+34.8%
Share price[2]	+10.6%	+46.4%
FTSE All-Share Index[2]	+13.0%	+26.7%

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

Capital Return[1]		At 31 March 2022	At 31 March 2021	Change %
Net asset value - debt at market value		686.69p	628.29p	+9.3
Share price[2]		634.00p	600.00p	+5.7
FTSE All-Share Index[2]		4,187.78	3,831.05	+9.3
Discount[1][4] – debt at market value		(7.7)%	(4.5)%	
Gearing (debt at market value)[1][4]	– gross gearing	10.3%	10.1%	
	– net gearing	4.4%	7.1%	

Revenue and Dividends[4]		Year Ended 31 March 2022	Year Ended 31 March 2021	Change %
Revenue return per ordinary share		22.41p	16.21p	+38.2
Dividends	– first interim	6.00p	6.00p	
	– second interim	6.00p	6.00p	
	– third interim	6.40p	6.00p	
	– proposed final	6.40p	6.00p	
	– total dividends excluding special dividend	**24.80p**	**24.00p**	**+3.3**
	– special dividend	nil	4.65p	
	– total dividends including special dividend	24.80p	28.65p	-13.4
Retail Price Index[2][3] – annual change		9.0%	1.5%	
Consumer Price Index[2] – annual change		7.0%	0.7%	
Dividend Yield[1][4]		3.9%	4.0%	
Ongoing Charges Ratio[1][4][5]		0.52%	0.43%	

Notes:

(1) These terms are defined in the Glossary of Terms and Alternative Performance Measures, including reconciliations, on pages 83 to 85. 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. The prior year Dividend Yield was exclusive of a special dividend of 4.65p per share. Including the special dividend, the dividend yield was 4.8%.

(2) Source: Refinitiv.

(3) This measure of inflation will not be shown in future reports. The Consumer Price Index will then become the sole measure of inflation in future reports.

(4) Key Performance Indicator.

(5) Majedie Asset Management Limited waived its investment management fee for the first three months of its appointment from 4 March 2020. The Ongoing Charges Ratio disclosed above for the prior year show the actual charges incurred during the period. The pro-forma charges had the investment management fees not been waived over that period would have been 0.51%.

Ten Year Historical Information

			Per ordinary share						
Year ended 31 March	Ordinary shareholders' funds £m	Shares (bought back)/ issued m	Revenue return p	Dividend rate p	Net asset value (debt at market value) p	Share price p	(Discount)/ Premium (debt at market value) %	Gross gearing (debt at market value) %	Net gearing (debt at market value) %
2013	1,138	–	22.01	22.80	559.01	572.00	2.3	22.4	22.4
2014	1,228	–	23.18	23.50	613.25	594.00	(3.1)	19.1	18.6
2015	1,376	–	24.83	23.85	686.07	662.00	(3.5)	13.9	13.8
2016	1,392	0.55	26.66	24.35	695.30	665.00	(4.4)	15.5	15.3
2017	1,535	–	27.94	25.35	768.81	713.50	(7.2)	15.9	15.7
2018	1,400	–	29.25	26.60	703.34	642.00	(8.7)	12.1	11.8
2019	1,382	(0.19)	28.66	28.00	696.91	644.00	(7.6)	11.0	10.8
2020	872	(20.80)	27.83	28.65	490.40	434.00	(11.5)	13.4	8.3
2021	1,091	(2.50)	16.21	28.65[1]	628.29	600.00	(4.5)	10.1	7.1
2022	**1,176**	**(1.10)**	**22.41**	**24.80**	**686.89**	**634.00**	**(7.7)**	**10.3**	**4.4**

[1] Including special dividend of 4.65p.

Capital Returns (excluding dividends paid) to 31 March 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	3yr	5yr	10yr
NAV (debt at market value) (%)	16.9	9.7	11.9	1.3	10.6	-8.5	-0.9	-29.6	28.1	9.3	-1.5	-10.7	43.6
Share Price (%)	15.0	3.8	11.4	0.5	7.3	-10.0	0.3	-32.6	38.2	5.7	-1.6	-11.1	27.4
FTSE All-Share Index (%)	12.6	5.2	3.0	-7.3	17.5	-2.4	2.2	-21.9	23.3	9.3	5.3	5.0	39.5

Source: Refinitiv.

Total Returns (with dividends reinvested) to 31 March 2022

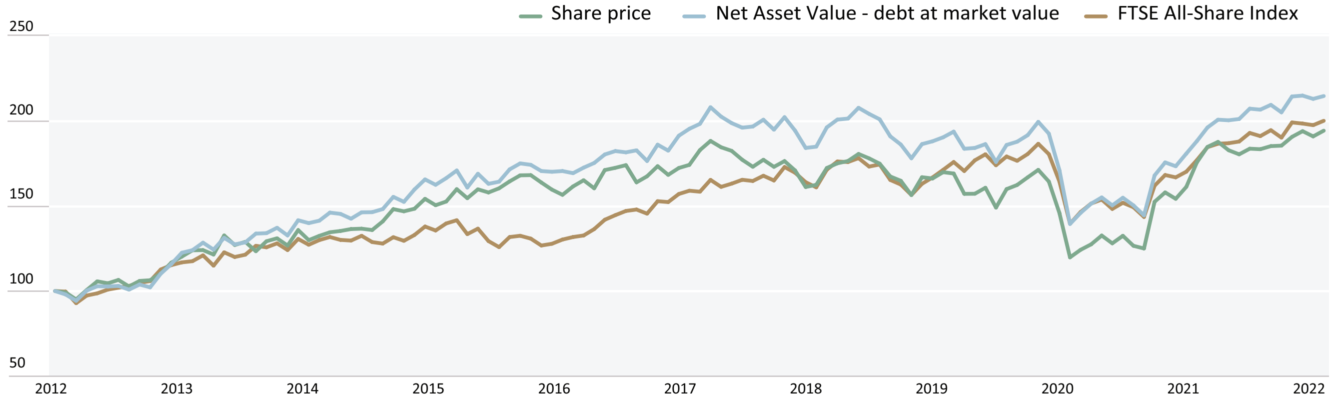
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	3yr	5yr	10yr
NAV (debt at market value) (%)	22.9	14.3	16.2	5.0	14.7	-5.9	2.9	-26.7	34.8	14.1	12.7	9.8	114.0
Share Price (%)	20.1	8.0	15.7	4.0	11.2	-6.7	4.6	-29.4	46.4	10.6	14.3	11.5	93.8
FTSE All-Share Index (%)	16.8	8.8	6.6	-3.9	22.0	1.2	6.4	-18.5	26.7	13.0	16.8	25.8	99.5

Source: Refinitiv.

Ten Year Historical Information / continued

Total Returns Over Ten Years

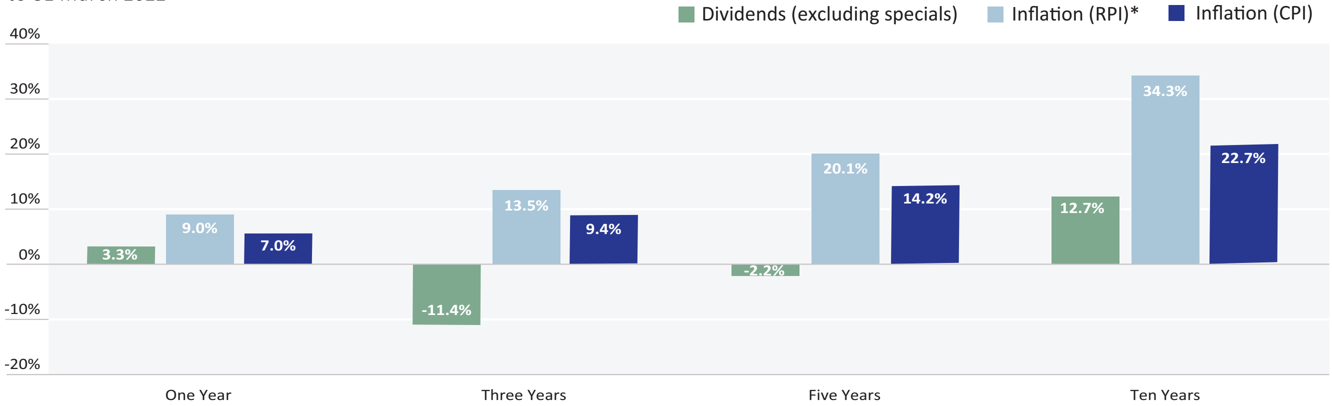
Rebased to 100 at 31 March 2012



Source: Refinitiv.

Cumulative Dividend Growth

to 31 March 2022



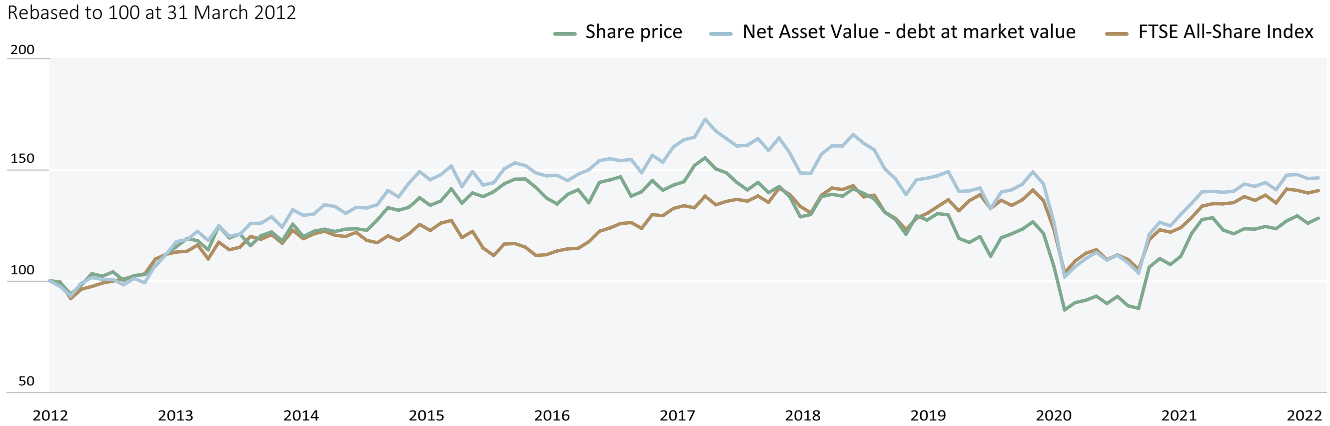
Source: Refinitiv.

Source: Consumer Price Inflation - Office for National Statistics

*This measure of inflation will not be shown in in future reports. The Consumer Price Index will then become the sole measure of inflation in future reports.

Capital Returns Over Ten Years

Rebased to 100 at 31 March 2012



Source: Refinitiv.

Chairman's Statement

GLEN SUAREZ / CHAIRMAN

DEAR SHAREHOLDER

After a long and difficult period in the aftermath of the Financial Crisis, and then Brexit and most recently a challenging two year period during the Covid pandemic, markets now have to contend with a crisis in Ukraine and all the economic consequences that flow from that.

The situation in Ukraine is above all a humanitarian crisis, which puts all other matters firmly in the shade. Few of us surely remain unmoved after seeing pictures of dead civilians, bombed out cities, train stations packed with people fleeing in fear. And, tragically, it is happening on our own continent.

All these events have created a huge economic challenge in the UK market. Both the Office of Budget Responsibility and the Monetary Policy Committee of the Bank of England have recently published gloomy forecasts for the economy over the next few years. The Monetary Policy Committee, in particular, expects the country to be teetering on the edge of recession for the next two years, with inflation peaking at over 10% this year, slowly returning to its 2% target by 2025 after several interest rate rises and big falls in living standards.

Despite this difficult backdrop, the Company has continued to make progress.

It is now two full years since we appointed Majedie and James de Uphaugh as Manager of the Company – and I am pleased to report that the Company has recorded its second consecutive year of strong investment returns – both absolute and relative to the comparator index. So, we continue to make solid progress in our objective of making the Company once again a core holding in UK equity portfolios.

While the Majedie team remains the same, the ownership of the team has changed after Liontrust Asset Management PLC acquired Majedie Asset Management Limited on 1 April 2022. The Board has reviewed the transaction after it was announced on 7 December 2021. James will continue to be the Portfolio Manager and we are satisfied that the change of ownership does not materially change the way in which the portfolio will be managed. We expect (and have been promised) that the change of ownership will bring enhanced marketing resources.

RETURNS

As you know, the Company has two long-term investment objectives: first, to increase Net Asset Value per share in excess of the growth in the FTSE All-Share Index; and secondly, to grow dividends per share in excess of the rate of UK inflation.

For the first objective, it is encouraging to be able to report another year in which the growth in Net Asset Value (NAV) has exceeded that of the FTSE All-Share Index. This is despite the profound headwinds facing the economy over this period. As the Portfolio Manager's Report on the following pages sets out, the diversified nature of the portfolio has contributed to this result. This bottom-up stock-led investment approach is driven by the Portfolio Manager's total return philosophy, incorporating environmental, social and governance factors throughout. The return was also boosted by the effect of the Company's borrowings and, to a smaller degree, share buybacks. Both these are discussed in more detail below, and their numerical impact is set out in the table on page 15.

The Company's NAV growth on a total return basis, i.e. including reinvested dividends, was +14.1% over the financial year ended 31 March 2022 and the share price returned +10.6%. These compare with a total return of +13.0% for the FTSE All-Share Index. The equivalent returns on a capital only basis are +9.3% for the NAV, +5.7% for the share price, and +9.3% for the index.

