

**RIGHTS  
AND  
ISSUES  
INVESTMENT  
TRUST  
PLC**

ANNUAL  
REPORT  
AND  
FINANCIAL  
STATEMENTS  
2022



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## INVESTMENT OBJECTIVE & POLICY

The Company's objective is to exceed the benchmark index over the long term whilst managing risk.

The Company invests in equities with an emphasis on smaller companies. UK smaller companies will normally constitute at least 80% of the investment portfolio. UK smaller companies include both listed securities and those admitted to trading on the Alternative Investment Market ("AIM").

The investment portfolio will normally lie in the range of 80% to 100% of shareholders' funds with the remainder being held in cash.

In January 2021 the Board thoroughly reviewed the performance of the Company in the context of the investment objective, the investment policy and the continuation of the Company. The Directors unanimously supported the continuation for a minimum period of five years to 2026. The Directors continued to review the Company's performance against its Key Performance Indicators throughout the financial year.

## CAPITAL STRUCTURE

### ISSUED SHARE CAPITAL

(at 31st December 2022)

6,165,989 Ordinary shares of 25p each.

### INCOME ENTITLEMENT

Equal entitlement to dividends and other distributions.

### CAPITAL ENTITLEMENT

Equal entitlement to the surplus assets.

### VOTING

One vote per share.

### PRICE (mid-market)

(at 31st December 2022)

1890.0p.

### DIVIDEND YIELD

2.1%.

### DISCOUNT MANAGEMENT POLICY

On 7th December 2016, the Company implemented share buy-back arrangements to encourage the level of discount to be not more than 10%.

### SHARE BUY BACKS

During the year to 31st December 2022, the Company bought back 495,059 Ordinary shares for cancellation and accordingly paid £10.8 million consideration. In accordance with the Board's announcement in August 2022, the Company will continue to repurchase up to £1 million of the Company's shares each calendar month on a rolling basis until July 2023, subject to the renewal of the share buyback authority at the forthcoming Annual General Meeting ("AGM"). The Directors will keep the operation of the buyback programme under review in the context of the Discount Management Policy and share price performance.

### TENDER OFFER

The Company bought back 706,904 shares following the tender offer at a cost of £15.1m.

### DISCOUNT

(at 31st December 2022)

17.2%.

**RIGHTS AND ISSUES INVESTMENT TRUST PLC ("THE TRUST" or "THE COMPANY") MAY BE LIQUIDATED AT ANY TIME, BUT THE BOARD OF DIRECTORS HAS CONCLUDED THAT IT IS NOT ITS PRESENT INTENTION TO DO SO PRIOR TO 25TH JULY 2026.**

*Note: The above is a summary of rights. For full information shareholders should refer to the Articles of Association.*

**HISTORIC RECORD**

<b>Year to 31st December</b>	<b>Net asset value per share</b>	<b>Net asset value per share (Index 1984 = 100)</b>	<b>Net dividend per share</b>	<b>FTSE All Share Index</b>	<b>FTSE All Share Index (Rebased 1984 = 100)</b>
1984	29.0p	100	3.80p	592.94	100
1990	75.4p	260	7.50p	1032.60	174
1995	175.0p	602	10.50p	1802.56	304
2000	473.9p	1631	25.50p	2983.81	503
2005	732.0p	2520	40.50p	2847.00	480
2010	776.4p	2673	25.50p	3094.41	522
2011	751.2p	2586	25.50p	2857.88	482
2012	962.0p	3312	26.75p	3093.41	522
2013	1382.5p	4759	40.00p*	3609.63	609
2014	1297.1p	4465	36.00p	3532.74	596
2015 <sup>†</sup>	1595.6p	5492	36.00p	3444.26	581
2016	2002.2p	6892	52.50p*	3873.22	653
2017	2372.3p	8166	30.75p	4221.82	712
2018	2118.1p	7291	31.50p	3675.27	620
2019	2275.2p	7832	32.25p	4196.47	709
2020	2258.9p	7776	32.25p	3673.63	619
2021	3036.6p	10471	34.75p	4208.02	710
2022	2283.2p	7873	40.00p	4075.13	688

\* Includes Special Dividend

† From 2015 onwards the historic record is for the Company only and not the Group.