The difference between the NAV total return and capital return is explained not only by the dividends paid by the Company, but also because the Company has been using some of its reserves to pay dividends to shareholders (discussed in more detail below). Over the past three years, the Company's NAV return has been-1.5% cumulatively, with the Company's benchmark index returning +5.3% over the same period. Over the past five years, the Company's NAV return has been-10.7% cumulatively, with the Company's benchmark index returning +5.0% over the same period. In all these cases, the NAV is stated after deducting debt at market values.

I would like to take this opportunity to remind shareholders that investment returns, especially from an active manager such as our own, are not delivered in a linear fashion. While it is satisfying to be able to report two years of positive absolute and relative returns, at some point the

Chairman's Statement / continued

portfolio may produce a negative absolute return and/or lag the index. However, longer time periods enable more meaningful assessments of manager skill. By this time next year for example we will have a three year track record: a more significant period over which to make informed judgements. For now, it remains the case that under the new Portfolio Manager we have made a very encouraging start.

DIVIDENDS

The Company's second objective is to grow the dividend in excess of inflation. In the short term, the Board has the ability to decide on the level of the dividend – by paying dividends out of revenue or capital reserves if appropriate. But in the medium term dividend progression is a function of the Company's finances. An important aspect of this is the Company's income from dividends paid by companies held in the portfolio, after the deduction of expenses.

This year, the Company's income does not cover the cost of dividends to shareholders. And it was the same last year. This reflects, as I explained in my report to you last year, the difficult environment that companies in the market have faced over several years, culminating in reduced dividend payouts during the COVID crisis. As James explains in his Portfolio Manager's Report, things are getting better and portfolio income continues to improve after the lows of the pandemic. Furthermore, James believes that the stocks he holds in the portfolio have strong economic advantages, such as pricing power, that should provide some additional inflation protection to the Company's revenues. This strengthening position in the Company's finances is important in the Board's view and was behind the Board's decision to increase the third interim dividend and to recommend the same increased payout in the final dividend.

In making its recommendations for the final dividend, the Board has also taken into account the strength of the Company's financial position: the refinancing of the Company's borrowings last year at a much lower cost will allow the interest expense to fall in future years, creating further capacity to support the dividend. And on top of this, the Company's balance sheet has a healthy 'revenue reserve' of £50.8m which can be distributed by way of dividend. This should allow the Board to address any shortfall in dividend cover in the short term. Shareholders should note that these revenue reserves are an accounting record and are not, in any actual sense, ring fenced cash.

Our approach to dividends is consistent with the Portfolio Manager's investment approach. This approach, remember, seeks to maximise total return, whether that return comes from capital growth or dividend payouts. This means that while we expect the Company's income typically to finance dividend, there may also be periods (years) when capital returns are more important.

Overall, a healthy combination of income and capital growth over the medium term should support a dividend that grows faster than inflation. We have returned to a growing dividend this year – albeit not at the rate of the current elevated level of inflation – and believe this is a platform from which it will increase ahead of normalised inflation over time.

SHARE PRICE DISCOUNT TO NET ASSET VALUE

The Board keeps the Company's share price discount under careful review. The level of the discount has slightly widened in the last twelve months, from 4.5% to 7.7%. At 23 May 2022, the last practical date before signing this report, the discount was 8.3%. To be clear, the rest of the Board and I would like to see the Company's share price much closer to Net Asset Value. An important part of this process is the rebuilding of the Company's profile in the savings market, to which Liontrust are committed. While the profile has improved in the last two years, there is more to do. Building an impressive three year track will, for example, be part of this. In the meantime, the Board will do what we can to help the discount. One tangible action is to buy back shares. We restarted a buyback programme in early 2022. As a result, in the financial year we have bought back 1,104,800 shares.

Ultimately, we would like to return the Company to a position from which it can issue shares at a small premium to asset value. This would enhance net asset value per share and enable the Company's fixed costs to be spread across a larger asset base.

BORROWINGS

The Company's borrowings currently comprise a £100m debenture repayable in September this year, a loan note of £20m repayable in 2051, and a revolving credit facility which is currently undrawn. As the table on page 15 illustrates, the borrowings have enhanced shareholder returns.

As we announced last autumn, we took advantage of the low interest rates then available to arrange refinancing for the debenture. £100m of new debt was prearranged and will be available to replace the debenture when it matures this September. This new debt, combined with a new additional £20m tranche that was taken out last October, has a blended average interest rate of 2.44%. Our debt markets adviser is of the opinion that raising the same sums today would incur an equivalent annual cost of c. 3.51%, which when fully drawn would be an increase of 44% or c. £1.3m per annum compared with the actual cost agreed last autumn. As a reminder, the annual cost of the outgoing debenture is 7.75%. A more efficient debt structure is clearly attractive in its own right. More importantly, the refinanced borrowings should provide a structure to enhance shareholder returns over time.

The revolving credit facility, which has not been used in the last financial year, will expire this June. We do not intend to renew it. This means that all remaining borrowings will be long-term in nature.

At the end of March, net gearing (borrowing less cash balances) was 4.4%. Had all cash balances been invested, net gearing would have been 10.3%. The Portfolio Manager expands further on his approach to using the gearing facility in his report on the following pages.

APPOINTMENT OF MANAGER

Since Liontrust's acquisition of Majedie Asset Management was announced, the Board has had extensive conversations with both the existing team that manages your Company (principally James de Uphaugh and his immediate colleagues) and the broader team at Liontrust. We are reassured by the 'business as usual' aspect of the investment management process underpinning the day-to-day operation of the Company. This includes the team's consideration of environmental, social and governance factors in their work. We also anticipate that Liontrust should offer some enhanced capabilities, particularly in the marketing of the Company. We also note that the process of migrating all the systems, controls and permissions concerning the Company's assets from the old management company to the new one has taken place seamlessly. Taking all this together, the Board therefore considers that the transfer of management to Liontrust that has resulted from the takeover to be in the best interests of shareholders.

ANNUAL GENERAL MEETING ('AGM')

We held last year's AGM in person in Edinburgh, although there were Covid-driven restrictions on the number of attendees that could attend. This year we do not anticipate any such limitations: we therefore encourage shareholders to attend if possible. All members of the Board – and the Portfolio Manager and his colleagues – look forward to meeting as many shareholders as possible at this event. For those that are unable to attend in person, the meeting will again be 'hybrid' with a live on-line link to the speakers and their presentations. This worked well last year and included a helpful facility for shareholders to submit questions on-line. We will post details on how to register for on-line access via the Company's website. Should there be any changes to plans for the AGM because of changing Covid restrictions, we will issue a regulatory announcement and post details of new arrangements on the Company's website.

The Company is also pleased to invite shareholders to a presentation by James de Uphaugh on 22 September 2022. I do hope that shareholders unable to attend the AGM will be able to attend this meeting to hear from the Portfolio Manager and meet with directors. Please note that shareholders will not be able to vote at this meeting. Shareholders can register to attend by visiting the Company's website at www.edinburghinvestmenttrust.com

BOARD

I will be stepping down from the Board after having served nine years, the last five years as Chairman. During this period the Board has made some big changes to improve the performance of the Company: the Manager, Auditor and Company Secretary have been changed; the long term debt has been refinanced; the dividend rebased and a major share-buy programme has been conducted. This year the Board has overseen the impact on the Company of the change in ownership of Majedie. The Board is now focused on improving the way in which the Company is marketed. This has all been carried out alongside the normal activities of monitoring performance and portfolio risk as well as the broader control risks that the Company faces. This has all required a huge time commitment from Directors. So I would like to thank my fellow Board colleagues, both past and present, for the time, thought and, most of all, the judgment that each of them has brought to the Board's deliberations, which has made my task as Chairman easier than it might otherwise have been.

The new Chairman, as I flagged in last year's Chairman's Statement, will be Elisabeth Stheeman who has been a Director of your Company since 2019. She will take over at the AGM this year. Elisabeth was appointed Chairman-Elect after a thorough process overseen by Vicky Hastings, the Senior Independent Director. Elisabeth has made a significant contribution to the Board, drawing on her extensive experience both of investment markets and of the broader macroeconomic and regulatory backdrop.

I am also delighted about the appointment to the Board of Aidan Lisser, which will take effect from 27 May 2022. Aidan has considerable experience as an investment trust non-executive director and has a background in investment and wealth management marketing. Aidan is currently a non-executive director of JPMorgan Emerging Markets Investment Trust plc where he is chair-designate, Henderson International Income Trust plc and a board member of Chapter Zero, an organisation to assist non-executive directors with the impact of climate change. He is also a marketing ambassador for the Association of Investment Companies. On behalf of all the Directors, we welcome Aidan and very much look forward to working with him.

OUTLOOK

As the Portfolio Manager describes in the pages that follow, the Company is in the fortunate position of owning a distinctive set of businesses that are performing strongly on the world stage. Their robust underlying operational progress, combined with attractive starting valuations, should underpin attractive returns to shareholders over the long term. The Company has the added advantages of attractively priced long-term borrowings and a pragmatic approach to growing the dividend.

I am also confident that in the years ahead the Portfolio Manager will continue to build on the strong start to his tenure. Despite the potential for significant headwinds from macroeconomic and geopolitical forces, the potential is firmly in place for the Portfolio Manager's stock-driven approach to generate a long-term record that pleases existing shareholders and attracts new ones.

Finally, I would also like to thank shareholders for their loyalty to the Company. I am confident, under the Manager and Board that is now in place, that the Company will become again a core UK equity holding for long-term savers.

GLEN SUAREZ / CHAIRMAN / 25 MAY 2022

Strategic Report

Portfolio Manager's Report

For the year ended 31 March 2022

JAMES DE UPHAUGH /
PORTFOLIO MANAGER

CHRIS FIELD /
DEPUTY PORTFOLIO MANAGER

For much of the last twelve months there has been improving economic sentiment, as western economies have emerged from varying degrees of Covid restrictions. However, much of the economic progress has been overturned by the depressing turn of events in Ukraine.

If the events in Ukraine are a reminder of anything, they are of the importance of managing a sensibly diversified portfolio. As a result, positive contributors to the portfolio's performance since the start of the war have come from existing holdings in sectors such as oil and defence stocks.

Naturally our core task is to meet the Company's two investment objectives – which are set out on the first page of this document. As we said from the outset of our appointment in 2020, we believe the best way to meet the Company's objectives is to manage the portfolio on a total return basis. We also believe that, over time, listed equities provide a sound base from which to achieve these objectives. To deliver them, we apply an investment approach that looks for attractive returns both from dividends and from capital growth. Which of these two factors dominates at any point in time is a function of market sentiment and the strengths (or indeed weaknesses) of the companies in the portfolio.

The income element of total return comes in differing forms. In addition to ordinary dividends, companies also have the option of paying income to shareholders in the form of special dividends – which by their nature are harder to forecast. There are also share buybacks, which while not income in any sense, are sometimes used by company managements in lieu of cash payout to shareholders. Buybacks are becoming more common among UK-listed stocks – indeed about 40% of the stocks in the current portfolio have ongoing buyback programmes. We are relatively indifferent to these different forms of distribution to shareholders; the key point is that capital and income form the underlying bedrock of Edinburgh's returns to its own shareholders.

As the Chairman has noted, the team remains the same, but our firm changed ownership during the financial year. Our team approach and core investment beliefs (which we describe in more detail on page 13) remain the same. The flexible investment approach, combined with in-depth work on Environmental, Social and Governance (ESG) factors, are at the core of our work.

INVESTMENT RESULTS

Over the twelve months to the Company's year end the Net Asset Value (NAV) rose 14.1% in total return terms. The share price rose 10.6%. These returns compare with the FTSE All Share index return of 13.0%. It is pleasing to deliver a second year of double digit returns since our appointment, albeit those two years followed the lows of markets around the start of the pandemic in early 2020.

The discount, which moved out from 4.5% to 7.7%, explains the slightly weaker share price return. As the Chairman has explained in his report, the Company has been buying back shares since the start of the calendar year.

In keeping with the diversified nature of the portfolio, prominent positive contributors to performance have come from a range of different sectors and industries. The biggest contributors were Anglo American (commodity metal mining), BAE Systems (defence), WM Morrison (the food retailer that was acquired by private equity during the period), Newmont (gold mining), Centrica (gas distribution) and Tesco. We have long considered the ESG issues facing companies such as BAE Systems: to date we have been comfortable with this long-standing holding. The sad turn of events highlights the important reality of defence

Portfolio Manager's Report / continued

spending by western governments. Liberal democracy requires defence – and a lot of catch-up spending is in order. BAE Systems is a prime beneficiary.

Negative contributors to performance came from long-standing positions in Mondi (paper production), Hays (recruitment) and Weir (engineering) which had modestly weaker share prices and all of which we remain happy to hold. Glencore, another large mining group which performed well and was not held in the portfolio, was also a negative contributor.

Over the two years since our appointment, the NAV has risen 24.0% per annum and the share price 27.3% per annum, compared with the index return of 19.7%. Overall, we are encouraged by the first two years under our tenure.

ACTIVITY OVER THE YEAR

The largest purchase over the year was in the pharmaceutical group GlaxoSmithKline. The forthcoming demerger of GSK's consumer health unit should release value, in turn supporting greater investment in the pharmaceutical pipeline which is relatively weak. The company has also flagged a dividend cut and this, along with the consumer health unit being demerged with a meaningful proportion of the group's debt, should leave the remaining pharmaceutical business in a stronger long-term position.

Another prominent purchase was Novartis, itself another large player in the pharmaceutical sector. It has one of the broadest product portfolios and pipelines, plus a strong record of innovation. After a period of high single digit revenue growth, sales growth has slowed and the shares have derated, providing the opportunity to purchase a business that is still confident of delivering 4% plus annual sales growth over the period to 2026 and above peer median growth thereafter.

Ascential has a fast growing and attractive digital commerce division which helps brands understand consumer trends and optimise their e-commerce execution on marketplaces like Amazon through data and analytics. In July it made an acquisition of ASR following which Ascential issued new shares to help fund the purchase. We support the management's digital strategy and added to the position through buying some of the newly-issued shares.

Other prominent non-UK purchases were Intel and Thales. Intel has a new CEO, a technologist, who has the aim of re-establishing Intel's industry leadership. We think he has a credible plan to evolve their product offering. In the short term this reduces profitability but longer term should improve returns as it re-establishes Intel's competitive position. Thales is a leading defence and aerospace group with a focus on communications, sensors, flight management, surveillance, satellites and digital security. Thales has a record of good organic growth and a strong order book, while its shares languish on relatively low valuation metrics. There is also an attractive dividend yield, and the company has announced the intention to buy back shares.

We sold the holding in Associated British Foods. Much of the value in this conglomerate resides in the medium term prospects for Primark. We are doubtful that sales per square foot will recover to match consensus expectations, as consumer consciousness gradually embraces sustainability in clothing to the detriment of volumes.

We also sold Rio Tinto. Its strategically important Australian iron ore assets were milked under the previous management. The group is now undergoing a cultural and capex reset under the new CEO. Meanwhile a key determinant of the cashflows is the iron ore price which has remained elevated because of Brazilian supply issues. As this comes back on stream, against the backdrop of a deflating Chinese property market, we see downside in the iron ore price.

Sales have included Barclays – the CEO has left the business and there may be future downward pressure on investment banking fee income. We also sold NXP, the chip manufacturer for cars, after a strong run in the shares.

CURRENT PORTFOLIO

The emphasis remains firmly on managing a diversified portfolio with all-weather potential. In terms of traditional labels, we hold a balance of 'growth' (examples include Ascential and Electrocomponents), 'value' (Tesco, HSBC and Shell) and 'recovery' stocks (NatWest, Centrica).

More importantly, we tend to think about stocks in terms of their financial and operational characteristics. As such, important characteristics include Darwinism (businesses gently crunching the competition such as Marshalls and easyJet), cookie-cutter expansion models (Greggs and Ashtead), supply chain resilience (Compass and Intel) and users of data analytics (Dunelm and Weir). We look to blend these different features to produce a portfolio that is 'core' in nature, with a bias towards mid and large cap stocks.

Our ESG integration work is an important factor in the investment case for each stock. Challenges such as the pandemic and war in Ukraine highlight the importance of investing in robust businesses that can address – and indeed capitalise on – these changes while simultaneously managing ESG risks and opportunities. Our thinking on each company's approach to managing their key issues has helped shape a portfolio of stocks of which some – such as Anglo American and Shell – are generating attractive shareholder returns in the face of some of these difficulties, as well as making meaningful ESG strides forwards.

Taken together, these features should deliver a portfolio of companies that have pricing power. With inflation running at elevated levels, this is an important feature which should in turn support Edinburgh Investment Trust's ability to deliver a shareholder dividend that has the potential to rise in excess of core inflation over time.

DIVIDENDS

After the dividend cuts that many companies announced early in the pandemic, it seems reasonable from today's position that the UK market should in total produce dividend growth of about 3% per annum over the medium term. This would be somewhat less than the market weighted average growth in pre-tax profits, which should be something akin to Eurozone nominal GDP of circa 5% per annum. The difference between these two numbers is explained by the headwind from rising UK corporate tax rates.

We have worked through a range of different scenarios with the Board. While making estimates is particularly fraught at present, there are in fact two factors in which we have high confidence. The first is that we expect the boards of operating companies to be cautious about future dividend increases. After the various 'black swans' of recent years – Brexit, supply chain difficulties, Covid, Ukraine – they are unlikely to push for sizeable dividend increases after adjusting for inflation.

The second factor is the strength of the Company's balance sheet. With stated revenue reserves of £50.8m at the year end, this provides a buffer for current shortfalls in income versus dividend expenditure.

Overall, we remain of the view that, after taking into account the Board's decision to increase this year's dividend, the Company's net revenues – underpinned by the operational features described above – should begin to cover the cost of the dividend in the medium term. The current position of the Company's income profile, along with its strong balance sheet, should enable the current growth trajectory to be maintained.

BORROWINGS

The Company carries a modest amount of gearing. This should boost returns to shareholders, assuming positive underlying portfolio returns. Net gearing has been reduced since the half year stage, when it stood at 7.7%. This reflects the various uncertainties: Ukraine, rising interest rates, inflation. Net gearing was 4.4% at the year end. As the Chairman described in more detail, attractive new funding is due to come on stream this September. We expect to put more of this capital to work in the months ahead, particularly if the current market weakness persists.

LOOKING TO THE FUTURE: WHY INVEST IN THE UK EQUITY MARKET?

This is a question we are often asked. Our short answer is that the opportunity set remains huge and there are multiple factors underpinning our medium term confidence. There are inevitably risks too: the war in Ukraine, plus factors such as ongoing supply chain issues, make the shorter term harder to predict. But for now we observe that the UK equity market has regained its mojo, but the valuation on a whole host of metrics is still low relative to many markets.

The factors driving the low starting valuation are unduly skewed towards muscle memory: factors that are firmly in the past, less evident in UK quoted companies or of rapidly declining impact. Taking each in turn: first, the prolonged uncertainty around Brexit. It was difficult enough understanding the range of outcomes as a UK voter. It is therefore unsurprising that global investors parked it in the 'too difficult' category and gave the UK market the proverbial long spoon treatment. But that is over – quoted companies can live with the reality of Brexit. Second, UK productivity lags our major peers – this may well be right at a macro level but the companies we invest in certainly do not lag their peers. Third, the long trend towards global equities – which in reality means buying the US given it makes up about 60% of global benchmarks – and pension scheme de-risking which amounts to selling equities and buying bonds are both decreasing in intensity. The starting point of underownership and skinny positioning is a good set up for the current trends.

So what are the trends? Economies are late cycle and central bankers are looking to raise interest rates and where applicable shrink their balance sheets in order to reduce inflation expectations before they get entrenched at higher levels. All this is not easy with actual inflation rates reaching generational highs and more in the pipe near term. One of the economic effects of the tragic events in Ukraine is to layer yet more inflation on already high inflation. Food inflation is one of the myriad examples consumers face.

Input cost inflation combined with waning corporate and consumer confidence means earnings downgrades but the downgrades could well be greatest in a number of the faster growing segments of the market. Here the UK market scores highly as its "par earnings run rate" has over the last few years lagged the US. What investors consider to be a competitive run rate of earning per share is likely to take a step down and the UK will be back in the running. Markets are often about rates of change and changing perceptions. So that ticks off a recurrent concern that the UK doesn't have any growth shares. Not only is it off beam – as the Edinburgh portfolio itself illustrates – but it is also less relevant for the current environment.

The next concern from some investors about the UK is that the market is full of banks, international energy companies and miners. This is seen to be the Achilles heel. Again taking each in turn: banks – it has been a long work out since the Global Financial Crisis ("GFC") in 2007-08. Regulators have forced capital raises, profits have been eaten up in conduct charges – remember PPI? – but that is all over. A good example is NatWest which is seeing profits convert into distributable cash and has a chunky dividend and an ongoing buyback programme. These purchases are being done at a discount to its accounting value: a compelling level. Next up are the international energy companies. The Russian invasion of Ukraine has shown that it matters where energy comes from. Shell is ranked number one in globally traded liquefied natural gas. It could well generate up to 40% of its market capitalisation in cash over the next three years. A good chunk will be reinvested

Portfolio Manager's Report / continued

in energy transition spend, so it is not only supplying our current energy needs responsibly but also is investing to help its customers decarbonise their energy needs in the future. Then among the miners there is Anglo American, which is about to bring on stream a significant long duration copper project in the form of Quellaveco. The world desperately needs copper to transition our energy sources. Anglos is an agent of that change. So what was an Achilles heel is now definitively a positive. This is also an excellent example of our engagement with management to understand how they manage their key ESG issues, which in this case includes safety of operations, energy efficiency and management of waste from the mining process. Investment is full of 180 degree changes in perception but they take time to take effect. We are in the early innings of one now.

Then let us look at the UK through the lens of private equity or an activist investor. The growth in money allocated to private equity has been huge over the last decade – "dry powder" that needs to be invested to earn its fees. The UK is a fertile hunting ground: there will be more Morrisons as the gap between the earnings yield and the cost of borrowing remains wide. Then there are the activists who can accelerate change and are currently on the register of three of the UK's largest companies: Shell, Unilever and GSK. Mega cap is no longer too large for such action.

So there are multiple reasons why we believe the UK equity market is in the foothills of a multi-year rehabilitation.

We also carefully consider the broader backdrop to global equity markets. As many have observed in the last year or so, the long era of low interest rates since the financial crisis of 2008 may have resulted in some excessive valuations, particularly in some technology stocks. Their potential to recover after the recent sell-off is a live debate. As we described earlier, Edinburgh's portfolio contains selected attractive technology stocks both at home and abroad. We are using the current lower share prices to consider other opportunities. However, we will maintain a balanced portfolio and an open-minded approach to all types of stock.

In our opinion the core of the portfolio comprises sound, profitable businesses trading at attractive valuations. This means it is ideally placed to drive attractive returns through to shareholders in the years ahead.

JAMES DE UPHAUGH / PORTFOLIO MANAGER

CHRIS FIELD / DEPUTY PORTFOLIO MANAGER

25 MAY 2022

The Portfolio Manager's Core Investment Beliefs

Our competitive edge rests on the combination of our Global Fundamental team's structure within Liontrust and our flexible investment style. Liontrust provides a stable environment in which our fund portfolio 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 oversight by Liontrust's Portfolio Risk Committee.

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 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 considerations 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. We carefully manage 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. 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. Team members own Liontrust equity and coinvest in the team's investment strategies, which in turn underpins 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 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 Group to act as registrar, The Bank of New York Mellon (International) Limited as depositary and custodian, and Sanne Fund Services UK Limited (formerly PraxisIFM Fund Services (UK) Limited) 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 Portfolio 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 634.00p per ordinary share (2021: 600.00p). The net asset value (debt at market value) per ordinary share was 686.69p (2021: 628.29p).

The directors have declared a third interim dividend for the year ended 31 March 2022 of 6.40 pence per ordinary share (2021: 6.00 pence), an increase of 6.7% compared with each of the first two interim dividends. This dividend is payable on 27 May 2022 to ordinary shareholders on the register on 6 May 2022. The shares were quoted ex-divided on 5 May 2022.

The Board is recommending a final dividend of 6.4p per share, which is the same as the third interim dividend declared last month implying a full year payout of 24.80 pence per share. This represents an increase of 3.3% compared with the total underlying ordinary dividends paid for the financial year to 31 March 2021.

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 Manager, on an annual basis. The ongoing charges figure is calculated in accordance with the AIC methodology and is reviewed by the Board annually in comparison to peers.

The Board also regularly reviews the performance of the Company in relation to the 22 investment trusts in the UK Equity Income sector (including the Company). As at 31 March 2022 the Company was ranked 5th by NAV performance in this sector over one year, 17th over three years and 19th over 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 19 to 21.

FINANCIAL POSITION AND BORROWINGS

The Company's balance sheet on page 55 shows the assets and liabilities at the year end. Borrowings at the year end comprised the £100 million 7 ¾% debenture which matures in 2022, £20m of Unsecured Senior Loan Notes and £nil (2021: £nil) drawn down on the Company's £25 million bank revolving credit facility (2021: £50 million). Details of this bank facility are contained in note 11.

PERFORMANCE ATTRIBUTION

	for year ended 31 March 2022 %
Total Return Basis[1]	
NAV (debt at market value)	14.1
Less: Benchmark	13.0
Relative performance	1.1
Analysis of Relative Performance	
Portfolio total return	13.9
Less: Benchmark total return[1]	13.0
Portfolio outperformance	0.9
Borrowings:	
Net gearing effect	0.8
Interest	-0.7
Market value movement	0.7
Management fee	-0.4
Other expenses	-0.1
Tax	-0.1
Share buybacks	0.0
Total	1.1

(1) Source: Refinitiv.

Performance Attribution – analyses the performance of the Company relative to its benchmark index. The Analysis of Relative Performance seeks to estimate the quantum of relative performance that is attributable to each of the factors set out in this table. The table is intended to be indicative rather than precise; the accuracy of each estimate is determined by a variety of factors such as the volatility of investment returns over the year and intra-month, and the timing of income receipts and expenditure payments.

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 facility and cash on the Company's relative performance. This will be positive if the portfolio has positive capital performance, total return is positive and negative if capital performance total return is negative.

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

Market value movement – represents the change in market value of the Company's borrowings, measured to the end of the financial year or maturity from the start of the financial year or issuance, each as appropriate.