Note: Until 2016 the net asset value per share was based on the Capital shares adjusted for the reconstruction (four Ordinary shares for each Capital share). Thereafter, performance is based on the Ordinary shares, formerly named the Income shares (the only remaining share class).

## DIRECTORS AND ADVISERS

### DIRECTORS

Mr D. M. BEST (Chairman)  
 Dr A. J. HOSTY  
 Mr S. J. B. KNOTT  
 Mr J. B. ROPER  
 Ms M. H. VAUGHAN

### REGISTERED OFFICE

Hamilton Centre  
 Rodney Way  
 Chelmsford CM1 3BY

### WEBSITE

[www.maitlandgroup.com/investment-trusts/rights-and-issues-investment-trust-plc](http://www.maitlandgroup.com/investment-trusts/rights-and-issues-investment-trust-plc)  
[www.jupiteram.com/rightsandissues](http://www.jupiteram.com/rightsandissues)

### INVESTMENT MANAGER/ALTERNATIVE INVESTMENT FUND MANAGER

JUPITER UNIT TRUST MANAGERS LIMITED  
 The Zig Zag Building  
 70 Victoria Street  
 London SW1E 6SQ  
[investmentcompanies@jupiteram.com](mailto:investmentcompanies@jupiteram.com)

### ADMINISTRATOR/SECRETARY

MAITLAND ADMINISTRATION SERVICES LTD  
 Hamilton Centre  
 Rodney Way  
 Chelmsford CM1 3BY

### SOLICITORS

EVERSHEDS SUTHERLAND  
 One Wood Street  
 London EC2V 7WS

### AUDITOR

BEGBIES  
 9 Bonhill Street  
 London EC2A 4DJ

### REGISTRARS

LINK GROUP  
 PXS1  
 Central Square  
 29 Wellington Street  
 Leeds LS1 4DL

### BROKERS

FINNCAP LIMITED  
 1 Bartholomew Close  
 London EC1A 7BL

### CUSTODIAN/DEPOSITORY

NORTHERN TRUST COMPANY  
 50 Bank Street  
 Canary Wharf  
 London E14 5NT

## REGISTRATION DETAILS

Company Registration Number:	00736898 (Registered in England)
SEDOL number:	0739207
ISIN number:	GB0007392078
London Stock Exchange (EPIC) Code:	RIII
Global Intermediary Identification Number (GIIN):	I2ZVNY.99999.SL.826
Legal Entity Identifier (LEI):	2138002AWAM93Z6BP574

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixtieth Annual General Meeting of the members of Rights and Issues Investment Trust Public Limited Company will be held at the **Zig Zag Building, 70 Victoria Street, London SW1E 6SQ** on 23rd March 2023, at 12 noon, for the following purposes:

### ORDINARY BUSINESS

1. To receive the audited financial statements and Reports of the Directors and Auditor for the year ended 31st December 2022.
2. To approve the Annual Report on Directors' Remuneration, set out on pages 37 to 42 in the Annual Report and Financial Statements 2022 (excluding the Remuneration Policy on pages 40 to 42), for the financial year ended 31st December 2022.
3. To approve the Directors' Remuneration Policy set out on pages 40 to 42 of the Directors' Remuneration Report, which takes effect from the conclusion of the Annual General Meeting.
4. To approve the payment of a final dividend of 29.25 pence per ordinary share for the financial year ended 31st December 2022 to holders of shares at the close of business on 3rd March 2023.
5. To re-elect Mr D. M. Best as a Director.
6. To re-elect Dr A. J. Hosty as a Director.
7. To re-elect Mr S. J. B. Knott as a Director.
8. To re-elect Mr J. B. Roper as a Director.
9. To elect Ms M. H. Vaughan as a Director.
10. To reappoint Begbies as Auditor to the Company, to hold office until the end of the next general meeting at which accounts are laid before the Company.
11. To authorise the Directors of the Company to determine the Auditor's remuneration.
12. That the amount of £150,000 in Article 94 of the Company's Articles of Association be increased from £150,000 to £250,000.
13. That each of the issued ordinary shares of 25p each in the capital of the Company be and is hereby sub-divided into ten ordinary shares of 2.5p each (the "New Ordinary Shares") having the rights and being subject to the restrictions and obligations set out in the Articles of Association of the Company, provided that such sub-division shall be conditional on, and shall take effect on, the New Ordinary Shares being admitted to the Official List of the Financial Conduct Authority and to trading on the main market of the London Stock Exchange, which is expected to occur at 8.00am on 24th March 2023 (or such other time and/or date as the Directors may in their absolute discretion determine).