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 2022

UK LISTED ORDINARY SHARES UNLESS OTHERWISE STATED

Company	Sector	Value £'000	% of Portfolio
Shell	Oil, Gas and Coal	89,094	7.3
Tesco	Personal Care, Drug and Grocery Stores	63,192	5.2
Anglo American	Industrial Metals and Mining	60,815	5.0
AstraZeneca	Pharmaceuticals and Biotechnology	54,918	4.5
BAE Systems	Aerospace and Defence	53,545	4.4
Unilever	Personal Care, Drug and Grocery Stores	52,043	4.3
NatWest	Banks	45,242	3.7
Ashtead	Industrial Transportation	44,743	3.7
Electrocomponents	Industrial Support Services	36,994	3.0
Weir	Industrial Engineering	36,567	3.0
TEN TOP HOLDINGS		**537,153**	**44.1**
Newmont - US Listed	Precious Metals and Mining	35,458	2.9
GlaxoSmithKline	Pharmaceuticals and Biotechnology	32,290	2.6
KPN - Dutch Listed	Telecommunications Service Providers	31,396	2.6
Ascential	Software and Computer Services	30,760	2.5
Smith & Nephew	Medical Equipment and Services	30,114	2.5
Hays	Industrial Support Services	29,484	2.4
HSBC	Banks	29,051	2.4
TotalEnergies - French Listed	Oil, Gas and Coal	27,865	2.3
Centrica	Gas, Water and Multi-Utilities	27,488	2.3
Dunelm	Retailers	26,127	2.1
TWENTY TOP HOLDINGS		**837,186**	**68.7**
Standard Chartered	Banks	24,831	2.0
WPP	Media	23,344	1.9
Compass	Consumer Services	23,258	1.9
Mondi	General Industrials	22,178	1.8
Serco	Industrial Support Services	21,552	1.8
Reckitt	Personal Care, Drug and Grocery Stores	21,037	1.7
Diageo	Beverages	19,442	1.6
Direct Line	Non-Life Insurance	18,311	1.5
Greggs	Personal Care, Drug and Grocery Stores	17,934	1.5
Novartis - Swiss Listed	Pharmaceuticals and Biotechnology	17,588	1.5
THIRTY TOP HOLDINGS		**1,046,661**	**85.9**
Marks & Spencer	Retailers	14,902	1.2
Marshalls	Construction and Materials	14,805	1.2
Genuit	Construction and Materials	12,906	1.1
easyJet	Travel and Leisure	12,810	1.1
Bellway	Household Goods and Home Construction	12,731	1.0
Whitbread	Travel and Leisure	12,400	1.0
ConvaTec	Medical Equipment and Services	12,060	1.0
Redrow	Household Goods and Home Construction	11,624	0.9
Thales - French Listed	Aerospace and Defence	10,771	0.9
QinetiQ	Aerospace and Defence	10,068	0.8
FORTY TOP HOLDINGS		**1,171,738**	**96.1**

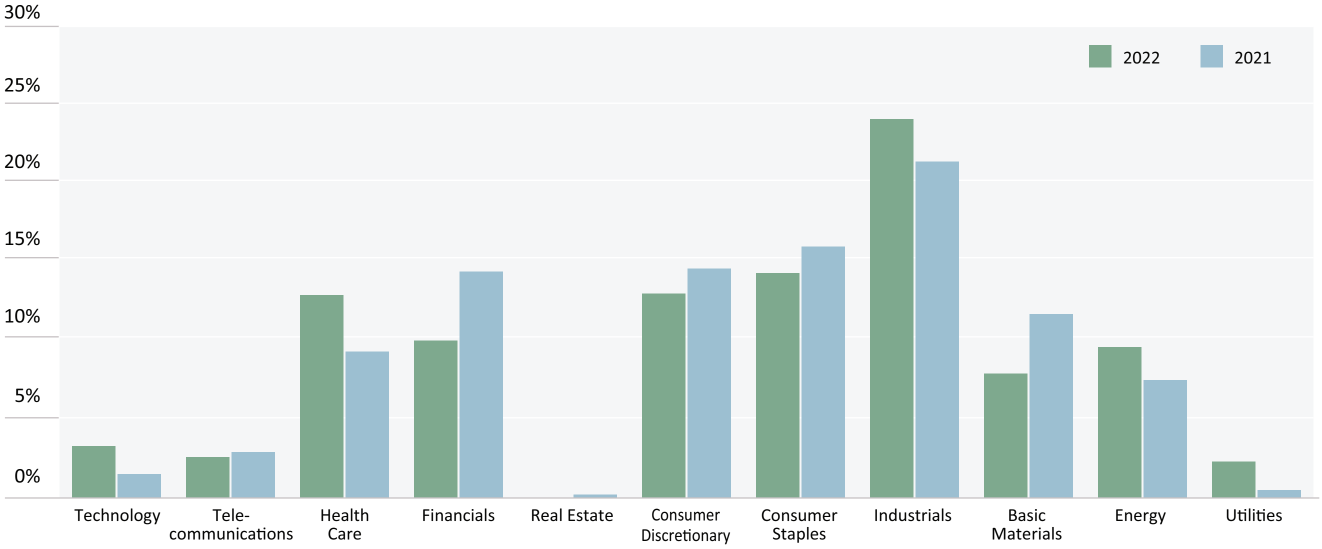
Company	Sector	Value £'000	% of Portfolio
Roche - Swiss Listed	Pharmaceuticals and Biotechnology	10,047	0.8
Intel - US Listed	Technology Hardware and Equipment	9,054	0.8
Domino's	Travel and Leisure	8,409	0.7
St James's Place	Investment Banking and Brokerage Services	5,148	0.4
Dr. Martens	Personal Goods	4,711	0.4
RELX	Media	4,025	0.3
Made.com	Household Goods and Home Construction	3,158	0.3
Cazoo - US Listed	Retailers	2,129	0.2
Raven Property[S] - Preference shares	Real Estate Investment and Services	237	–
Eurovestech[UQ]	Investment Banking and Brokerage Services	69	–
TOTAL HOLDINGS 50 (2021: 50)		**1,218,725**	**100.0**

[S] Temporary suspension

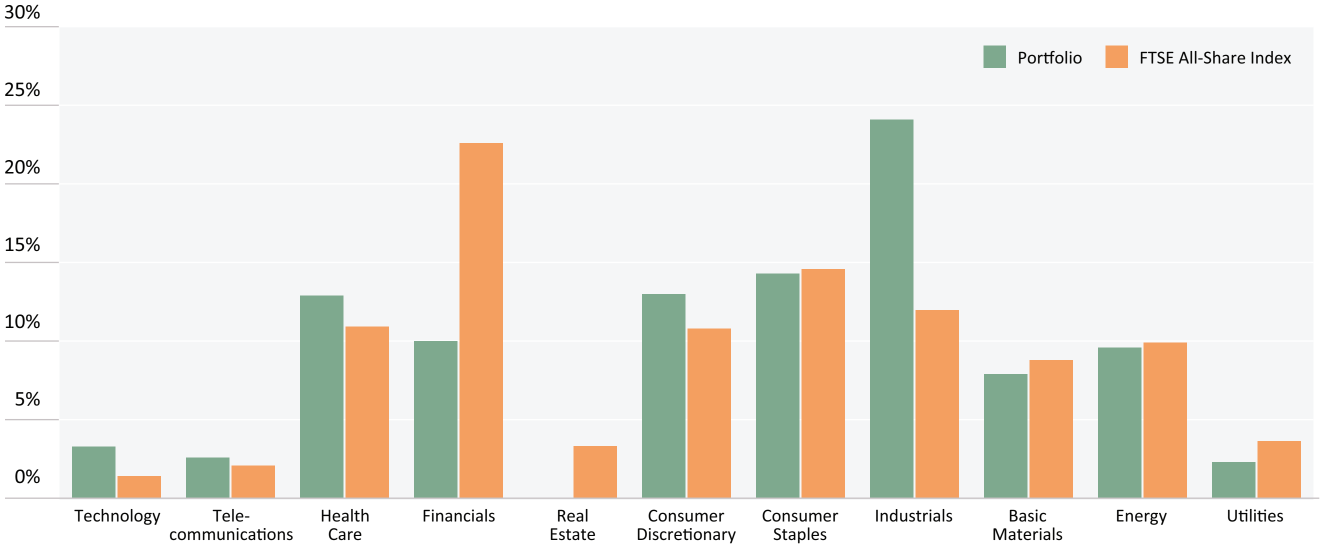
[UQ] Unquoted investment

Portfolio Analysis

Portfolio Analysis by Industry
At 31 March 2022 and 2021



Comparison of Portfolio to FTSE All-Share Index by Industry
At 31 March 2022



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 potential 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 annual rate of inflation. 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, Russia's invasion of Ukraine, supply chain issues globally and risks of stagflation. 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, geopolitical events, the war in Ukraine 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.

Fluctuations in interest rates and exchange rates could reduce returns and lead to depreciation of the Company's net asset value.

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 Portfolio Manager. The Portfolio Manager's approach is to construct a portfolio which should benefit from expected future trends in the UK and global economies. The Portfolio 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 Portfolio Manager's high conviction, stock-driven investment process and total return approach. Strategy, asset allocation and stock selection decisions by the Portfolio Manager can lead to underperformance of the portfolio relative to the benchmark and/or income targets.

The Portfolio 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 Portfolio Manager manages other portfolios holding many of the same stocks as the Company which reflects the Portfolio Manager's high conviction style of investment management. This could increase the liquidity and price risk of certain stocks under certain scenarios and market conditions. However, the Board and Portfolio Manager believe that the investment process and policy outlined above should, over the long term, meet the Company's objectives of Net Asset Value per share growth in excess of the benchmark and real dividend per share growth. Investment selection is delegated to the Portfolio 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 Portfolio 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.

Principal Risks and Uncertainties / continued

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 which will mature at 30 September 2022 and £20m of long-term fixed rate Unsecured Senior Loan Notes and a £25 million bank facility. The Company has in place agreements for replacement funding for the debenture through additional fixed rate notes. 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 which is currently undrawn 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, at the request of the Board, the Company 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 repurchased 1,104,800 shares for holding in treasury (2021: 2,500,000).

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 service 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 service 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.

- The day-to-day management of the portfolio is the responsibility of the named portfolio manager, James de Uphaugh, Head of the Liontrust Global Fundamental team. James joined Liontrust in April 2022 as part of the acquisition of Majedie Asset Management where he was Chief Investment Officer. He is a Fund Manager and Analyst with 34 years' investment experience in UK and international equity markets. James is responsible for co-managing the UK Equity Fund of Liontrust 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 Liontrust 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

The Board has put in place robust procedures to assist with identifying emerging risks that arise from existing risks or from new situations. The Board is kept informed through its advisors and Manager regarding any political, economic or legal or regulatory changes that affect the Company.

For example, there are currently a growing number of risks as a result of emerging geopolitical factors that may translate into greater stock market risk. These geopolitical factors include the war in Ukraine, global supply chain issues and stagflation.

Physical and Transitional 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. Legislative changes are driving an economic adjustment towards a low-carbon economy. There are considerable risks to the value, business model and operations of investee and potential investee companies due to stranded assets and how investors, financial regulators and policymakers respond to climate concerns. The Portfolio Manager takes such risks into account, along with the downside risk to any company – whether in the form of its business prospects, market valuation or sustainability of dividends – that is perceived to be making a detrimental contribution to climate change. Further details on the Portfolio Manager's process for managing climate risk relating to each portfolio holding is supplied in the s.172 statement on page 24. 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)

There is a risk of re-emergence of future strains of COVID-19 or other pandemics and lockdowns.

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 considers 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.

Viability Statement

The directors' view of the Company's viability has not changed since last year. The Company, as an investment trust, 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, a timeframe in which the accuracy of estimates and assumptions is deemed to be reasonable. The Company's viability has thus been assessed over that period. Five years is considered a reasonable time frame for a forecast, however, the life of the Company is not intended to be limited to that or any other period.

There are no current plans to amend the investment strategy, which has delivered long term good investment performance for shareholders and, the directors believe, should continue to do so. The investment strategy and its associated risks are kept under constant review by the board.

In assessing the viability of the Company under various scenarios, the Directors undertook a robust assessment of the risks to which it is exposed (including the issues arising from the COVID-19 pandemic, Russia's invasion of Ukraine and climate change), as set out on page 19 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 39; the ability of the Company to meet its liabilities as they fall due; the Company's annual operating costs and that, as a closed ended investment trust, the Company is not affected by the liquidity issues of open-ended companies caused by large or unexpected redemptions.

In taking account of these factors and on reviews conducted as part of the detailed internal controls and risk management processes set out on page 34, the Directors have concluded that the viability of the Company may start to be challenged if the value of investments reduced by over 80% from the aggregate level at the year end and the board considers this implausible having noted that since the inception of the Company's All-Share Index 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 adverse change to the regulatory environment and tax treatment of UK investment trusts to the extent that would challenge the viability of the UK investment trust industry as a whole, 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 35 to 41 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.

Feedback from shareholders forms part of the discussion at all Board meetings and at the Board's annual strategy meeting which involves consideration of how the Company is meeting shareholder expectations.

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. Due to COVD-19 restrictions the Board held a hybrid AGM on 21 July 2021 which allowed shareholders to join via a live weblink and to submit questions during the meeting. In addition to the AGM and presentations, the Board and Manager will host a shareholder event in London on 22 September 2022 and shareholders can register via the Company's website. 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. As a part of the process of change of Chairman from Glen Suarez, the next Chair, Elisabeth Stheeman, has been in attendance at meetings with shareholders during the financial year.

There is a clear channel of communication between the Board and the Company's Shareholders via the Company Secretary. The Company Secretary passes to the Chairman all correspondence addressed to the Board of the Company.

The strategy of the Company is reviewed by the Board on an annual basis. At the strategy day in October 2021 the Board discussed the refinancing of the debenture, discount management, marketing and board recruitment. Whilst feedback from shareholders is sought regularly, shareholders' feedback provided by the Company's broker and Manager is a major consideration at this meeting.

ENGAGEMENT WITH THE MANAGER

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.

During the financial year ended 31 March 2022, the Manager assisted with sourcing new debt finance through the issue of a loan note of £20m repayable in 2051 and £100m of pre-arranged new debt which will be available to replace the debenture when it matures in September 2022.

ENGAGEMENT WITH SERVICE PROVIDERS

As an externally managed investment trust, the Company conducts all its business through its key service providers. The Board believes that maintaining a collaborative relationship with each of the Company's service providers Is essential to the Board's decision making and the ongoing success of the Company. 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 on a quarterly basis covering their operations, policies and control environments.

The Board reviews the quarterly reports of the service providers and assesses annually whether the services meet the requirements of the Company, represent value for money and are therefore in the best interests of shareholders.

Following the COVID-19 pandemic, the Board continues to ensure that service providers are as prepared as possible for all such eventualities which could disrupt performance of their respective functions.

Section 172 Statement, Company Sustainability and Stakeholders / continued

ENGAGEMENT WITH INVESTEE COMPANIES

The Manager is a long-term investor and develops strong relationships with both investee and potential investee companies and reports their conversations back to the Board. Both the Board and the Manager believe that engagement with investee companies is positive, beneficial and welcomed.

Voting is a key activity in the dialogue with investee companies and these decisions are reported to the Board on a quarterly basis. Voting is undertaken by the same team that manages the portfolio assets rather than it being delegated to an independent third party.

The Board supports the Manager's approach to ESG in the context of its management of the portfolio. In July 2021 the Board held a meeting to which the Head of Responsible Capitalism at Majedie was invited to provide an overview of developments in ESG and the implications for the Company.

CONCLUSION

The Directors believe that they have fulfilled their duties under s172 of the Companies Act 2006 in their deliberations on all matters. The Board takes into account the interests of all the Company's key stakeholders, as outlined above, in its decision-making which reflects the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

ENVIRONMENTAL SOCIAL AND GOVERNANCE ("ESG") MATTERS

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. In respect of the Company's investments, the Manager and the other members of the investment team integrate ESG risks and opportunities as part of a material assessment undertaken for all holdings. Consistent with the Manager's investment approach, this analysis is undertaken on a bottom-up, stock basis. The risks and opportunities that each holding faces over a three to five year period are then identified and prioritised. Many of these issues can be sub-categorised as "E", "S" and "G" issues. The issues that are identified as the key ones are at the forefront of engagement discussions on holdings. As part of the materiality assessments, the manager identifies and prioritises any key issues for a company over the three to five year period. These frequently include issues related to global warming, including those focussed on transitional risks legislation risk, and/or physical risks. The Manager is a signatory to the Principles of Responsible Investment ('PRI'). Further information is available at www.liontrust.co.uk and through the investment company ESG disclosures at www.theaic.co.uk.

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.liontrust.co.uk together with a copy of the Manager's Stewardship Policy and the Manager's global proxy voting policy.

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 a quarterly voting record for the previous year on its website www.liontrust.co.uk.

MODERN SLAVERY DISCLOSURE

The Company aims to adopt the highest standards and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is 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 or 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 25 May 2022

SANNE FUND SERVICES (UK) LIMITED / COMPANY SECRETARY

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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
A Audit

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 Energy and Utilities at Morgan Stanley in Europe. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Royal Society of Arts.

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 is chair of 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 JOHambro 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.

STEVE BALDWIN

Date of appointment:

10 September 2018

Committees:

M Management Engagement
N Nomination
A Audit Chairman

Steve is a Chartered Accountant. He is currently Chairman of 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.

PATRICK EDWARDSON

Date of appointment:

11 February 2021

Committees:

M Management Engagement

N Nomination

A Audit

Patrick Edwardson joined Baillie Gifford in 1993 and became a partner in 2005. In a wide-ranging investment career, he managed bond, equity and multi-asset portfolios, was manager of the Scottish American Investment Company plc between 2004 and 2014 and led Baillie Gifford's multi-asset investment team until his retirement in 2020. He is currently managing director of Atheian Ltd, a family investment office, and also a non-executive director of JPMorgan Multi Asset Growth and Income plc.

ELISABETH STHEEMAN

Date of appointment:

23 May 2019

Committees:

M Management Engagement

N Nomination

A Audit

Elisabeth is 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, alstria AG in Germany and an External Member of the Audit and Risk Committee of The Asian Infrastructure Investment Bank. She is a member of Council of The London School of Economics and 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 Korian SA, a member of the supervisory board and audit committee of TLG Immobilien AG and a non-executive director at RDI REIT plc.

In her executive career she was global chief operations officer and member of global management committee at LaSalle Investment Management and COO in Investment Banking at Morgan Stanley International.

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
Three 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	All NEDs	All NEDs	The Board as a whole performs this function
Chairman Steve Baldwin	**Chairman** Glen Suarez	**Chairman** Glen Suarez	
Key responsibilities: – 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:** – to review regularly the management contract and the performance of the Manager.	**Key responsibilities:** – to review regularly the Board's structure, composition and performance; and – to make recommendations for any changes or new appointments.	**Key responsibilities:** – to set the remuneration policy of the Company.

Corporate Governance Statement

For the year ended 31 March 2022

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 (the "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 Company, 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 30, and page 32 in respect of the Audit Committee;
– the Company's approach to internal control and risk management is summarised on page 34;
– the contractual arrangements with, and assessment of, the Manager are summarised on page 39;
– the Company's capital structure and voting rights are summarised on pages 39 and 40;
– the most substantial shareholders in the Company are listed on page 40;
– the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on pages 36 and 37. 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

SANNE FUND SERVICES (UK) LIMITED /

COMPANY SECRETARY / 25 MAY 2022

Audit Committee Report

For the year ended 31 March 2022

COMMITTEE COMPOSITION AND ROLE

The Audit Committee comprises all the Directors and the Committee has written terms of reference which clearly define its authority, meetings, duties and reporting. These were reviewed 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;
- 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, re-appointment and removal and for the terms of their audit engagement;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
- considering annually whether there is a need for the Company to have its own internal audit function.

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 2022 financial statements.

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

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

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 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 2022.

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 2022 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 £41,000 (2021: £33,000). and the non- audit fee was £nil (2021: £3,000), see note 4 on page 62. 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 and were re-appointed on 22 July 2021. 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 2022 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 19 to 21.

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 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 37.

STEVE BALDWIN / CHAIRMAN OF THE AUDIT COMMITTEE / 25 MAY 2022

Directors' Report

For the year ended 31 March 2022

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 31 is included in this Directors' Report by reference.

THE BOARD

At the year end the Board comprised five non-executive Directors. The Company's Corporate Governance Framework is set out on page 30. 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.

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.

The Board comprises five non-executive directors of which, at present, two are female. Summary biographical details of the Directors are set out on pages 28 and 29.

BOARD RESPONSIBILITIES

The Board has overall responsibility for the Company's affairs. The Directors are equally responsible under UK 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 23. 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. It 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 against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts

Directors' Report / continued

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 committee's 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 pages 32 to 34, 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 the Committee met to consider the performance of the Manager.

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 targets or quotas in respect of the latter.

During the year the Committee started the process for the appointment of a new non-executive director. Odgers Berndtson, an executive search agency, were engaged to assist with the recruitment process. The Company and the Directors have no other connection with Odgers Berndtson. The Committee provided their criteria for the appointment. Odgers Berndtson introduced several candidates to the Committee who were invited to a two-stage interview process involving all the existing directors. It has subsequently been announced, as per the Chairman's statement, that Aidan Lisser will join the Board from 27 May 2022.

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 their 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. Glen Suarez reached the ninth anniversary of his appointment to the Board during the year and will be retiring at the AGM on 21 July 2022 and is therefore not standing for re-election.

Mrs Hastings also reached the ninth anniversary of her appointment to the Board during the year. The Board has asked Mrs Hastings to extend her tenure to allow for Board continuity during the period of transition when Mr Suarez retires and Mrs Stheeman is appointed as Chairman. The Board has considered the tenure of Mrs Hastings and are of the view that her participation on the Board provides continuity and is in the best interests of the Company and its shareholders. Mrs Hastings will therefore offer herself for re-election at the AGM on 21 July 2022 but will not offer herself for re-election in 2023.

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.

In 2020 the Board appointed Linstock Limited, an external consultant, to undertake a review of the Board, its Committees and the Directors individually. As no concerns were raised in these reports, the Board opted to conduct the 2022 performance evaluation through formal questionnaires and discussion between the Directors, the Chairman and the Audit Committee Chairman including the consideration of each Director's independence. 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.

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 2022 and the attendance of individual Directors are shown in the table below:

	Board	Audit Committee	Management Engagement Committee	Nominations Committee
Number of meetings	5	2	2	3
Glen Suarez	5	2	2	3
Steve Baldwin	5	2	2	3
Patrick Edwardson	5	2	2	3
Vicky Hastings	5	2	2	3
Elisabeth Stheeman	5	2	2	3
Gordon McQueen	2	1	1	1
Maxwell Ward	2	1	1	1

Gordon McQueen and Maxwell Ward retired from the Board with effect from 22 July 2021.

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 45.

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 25.

PROPOSED DIVIDENDS

The directors propose payment of a final dividend to shareholders, the details of this are given on page 14 of the Strategic Report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The AIC Code requires the Board to oversee the effectiveness of the Company's system of internal controls. The Board assumes 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 control summary 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 2022 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, 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 at least twelve months after the signing of the balance sheet, for the same reasons as set out in the Viability Statement on page 22. In considering this, the Directors took into account both ongoing expenses and any obligations under the Company's borrowing (each of the debenture, unsecured notes 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 2022, the Company held £68.7 million (2021: £32.6 million) in cash and cash equivalents and £1,218.7 million (2021: £1.151.0 million) in quoted investments. The Company's audited net assets at 31 March 2022 were £1,175.8 million (2021: £1,091.2 million).

Given the level of market volatility experienced due to the impact of the COVID-19 pandemic and Russia's invasion of Ukraine, 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.

It is estimated that over 99% by value of the quoted investments held at the year end could be realised in one month under normal market conditions.

The Board also considered the Company's obligations under the Company's borrowing. On 30 September 2021, the Company announced an issue of £120m of long-term fixed rate, Unsecured Senior Loan Notes with a weighted average cost of 2.44% of which £20m was drawn in October 2021. The other £100m will be drawn in September 2022 to repay the £100m 7.75% debenture on its maturity. These notes require the Net Tangible Assets of the Company to remain not less than £300m. The Board, which routinely monitors borrowing restrictions, does not anticipate difficulties in meeting this. The £100 million debenture matures in September 2022. The bank facility which is not currently drawn, remains available whilst the Company's Net Asset Value is above £300 million (see notes 11 and 12 to the financial statements). The bank facility was renewed on 16 June 2021 at £25 million and matures on 15 June 2022. This facility is not expected to be renewed.

The total ongoing charges (excluding taxation, non-recurring legal and professional fees and finance costs) for the year ended 31 March 2022 were £6.0 million (2021: £4.2 million).

THE MANAGER

On 4 March 2020, the Board appointed Majedie Asset Management Limited ('Majedie') as its Alternative Investment Fund Manager. As disclosed in Note 21 (Post Balance Sheet Events), with effect from 1 April 2022, Liontrust Fund Partners LLP was appointed the Manager following completion of the acquisition of Majedie by Liontrust Asset Management Plc. The responsibility for the day-to-day investment management activities of the Company has been delegated to Liontrust Investment Partners LLP.

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.

The monthly 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). There is no performance fee. In 2022 the Ongoing Charges ratio was 0.52%.

Assessment of the Manager

The Management Engagement Committee has carried out a review following the Company's takeover of Majedie by Liontrust with effect from 1 April 2022 and following recommendation from the Committee, the Board considers that the continuing appointment of Liontrust Fund Partners LLP 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 secretary to the Company. The Board has continuous direct access to the advice and services of the corporate Company Secretary, 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. On 2 February 2022 PraxisIFM Fund Services (UK) Limited was renamed Sanne Fund Services (UK) Limited as a result of the company's acquisition by Sanne Group PLC.

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 24,588,605 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

Directors' Report / continued

from shareholders every year to buy back and sell shares. No shares were issued in the year. During the year 1,104,800 ordinary shares were repurchased for holding in treasury at an average price of 632.95p per share (including costs). Since the year end, 290,000 ordinary shares have been bought back for holding in treasury.

SUBSTANTIAL HOLDINGS IN THE COMPANY

The Company is aware of, or 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	%
Rathbone Investment Management	10,390,173	6.08

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 41.

DISCLOSURES REQUIRED BY UKLA 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. None of the prescribed information is applicable to the Company for the year under review.

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 21 July 2022 at 11am. The notice of the AGM and related notes can be found on pages 77 to 80. 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 to approve the Directors' Remuneration Policy as set out on page 43.