### SPECIAL BUSINESS

To consider and, if thought fit, pass resolution 14 as a Special Resolution as follows:

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares, provided that:
  - 14.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 912,691 (representing approximately 14.99% of the ordinary shares in issue on 13th February 2023); or if Resolution 13 in the notice convening this meeting is passed 9,126,916;
  - 14.2 the minimum price (exclusive of expenses) which may be paid for an ordinary share is its nominal value;
  - 14.3 the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than the higher of (i) an amount equal to 105% of the average market value of the ordinary shares for the five business days immediately preceding the day on which the ordinary share is purchased; and (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange when the purchase is carried out, or such other amount as may be specified by the FCA from time to time;
  - 14.4 the authority hereby conferred will expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and

14.5 the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract; provided that all ordinary shares purchased pursuant to this authority shall be cancelled or transferred into treasury immediately upon completion of the purchases.

By Order of the Board,  
 MAITLAND ADMINISTRATION SERVICES LIMITED  
 Secretary, 15th February 2023

**Notes:**

1. **Any member entitled to vote at the meeting is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to vote on behalf of that member. Shareholders are nevertheless encouraged by the Board to appoint the Chairman of the meeting as their proxy to vote on their behalf. Members can also send any questions that they might like answered by the Board to the Company Secretary, Maitland Administration Services Limited at cosec@maitlandgroup.com by 15th March 2023.**
2. The right to appoint a proxy does not apply to persons whose Ordinary shares in the Company (the "Shares") are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the Shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the Shares as to the exercise of voting rights.
3. In order to be valid, a form of proxy, which is provided with this notice, and a power of attorney or other authority under which it is signed, or certified by a notary or office copy of such power or authority, must reach the Company's registrars, Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting. As previously communicated to all shareholders paper proxy forms will not be sent to shareholders. Shareholders may instead lodge their proxy via the registrar's website [www.signalshares.com](http://www.signalshares.com). If not already registered, shareholders will need their investor code (IVC) which can be located on their share certificate. If a paper proxy is required please contact Link Group by calling them on 0371 664 0300 or, if calling from overseas, on +44 (0) 371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. They are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
4. CREST members who wish to appoint a proxy or proxies 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.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Link Group (whose CREST ID is RA10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
6. 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. A register showing the interests of each Director and their connected persons, so far as they are aware, in the Ordinary shares will be available for inspection at the offices of the Company Secretary, Maitland Administration Services Limited, Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY, during normal business hours every weekday except Saturdays, from the above date to the day preceding that of the general meeting. It will also be available for inspection at the place of the meeting for 15 minutes prior to the general meeting and during the meeting.
7. From the date of this notice and for the following two years the following information will be available on the Company's website and can be accessed at [www.maitlandgroup.com/investment-trust/rights-and-issues-investment-trust-plc](http://www.maitlandgroup.com/investment-trust/rights-and-issues-investment-trust-plc) or [www.jupiteram.com/uk/en/individual/rights-and-issues-investment-trust-plc](http://www.jupiteram.com/uk/en/individual/rights-and-issues-investment-trust-plc):
  - i. the matters set out in this notice of general meeting;
  - ii. the total numbers of Shares in respect of which shareholders are entitled to exercise voting rights at the meeting; and
  - iii. the totals of the voting rights that shareholders are entitled to exercise at the meeting in respect of the Shares.