Resolution 3 is for members to approve the Annual Statement and Report on Remuneration for the year ended 31 March 2022.

Resolution 4 is to declare a final dividend for the year.

Resolutions 5 to 8 are to re-elect the Directors. Biographies of the Directors can be found on pages 28 and 29.

Resolution 9 is to elect Aidan Lisser as a Director. Aidan's biography can be found in the Chairman's Statement on page 7.

Glen Suarez will not be offering himself for re-election at the AGM having completed a nine year term as a director of the Company. All other Directors will stand for 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. 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. Steven Baldwin is 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. Patrick Edwardson has years of investment experience as a fund manager and deep knowledge of the UK equity market and investment companies. Aidan Lisser will be appointed a director with effect from 27 May 2022. Aidan has considerable experience as an investment trust non-executive director and is also a member of the AIC's Marketing Committee.

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 £4,269,703 as at 23 May 2022.

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 25,601,140 ordinary shares as at 23 May 2022. 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 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 14 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.

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

SANNE FUND SERVICES (UK) LIMITED /

COMPANY SECRETARY / 25 MAY 2022

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.***

The revised SORP issued in April 2021 is applicable for accounting periods beginning on or after 1 January 2021. The SORP has no substantive changes but has been updated to reflect changes IFRS standards and regulatory requirements. No accounting policies or disclosures have changed as a result of the revised SORP.

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 / 25 MAY 2022

Directors' Remuneration Report

For the year ended 31 March 2022

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 47 to 53.

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 (the '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 will be put before shareholders for approval at the AGM on 21 July 2022.

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 2022, fees paid to the Directors per annum were:

Role	Current fee from 1 December 2021 £	Previous fee before 1 December 2021 £	Percentage increase during the year %
Chairman	44,000	44,000	–
Senior Independent Director	31,500	30,250	4.0
Audit Committee Chairman	35,000	33,000	6.0
Director	28,500	26,500	7.5

During the year the Board reviewed Directors' fees and considered non-executive salary information of similar investment companies. The Directors' fees had previously been increased in 2020. The increases in 2021 of approximately 6% bring the fee level more in line with market rates and reflect the significant increase in time required to meet regulatory requirements. The increases also provide the Board with flexibility to appoint new directors during the period of Board succession. The Chairman's fee remains unchanged. The overall remuneration of the Board has fallen compared to 2021.

Directors' Remuneration Report / continued

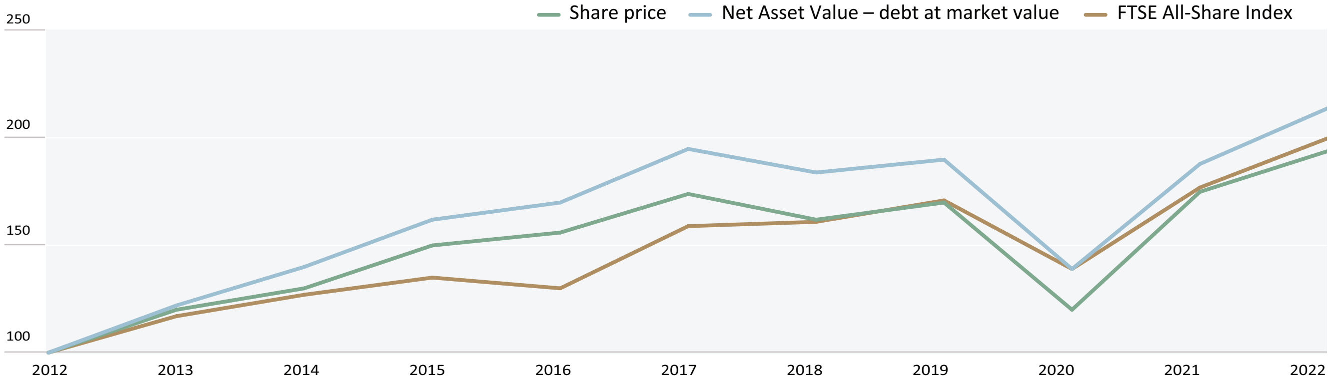
REMUNERATION FOR THE YEAR ENDED 31 MARCH 2022

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 2022. This index is the benchmark adopted by the Company for comparison purposes.

Total Return Graph

Figures have been rebased to 100 at 31 March 2012.



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:

	2022 Fees £	2022 Taxable Benefits[1] £	2022 Total £	2021 Fees £	2021 Taxable Benefits[1] £	2021 Total £	Percentage change of basic fees[2]
Glen Suarez	44,000	4,887	48,887	44,000	–	44,000	–
Steve Baldwin	31,720	–	31,720	24,967	–	24,967	7.5%
Vicky Hastings	30,667	320	30,987	33,416	–	33,416	4.1%
Patrick Edwardson	27,167	1,226	28,393	3,515	–	3,515	7.5%
Elisabeth Stheeman	27,167	228	27,395	24,967	–	24,967	7.5%
Gordon McQueen (retired 22 July 2021)	10,239	289	10,528	31,000	–	31,000	–
Maxwell Ward (retired 22 July 2021)	8,222	–	8,222	24,967	–	24,967	–
Total	**179,182**	**6,950**	**186,132**	**186,832**		**186,832**	

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

(2) In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, this column has been included to show the annual percentage change over the preceding financial year by comparison to the current financial year in respect of each Director. The Board will publish this annual percentage change cumulatively each year going forward until there is an annual percentage change over the five financial years preceding the relevant financial year in accordance with the new regulation. These fees exclude taxable benefits which could vary substantially as they reflect expenses incurred whilst carrying out the board's duties.

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 2022	31 March 2021
Glen Suarez	37,000	37,000
Steve Baldwin	-	–
Vicky Hastings	9,000	9,000
Elisabeth Stheeman	6,000	3,000
Patrick Edwardson[1]	60,000	60,000

(1) Patrick Edwardson's holding includes 13,000 shares which are being held by a connected person.

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 2022 and the prior year:

	2022 £'000	2021 £'000	Change £'000
Aggregate Directors' Remuneration	185	187	(2)
Aggregate Shareholder Distributions	42,512	49,331	(6,819)

VOTING AT LAST ANNUAL GENERAL MEETING

At the Annual General Meeting of the Company held on 22 July 2021 a resolution approving 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
Annual Statement and Report on Remuneration	52,829,474	98.67	712,465	1.33	59,536

Approval
This Directors' Remuneration Report was approved by the Board of Directors on 25 May 2022.

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 2022 and of its return and cash flows 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 2022; the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement 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

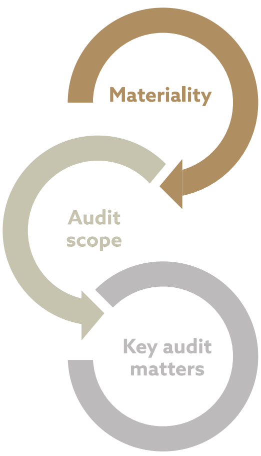
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview



- Overall materiality: £11,758,000 (2021: £10,912,000) based on 1% of Net Assets.
- Performance materiality: £8,818,000 (2021: £8,184,000).

- The Company is a standalone Investment Trust Company and engages Liontrust Fund Partners LLP (previously 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 (International) Limited (the "Administrator" and the "Custodian") and Sanne Fund Services (UK) Limited (formerly PraxisIFM Fund Services (UK) Limited) (the "Company Secretary"). The Manager has, with the consent of the directors, delegated the provision of certain administrative functions to the Administrator. The Company has appointed the Custodian and Company Secretary.
- 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.

Independent Auditor's Report / continued

In planning our audit, we made enquiries of the Directors to understand the extent of the potential impact of climate change on the Company's financial statements.

The Directors concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company's investment portfolio largely comprises level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities.

We also considered the consistency of the climate change disclosures included in the Strategic Report and Portfolio Manager's Report with the financial statements and our knowledge from our audit.

Key audit matters

– Valuation and existence of investments

– Income from investments

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.

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.

Consideration of the impacts of COVID-19, which was a key audit matter last year, is no longer included because of reduced uncertainty of the impact of COVID-19 in the current year as markets and economies continue to recover. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to the Audit Committee Report, the Accounting Policies and Notes to the Financial Statements. The investment portfolio at the year end principally comprised quoted equity investments valued at £1,219 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.	We tested the valuation of the equity investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified from this testing. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No material misstatements were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to the Audit Committee Report, the 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.	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 material misstatements.

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 Company materiality	£11,758,000 (2021: £10,912,000).
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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £8,818,000 (2021: £8,184,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors- the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls- and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £587,000 (2021: £545,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report / continued

Conclusions relating to going concern

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

- evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats, including those presented by COVID-19;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers;
- assessing the premium/discount the Company's share price trades at compared to the net asset value per share; and
- assessing the implication of significant reductions in NAV as a result of market performance on the ongoing ability of the Company to operate.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

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

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 and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

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.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

– the Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
– the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
– the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
– the Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
– the Directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

– the Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
– the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
– the section of the Annual Report describing the work of the Audit Committee.

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

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.

Independent Auditor's Report / continued

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.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Chapter 4 of Part 24 of 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 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 inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

– enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
– understanding the controls implemented by Liontrust Fund Partners LLP (previously Majedie Asset Management Limited) (the "Manager") and The Bank of New York Mellon (International) Limited (the "Depository" and "Custodian") designed to prevent and detect irregularities;
– assessment of the Company's compliance with the requirements of Chapter 4 of Part 24 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
– identifying and testing journal entries, in particular year end journal entries posted by the Fund Accountant during the preparation of the financial statements;
– reviewing relevant meeting minutes, including those of the Audit Committee; and
– designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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. The period of total uninterrupted engagement is 3 years, covering the years ended 31 March 2020 to 31 March 2022.

Jeremy Jensen
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 May 2022

Income Statement

For the year ended 31 March

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Gains on investments held at fair value	9(b)	–	101,815	101,815	–	247,596	247,596
Losses on foreign exchange		–	(148)	(148)	–	(91)	(91)
Income	2	44,211	10,036	54,247	32,842	11,041	43,883
Investment management fee	3	(1,512)	(3,528)	(5,040)	(1,016)	(2,371)	(3,387)
Other expenses	4	(977)	(9)	(986)	(814)	(13)	(827)
Net return before finance costs and taxation		41,722	108,166	149,888	31,012	256,162	287,174
Finance costs	5	(2,492)	(5,815)	(8,307)	(2,438)	(5,690)	(8,128)
Return on ordinary activities before taxation		39,230	102,351	141,581	28,574	250,472	279,046
Tax on ordinary activities	6	(663)	–	(663)	(495)	–	(495)
Return on ordinary activities after taxation for the financial year		38,567	102,351	140,918	28,079	250,472	278,551
Return per ordinary share:							
Basic	7	22.41p	59.47p	81.88p	16.21p	144.58p	160.79p

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.

Balance Sheet

As at 31 March

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	9(a)	1,218,725	1,151,008
Current assets			
Debtors	10	10,824	7,974
Cash and cash equivalents		68,728	32,570
		79,552	40,544
Creditors: amounts falling due within one year			
Other payables	11	(2,566)	(698)
7.75% Debenture Stock 30 Sep 2022	11	(99,874)	–
		(102,440)	(698)
Net current (liabilities)/assets		(22,888)	39,846
Total assets less current liabilities		1,195,837	1,190,854
Creditors: amounts falling due after more than one year	12	(20,000)	(99,623)
Net assets		1,175,837	1,091,231
Capital and reserves			
Share capital	13	48,917	48,917
Share premium	14	10,394	10,394
Capital redemption reserve	14	24,676	24,676
Capital reserve	14	1,041,086	945,728
Revenue reserve	14	50,764	61,516
Total Shareholders' funds		1,175,837	1,091,231
Net asset value per ordinary share:			
Basic – debt at par value	15	687.24p	633.54p
– debt at market value	15	686.69p	628.29p

These financial statements were approved and authorised for issue by the Board of Directors on 25 May 2022.

GLEN SUAREZ / CHAIRMAN

Signed on behalf of the Board of Directors

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

Statement of Changes in Equity

	Notes	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Capital Reserve[1] £'000	Revenue Reserve[1] £'000	Total £'000
At 31 March 2020		48,917	10,394	24,676	706,726	81,771	872,484
Return on ordinary activities		–	–	–	250,472	28,079	278,551
Dividends paid	8	–	–	–	–	(48,334)	(48,334)
Shares bought back and held in treasury		–	–	–	(11,470)	–	(11,470)
At 31 March 2021		48,917	10,394	24,676	945,728	61,516	1,091,231
Return on ordinary activities		–	–	–	102,351	38,567	140,918
Dividends paid	8	–	–	–	–	(49,319)	(49,319)
Shares bought back and held in treasury		–	–	–	(6,993)	–	(6,993)
At 31 March 2022		48,917	10,394	24,676	1,041,086	50,764	1,175,837

(1) The revenue reserve and certain amounts of the capital reserve are distributable by way of dividend.

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

Cash Flow Statement

For the year ended 31 March

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Net return before finance costs and taxation		149,888	287,174
Tax on overseas income	6	(663)	(495)
Adjustments for:			
Purchase of investments		(426,367)	(417,672)
Sale of investments		462,132	437,425
		35,765	19,753
Gains on investments held at fair value		(101,815)	(247,596)
Increase in debtors		(3,201)	(2,303)
Increase/(decrease) in creditors		128	(141)
Net cash inflow from operating activities		80,102	56,392
Cash flow from financing activities			
Interest paid on overdraft		(1)	–
Interest and commitment fees paid on bank facility		(85)	(158)
Interest paid on debenture stocks		(7,994)	(7,750)
Issue of Unsecured Senior Loan Notes 2.53% redeemable 7 October 2051		20,000	–
Shares bought back and held in treasury		(6,545)	(11,538)
Dividends paid	8	(49,319)	(48,334)
Net cash outflow from financing activities		(43,944)	(67,780)
Net increase/(decrease) in cash and cash equivalents		36,158	(11,388)
Cash and cash equivalents at start of the year		32,570	43,958
Cash and cash equivalents at the end of the year		68,728	32,570
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:			
Cash held at custodian		1,021	844
Goldman Sachs Liquidity Reserve International Fund – Money Market Fund		47,727	31,726
UK Government Treasury Bill – matures on 30 May 2022		19,980	–
Cash and cash equivalents		68,728	32,570
Cash flow from operating activities includes:			
Dividends received		50,447	39,963
Interest received		–	4

	At 1 April 2021 £'000	Cash flows £'000	Non-cash movement £'000	At 31 March 2022 £'000
Reconciliation of net debt:				
Cash and cash equivalents	32,570	36,158	–	68,728
Debenture Stock 7¾% 30 September 2022	(99,623)	–	(251)	(99,874)
Unsecured Senior Loan Notes 2.53% 7 October 2051	–	(20,000)	–	(20,000)
Total	(67,053)	16,158	(251)	(51,146)

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 (SORP) in April 2021.

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 39.

As an investment fund the Company has the option 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.

However the Directors' have elected to present a cash flow statement in the annual financial report this year to present additional relevant information to readers of the accounts.

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 have applied their judgement for the allocation of the investment management fee and finance costs between capital and revenue in the income statement as set out in Note 1G and the treatment of special dividend income between capital and income, as set out in Note 1J. The directors do not believe that these judgements nor any accounting estimates, assumptions or judgements that have been applied to the financial statements have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

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 recognized as fair value, which is taken to be their acquisition price, with transaction costs expensed in the income statement. These 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.

Notes to the Financial Statements / continued

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.

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 made one significant accounting judgement during the year as set out in the paragraph below.

Daily Mail & General Trust ("DMGT") Capital Special Dividend – £10,036,000

On 12 July 2021, DMGT announced that its controlling shareholder, Rothermere Continuation Limited ("RCL"), had notified it of a possible offer for the entire issued, and to be issued, share capital of DMGT not already owned by RCL.

On 3 November 2021, it was announced that the Non-conflicted DMGT Directors and RCL had reached agreement on the terms of a recommended cash offer for DMGT by RCL, and a conditional special distribution, to all shareholders, of substantially all of the cash in the Group and its stake in Cazoo Group.

This Special Dividend was treated as Capital in nature due to the source being covered by the proceeds of disposal of the non-core parts of the business and the distribution of surplus capital leaving Rothermere Continuation Limited to purchase the remaining newspaper businesses. The Special Dividend was declared on 16 December 2021 and went ex-dividend on 17 December 2021.

This amount is disclosed as part of the amount in the footnote of Note 2 Income.

With the exception of this and the allocation of the investment management fee and finance costs between capital and revenue as described in Note 1G, the Directors do not believe that any other significant accounting judgements have been made. There are no estimates that 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 revenue reserve and certain amounts of the capital reserve 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.

	2022 £'000	2021 £'000
Income from investments:		
UK zero coupon bond income	11	–
UK dividends	32,253	26,028
UK special dividends	6,689	2,432
Overseas dividends	5,193	4,368
Income from money market funds	28	11
	44,174	32,839
Other income:		
Deposit interest	–	3
Underwriting commission	37	–
	37	3
Total income	44,211	32,842

Special dividends of £10,036,000 were recognised in capital during the year (2021: £11,041,000).

3. INVESTMENT MANAGEMENT FEE

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

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,512	3,528	5,040	1,016	2,371	3,387

Details of the investment management agreement is disclosed on page 39 in the Directors' Report. At 31 March 2022 investment management fees of £427,000 (2021: £407,000) were accrued.

Notes to the Financial Statements / continued

4. OTHER EXPENSES

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

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Other expenses	977	9	986	814	13	827
Other expenses include the following:						
Directors' remuneration (i)	184	–	184	187	–	187
Auditor's fees (ii):						
– for audit of the Company's annual financial statements	41	–	41	33	–	33
– additional fees in respect of COVID-19 audit procedures in prior year	–	–	–	8	–	8
– audit related assurance services in respect of the Debenture Stock	–	–	–	3	–	3

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 44 provides further information on Directors' fees.

(ii) Auditor's fees include expenses but excludes VAT.

(iii) Other expenses include:

- £17,000 (2021: £18,000) of employer's National Insurance payable on Directors' remuneration. As at 31 March 2022, the amounts outstanding on Directors' remuneration and employer's National Insurance was £nil (2021: £42,000); and
- custodian transaction charges of £9,000 (2021: £14,000). These are charged to capital.

5. FINANCE COSTS

Finance costs arise on any borrowing facilities the Company has used. Borrowing facilities are the £100 million debenture stock, £20 million loan note and a £25 million bank revolving credit facility.

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on borrowings repayable not by instalment:						
– Commitment fees due on loan facility	18	42	60	38	89	127
– Interest on overdraft facility	–	1	1	–	–	–
– Debenture stock repayable within 1 year	2,325	5,425	7,750	–	–	–
– Debenture stock repayable within 2 years	–	–	–	2,325	5,425	7,750
– Unsecured Senior Loan Notes repayable after 5 years	73	171	244	–	–	–
Amortised debenture stock discount and issue costs	76	176	252	75	176	251
	2,492	5,815	8,307	2,438	5,690	8,128

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

	2022 £'000	2021 £'000
Overseas taxation	663	495

(b) Reconciliation of tax charge

	2022 £'000	2021 £'000
Return on ordinary activities before taxation	141,581	279,046
Theoretical tax at the current UK Corporation Tax rate of 19% (2021: 19%)	26,900	53,019
Effects of:		
– Non-taxable UK dividends	(6,128)	(4,945)
– Non-taxable UK special dividends	(972)	(2,560)
– Non-taxable overseas dividends	(3,178)	(830)
– Non-taxable gains on investments	(19,345)	(47,037)
– Non-taxable losses on foreign exchange	28	11
– Excess of allowable expenses over taxable income	2,693	2,340
– Disallowable expenses	2	2
– Overseas taxation	663	495
Tax charge for the year	663	495

(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 £491,547,000 (2021: £477,190,000) that are available to offset future taxable revenue.

A deferred tax asset of £122,886,688 (2021: £90,666,112) at 25% (2021: 19%) 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.

Notes to the Financial Statements / continued

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 return per ordinary share is based on each of the returns on ordinary activities after taxation and on 172,100,486 (2021: 173,236,905) 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.

	2022		2021	
	pence	**£'000**	**pence**	**£'000**
Dividends paid and recognised in the year:				
– third interim paid in respect of previous year	6.00	10,331	6.40	11,180
– final paid in respect of previous year	6.00	10,331	9.45	16,492
– special dividend	4.65	8,006	–	–
– first interim paid	6.00	10,331	6.00	10,331
– second interim paid	6.00	10,320	6.00	10,331
	28.65	49,319	27.85	48,334

	2022		2021	
	pence	**£'000**	**pence**	**£'000**
Dividends payable in respect of the year:				
– first interim	6.00	10,331	6.00	10,331
– second interim	6.00	10,320	6.00	10,331
– third interim	6.40	10,934	6.00	10,331
– proposed final	6.40	10,927	6.00	10,331
	24.80	42,512	24.00	41,324
– declared special dividend	0.00	0	4.65	8,007
	24.80	42,512	28.65	49,331

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

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

	2022 £'000	**2021 £'000**
Investments listed on a recognised investment exchange	1,218,419	1,150,903
Unlisted or suspended investments at Directors' valuation	306	105
	1,218,725	1,151,008

(b) Analysis of investment gains/(losses):

	2022 £'000	**2021 £'000**
Opening book cost	1,026,675	1,068,853
Opening investment holding gains/(losses)	124,333	(146,420)
Opening valuation	1,151,008	922,433
Movements in year:		
– Purchases at cost	427,683	416,676
– Sales proceeds	(461,781)	(435,697)
Gains on investments in the year	101,815	247,596
Closing valuation	1,218,725	1,151,008
Closing book cost	1,048,510	1,026,675
Closing investment holding gains	170,215	124,333
Closing valuation	1,218,725	1,151,008

The Company received £461,781,000 (2021: £435,697,000) from investments sold in the year. The book cost of these investments when they were purchased was £405,848,000 (2021: £458,854,000) realising a profit of £55,933,000 (2021: £23,157,000). 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.

The transaction costs included in gains on investments amount to £1,698,000 (2021: £1,917,000) on purchases and £152,000 (2021: £167,000) for sales.

Notes to the Financial Statements / continued

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.

	2022 £'000	2021 £'000
Amounts due from brokers	1,138	1,489
Overseas withholding tax recoverable	1,897	1,592
Prepayments and accrued income	7,789	4,893
	10,824	7,974

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.

	2022 £'000	2021 £'000
Debenture Stock 7¾% redeemable 30 September 2022	99,874	–
Amounts due to brokers	1,316	–
Share buybacks awaiting settlement	448	–
Accruals	802	698
	102,440	698

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

The Company has a 364 day committed revolving credit facility (the 'bank facility') of £25 million (2021: £50 million) with the lender, The Bank of New York Mellon. The bank facility was renewed on 16 June 2021 and matures on 15 June 2022. Interest is payable at 1.00% over LIBOR for drawn amounts, with a commitment fee of 0.20% per annum for undrawn amounts. Under the bank facility's covenants, the Company's total indebtedness must not exceed 25% of net assets and net assets must not be less than £300 million (2021: £500 million).

The Company has arranged refinancing for the debenture as previously noted.

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.

	2022 £'000	2021 £'000
Debenture Stock and Loan Notes:		
Unsecured Senior Loan Notes	20,000	–
Debenture Stock 7¾% redeemable 30 September 2022	–	100,000
Unamortised discount and issue expenses on debenture stock	–	(377)
	20,000	99,623

13. SHARE CAPITAL

Share capital represents the total number of shares in issue, including treasury shares.

	2022	2021
Share capital:		
Ordinary shares of 25p each (£'000)	42,770	43,046
Treasury shares of 25p each (£'000)	6,147	5,871
	48,917	48,917

	2022	2021
Number of ordinary shares in issue:		
Brought forward	172,182,929	174,682,929
Shares bought back and held in treasury	(1,104,800)	(2,500,000)
Carried forward	171,078,129	172,182,929
Number of shares held in treasury:		
Brought forward	23,483,805	20,983,805
Shares bought back into treasury	1,104,800	2,500,000
Carried forward	24,588,605	23,483,805
Total ordinary shares	195,666,734	195,666,734

During the year the Company bought back, into treasury, 1,104,800 (2021: 2,500,000) ordinary shares at an average price of 632.95p (2021: 458.79p) (including costs). Since the year end, 290,000 shares have been bought back into treasury.

The Directors' Report on pages 39 and 40 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 and certain amounts of the capital reserve are distributable by way of dividend.

Notes to the Financial Statements / continued

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 and the £20 million Unsecured Senior Loan Notes, issued during the year, (the debt) at their combined nominal (equivalent to the par) value of £120 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 171,078,129 (2021: 172,182,929).

(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:

	2022		2021	
	NAV per share pence	**Share-holders' funds £'000**	**NAV per share pence**	**Share-holders' funds £'000**
Shareholders' funds	687.31	1,175,837	633.76	1,091,231
Less:				
Unamortised discount and expenses arising from debenture stock issue	(0.07)	(126)	(0.22)	(377)
NAV – debt at par	687.24	1,175,711	633.54	1,090,854

(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 and Unsecured Senior Loan Notes at market value rather than at par is as follows:

	2022		2021	
	NAV per share pence	**Share-holders' funds £'000**	**NAV per share pence**	**Share-holders' funds £'000**
NAV – debt at par	687.24	1,175,711	633.54	1,090,854
Debenture stock and Unsecured Senior Loan Notes – debt at par	70.14	120,000	58.08	100,000
– debt at market value	(70.69)	(120,938)	(63.33)	(109,041)
NAV – debt at market value	686.69	1,174,773	628.29	1,081,813

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 pages 16 and 17), a debenture, loan notes, a bank facility 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.

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. The associated risk management 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 35 and 36. 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 using its £100 million debenture 2022 together with the newly issued £20m Unsecured Senior Loan Notes. In addition there is a bank facility of £25 million (2021: £50 million).

Notes to the Financial Statements / continued

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 (2021: 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 £144.3 million (2021: £98.8 million) representing 12.0% (2021: 8.6%) of the portfolio.

Currency exposure

The fair values of the Company's monetary items that had a material 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.

	2022			2021		
	USD £'000	**CHF £'000**	**EUR £'000**	**USD £'000**	**CHF £'000**	**EUR £'000**
Foreign currency exposure on net monetary items	3,793	1,106	2,389	1,915	859	979
Investments at fair value through profit or loss that are equities	46,641	27,635	70,032	39,881	12,393	39,593
Total net foreign currency exposure	50,434	28,741	72,421	41,796	13,252	40,572

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 material direct foreign currency exposure to investments denominated in currencies, if sterling had weakened by 2.0% (2021: 4.1%) for the US dollar, 1.5% (2021: 2.6%) for the Swiss franc and 1.2% (2021: 1.9%) for the Euro during the year, the capital return and net assets of the Company would have increased for all currency exposures by £2.3 million (2021: £3.0 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 'bank facility'), details of which are shown in note 11. The Company uses the bank facility when required at levels monitored by the Board. At the maximum possible bank facility gearing of £25 million (2021: £50 million), the effect of a 1% increase/decrease in the interest rate would result in a decrease/increase to the Company's income of £250,000 (2021: £500,000) per annum.

The Company also has an uncommitted bank overdraft facility which it uses for settlement purposes and the interest rate is dependent on the base rate as determined by the custodian. At the year end, no amounts were overdrawn (2021: none).

The Company's debt of £120 million (2021: £100 million) of debenture stock and Unsecured Senior Loan Notes 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 (2021: nil), being a short-term zero coupon government bond which matures on the 30 May 2022. As at 31 March 2022 this government bond was recognised as a Cash and Cash Equivalent on the Balance Sheet.

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.

	2022				2021		
	Within one year £'000	Between one and five years £'000	After 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	48,748	–	–	48,748	32,570	–	32,570
Exposure to fixed interest rates:							
UK Government Treasury Bill	19,980	–	–	19,980	–	–	–
Debenture stock - debt at par value	(100,000)	–	–	(100,000)	–	(100,000)	(100,000)
Unsecured Senior Loan Notes - debt at par value	–	–	(20,000)	(20,000)	–	–	–
Total exposure to interest rates	(31,272)	–	(20,000)	(51,272)	32,570	(100,000)	(67,430)

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 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 £121.9 million (2021: £115.1 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.

Notes to the Financial Statements / continued

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 a bank 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:

2022	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Debenture stock - debt at par value	–	100,000	–	100,000
Loan note - debt at par value	–	–	20,000	20,000
Interest on debenture stock	–	3,875	–	3,875
Interest on loan note	–	506	14,421	14,927
Amounts due to brokers	1,316	–	–	1,316
Share buybacks awaiting settlement	448	–	–	448
Accruals	802	–	–	802
	2,566	104,381	34,421	141,368

2021	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Debenture stock - debt at par value	–	–	100,000	100,000
Interest on debenture stock	–	7,750	3,875	11,625
Accruals	698	–	–	698
	698	7,750	103,875	112,323

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 59.

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 two 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.

	2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments:				
Equities and preference shares	1,218,419	–	–	1,218,419
Unquoted and suspended investments	–	–	306	306
Total for financial assets	1,218,419	–	306	1,218,725

	2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets designated at fair value through profit or loss:				
Quoted investments:				
Equities and preference shares	1,150,903	–	–	1,150,903
Unquoted investments	–	–	105	105
Total for financial assets	1,150,903	–	105	1,151,008

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. There were two investments in Level 3 at the year end (2021: one investment) totalling £306,000 (2021: £105,000).

The holding in Eurovestech did not change during the year, but the fair value was £69,000 (2021: £105,000).

Raven Property is the other unquoted investment. Their issued preference shares were suspended on 2 March 2022 due to sanctions on the company's Russian businesses. At the date of suspension the quoted price was 20p share, however the Directors' revalued the shares to 10p per share resulting in a fair value of £237,000. On 17 March 2022 Raven Property announced their intention to de-list their issued ordinary and preference shares, a process which is still underway.

Notes to the Financial Statements / continued

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

	2022		2021	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Debenture stock repayable within one year:				
7 ¾% Debenture Stock 30 September 2022	100,000	102,734	100,000	109,041
Discount on issue of debenture stock	(126)	–	(377)	–
Loan notes repayable after five year:				
Unsecured Senior Loan Notes	20,000	18,204	–	–
	119,874	120,938	99,623	109,041

Incorporating the fair value of the debt, results in the reduction of the net asset value per ordinary share to 686.69p (2021: 628.29p).

18. CAPITAL MANAGEMENT

The Company's total capital employed at 31 March 2022 was £1,295,711,000 (2021: £1,190,854,000) comprising borrowings of £119,874,000 (2021: £99,623,000) and equity share capital and other reserves of £1,175,837,000 (2021: £1,091,231,000).

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 4.4% (2021: 7.1%) 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 19 to 21. 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 bank 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. As detailed in note 11 and note 12, borrowings comprise the debenture stock and unsecured senior loan notes, a bank facility and an uncommitted 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 (2021: £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 44 and 45 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 39, and in note 3.

21. POST BALANCE SHEET EVENTS

On 1 April 2022 Majedie Asset Management Limited, the Company's AIFM since its appointment on 4 March 2020, was acquired by Liontrust Asset Management PLC. Liontrust Fund Partners LLP became the Company's AIFM. The responsibility for the day-to-day investment management activities of the Company has been delegated to Liontrust Investment Partners LLP. The Company's portfolio management team, with James de Uphaugh as the portfolio manager and Chris Field as the deputy manager, remains unchanged. The Majedie investment team will continue to be led by James de Uphaugh and will operate as the Liontrust Global Fundamental team.

There are no other significant events or adjustment to the financial statements 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 thirty second Annual General Meeting of The Edinburgh Investment Trust plc will be held at The Hawthornden Lecture Theatre, The National Galleries of Scotland, Weston Link, The Mound, Edinburgh, EH2 2EL at 11am on 21 July 2022.

The 2022 AGM will be held in person and voting will be on a show of hands, however, shareholders may attend virtually using a smartphone, tablet or computer. You will be able to view and listen to a live webcast of the 2022 AGM and submit questions to the Directors in writing. Those attending virtually will not be able to vote on-line and are encouraged to vote ahead of the meeting. To join the 2022 AGM virtually, you will need to visit www.edinburghinvestmenttrust.com from your device.

Virtual access to the Annual General Meeting will be available from 10.30 a.m. on 21 July 2022 although you will not be able to submit questions until the Annual General Meeting is declared open. If you wish to appoint a proxy and for them to attend the Annual General Meeting on your behalf, please contact Link Group on telephone number +44 (0) 371 277 1020*.

If your shares are held by a nominee and you wish to access the virtual Annual General Meeting, you will need to contact your nominee immediately. Your nominee will need to have completed a letter of representation and presented this to Link Group, our Registrars, no later than 72 hours before the start of the Annual General Meeting in order obtain your unique Login Code and PIN number to access the virtual Annual General Meeting. If you are in any doubt about your shareholding, please contact our Registrars.

*Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate."

AGM VOTING

Shareholders are encouraged to vote by proxy and to appoint the "Chair of the Meeting" as their proxy. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 77 to 80.

The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, as soon as practicable after the conclusion of the AGM.

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 2022;
2. To approve the Directors' Remuneration Policy.
3. To approve the Annual Statement and Report on Remuneration for the year ended 31 March 2022;
4. To declare a final dividend on the ordinary shares;
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 Elisabeth Stheeman as a Director of the Company;
8. To re-elect Patrick Edwardson as a Director of the Company;
9. To elect Aidan Lisser 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 and 15 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 £4,269,703, this being 10% of the Company's issued ordinary share capital as at 23 May 2022, 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

Notice of Annual General Meeting / continued

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 £4,269,703, this being 10% of the Company's issued ordinary share capital as at 23 May 2022.

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.

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 25,601,140 ordinary shares (being 14.99% of the issued ordinary share capital of the Company as at 23 May 2022);

(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.

The resolutions are explained further in the Directors' Report on pages 40 and 41.

Notes

1. The 2022 AGM will be held in person and voting will be on a show of hands, however, shareholders may attend virtually using a smartphone, tablet or computer. Shareholders should continue to monitor the Company's website at www.edinburghinvestmenttrust.com and our announcements for any updates in relation to the meeting.

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. 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 The Link Group website www.signalshares.com; or
   - in hard copy form by post, by courier or by hand to the Company's Registrars, Link Group, PXS 1, Central Square, 29, Wellington Street, Leeds, LS1 4DL; 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.

   If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00 am on 19 July 2022 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

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 Group, PXS 1, Central Square, 29, Wellington Street, Leeds, LS1 4DL by no later than 11am on 19 July 2022.

5. A person entered on the Register of Members at close of business on 19 July 2022 (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.

Notice of Annual General Meeting / continued

7. A copy of the Company's Articles of Association is 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. 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.

11. As at 23 May 2022 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 170,788,129 ordinary shares of 25p each carrying one vote each. Therefore, the total voting rights in the Company as at that date are 170,788,129.

12. 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.

13. 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 2021; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 April 2021 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	May
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 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 7¾% 2022	Final payment September 2022

ANNUAL GENERAL MEETING

July

YEAR END

31 March

LOCATION OF AGM

The one hundred and thirty first Annual General Meeting of the Company will be held at The Hawthornden Lecture Theatre, The National Galleries of Scotland, Weston Link, The Mound, Edinburgh, EH2 2EL on 21 July 2022 at 11am.

UK GENERAL DATA PROTECTION REGULATION (UK GDPR)

UK 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)

Liontrust Fund Partners LLP
2 Savoy Court
London
WC2R 0EZ
☎ 020 7412 1700

COMPANY SECRETARY

Sanne Fund Services (UK) Limited
6th Floor
125 London Wall Street
London EC2Y 5AY
☎ 020 3327 9720

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 Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

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 Group 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 Group 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 financial years ended 31 March 2022 and 31 March 2021. 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 interim 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 NAV per share with debt at market value (see reconciliation of NAV per share with debt at market value in note 15 on page 68) 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		2022	2021
Share price	2	a	634.00p	600.00p
Net asset value per share – debt at market value (note 15)	68	b	686.69p	628.29p
Discount		c = (a-b)/b	(7.7)%	(4.5)%

DIVIDEND YIELD

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

	Page		2022	2021
Dividends per share payable in respect of the year (note 8)	64	a	24.80p	28.65p
Share price	2	b	634.00p	600.00p
Dividend yield		c = a/b	3.9%	4.8%

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		2022 £'000	2021 £'000
Unsecured Senior Loan Notes – debt at market value (note 15)	68		18,204	–
Debenture stock – debt at market value (note 15)	68		102,734	109,041
Gross borrowings		a	120,938	109,041
Net asset value – debt at market value (note 15)	68	b	1,174,773	1,081,813
Gross gearing		c = a/b	10.3%	10.1%

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		2022 £'000	2021 £'000
Unsecured Senior Loan Notes – debt at market value (note 15)			18,204	–
Debenture stock – debt at market value (note 15)	68		102,734	109,041
Less: cash and cash equivalents	55		(68,728)	(32,570)
Net borrowings		a	52,210	76,471
Net asset value – debt at market value (note 15)	68	b	1,174,773	1,081,813
Net gearing		c = a/b	4.4%	7.1%

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. Accordingly, if a Company's exposure was equal to its net assets it would have leverage of 100%. 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 (excluding shares held in treasury). 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 page 68.

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 reported in the year.

	Page		2022 £'000	2021 £'000
Investment management fee	61		5,040	3,387
Other expenses	62		986	827
Less: costs in relation to custody dealing charges and one off legal costs			(34)	(38)
Total recurring expenses		a	5,992	4,176
Average daily net assets		b	1,157,887	974,141
Ongoing charges ratio %		c = a/b	0.52%	0.43%
Investment management fee waiver		d	–	750
Ongoing charges ratio (pro-forma) %		c = (a+d)/b	0.52%	0.51%

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.

2022	**Page**		**Net Asset Value**	**Share Price**
As at 31 March 2022	2		686.69p	634.00p
As at 31 March 2021	2		628.29p	600.00p
Change in year		a	9.3%	5.7%
Impact of dividend reinvestments[1]		b	4.8%	4.9%
Total return for the year		c = a+b	14.1%	10.6%

2021	**Page**		**Net Asset Value**	**Share Price**
As at 31 March 2021	2		628.29p	600.00p
As at 31 March 2020	3		490.40p	434.00p
Change in year		a	28.1%	38.2%
Impact of dividend reinvestments[1]		b	6.7%	8.2%
Total return for the year		c = a+b	34.8%	46.4%

(1) Total dividends paid during the year of 28.65p (2021: 27.85p) reinvested at the NAV 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 the 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.

COMPANY NAME

The Edinburgh Investment Trust plc is registered at Companies House as The Edinburgh Investment Trust Public Limited Company.

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) was appointed AIFM by the Company with effect 4 March 2020. On 1 April 2022 the Company appointed Liontrust Fund Partners LLP (Liontrust) as AIFM following the acquisition of Majedie Asset Management Ltd by Liontrust Asset Management PLC. Majedie and Liontrust are authorised and regulated by the FCA as a full-scope AIFMs.

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.liontrust.co.uk) 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 Majedie to Liontrust.

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 83 to 85) 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 110% for gross and 104% for commitment (2021: 107% gross and 106% commitment). 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.liontrust.co.uk) and from the Company's company secretary, on request (see contact details on page 82); and

– the AIFM remuneration paid for the year to 31 March 2022 is described below.

AIFM REMUNERATION

Majedie was the AIFM for the financial year of the Company to 31 March 2022. No remuneration was paid to Liontrust employees with regards the Company. Majedie's Pillar 3 Disclosure sets out the remuneration policies and practices that were in place during the period and summarises the remuneration to its employees and AIFM Remuneration Code staff in its most recent financial year. A copy is available from the Company's company secretary on request.

The Remuneration Policy of the Manager is available at www.liontrust.co.uk.

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