## **NOTICE OF ANNUAL GENERAL MEETING** continued

8. Any shareholders' statements, shareholders' resolutions and shareholders' matters of business received by the Company after the date of this notice will be added to the information already available on the website as soon as reasonably practicable and will also be made available for the following two years.
9. Where a poll is taken at the general meeting, from the date of this notice and for the following two years the following information will be available on the Company's website and can be accessed at [www.maitlandgroup.com/investment-trust/rights-and-issues-investment-trust-plc](http://www.maitlandgroup.com/investment-trust/rights-and-issues-investment-trust-plc) or [www.jupiteram.com/uk/en/individual/rights-and-issues-investment-trust-plc](http://www.jupiteram.com/uk/en/individual/rights-and-issues-investment-trust-plc):
  - i. the date of the general meeting;
  - ii. the text of the resolution or, as the case may be, a description of the subject matter of the poll;
  - iii. the number of votes validly cast;
  - iv. the proportion of the Company's issued share capital represented by those votes;
  - v. the number of votes cast in favour;
  - vi. the number of votes cast against; and
  - vii. the number of abstentions (if counted).
10. In order to vote at this meeting you must comply with the procedures set out in notes 1 to 3 by the time specified in note 3.
11. The right of shareholders to vote at the meeting by appointing the Chairman as their proxy is determined by reference to the register of shareholders. As permitted by section 360B(3) of the Companies Act 2006 and Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders (including those who hold Shares in uncertificated form) must be entered on the Company's share register at close of business on 21st March 2023 in order to be entitled to vote at the meeting. Such shareholders may only cast votes in respect of Shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
12. The total number of Ordinary shares of 25p in issue as at 13th February 2023, the last practicable day before printing this document, was 6,088,670 Shares and the total number of voting rights was therefore also 6,088,670.



## SHARE SPLIT

The price of the Company's existing ordinary shares of 25p each ("Existing Ordinary Shares") has increased substantially over recent years and as at 13th February 2023 (being the latest practicable date prior to publication of this document), the closing share price was £20.80. To assist monthly savers and those who reinvest their dividends or are looking to invest smaller amounts the Directors believe that it is appropriate to propose the sub-division of each Existing Ordinary Share into 10 new ordinary shares of 2.5p each ("New Ordinary Shares"). The Directors believe that the sub-division (the "Share Split") may also improve the liquidity in and marketability of the Company's shares which would benefit all shareholders. Following the Share Split, each shareholder will hold 10 New Ordinary Shares for each Existing Ordinary Share that they held immediately prior to the Share Split. Whilst the Share Split will increase the number of ordinary shares the Company has in issue, upon the Share Split becoming effective the net asset value, share price and dividend per share can be expected to become one-tenth of their respective values immediately preceding the Share Split.

A holding of New Ordinary Shares following the Share Split will represent the same proportion of the issued ordinary share capital of the Company as the corresponding holding of Existing Ordinary Shares immediately prior to the Share Split. The Share Split will not affect, therefore, the overall value of a shareholder's holding in the Company. By way of example, taking the net asset value (including current year revenue) and share price as at 13th February 2023 of £24.51 and £20.80 respectively per Existing Ordinary Share, if the Share Split had become effective as at that date, each holder of one Existing Ordinary Share would receive 10 New Ordinary Shares each with an aggregate net asset value and share price of £2.45 and £2.08 respectively immediately following the Share Split. The New Ordinary Shares will rank *pari passu* with each other and will carry the same rights and be subject to the same restrictions as the Existing Ordinary Shares, including the same rights to participate in dividends paid by the Company.

The ex-dividend date for the final dividend in respect of the year ended 31st December 2022 is before the date of the Share Split and so dividends payable in March 2023 will not be affected. In future years, dividends per share will be one-tenth of the level that they would otherwise have been but a shareholder who neither buys nor sells shares will continue to receive the same amount in dividends as they would otherwise have received. Communication preferences and mandates and other instructions for the payment of dividends via CREST or in paper form will, unless and until revised, continue to apply to the New Ordinary Shares.

The Share Split will not itself give rise to any liability to UK income tax (or corporation tax on income) for shareholders. For the purposes of UK capital gains tax and corporation tax on chargeable gains, the receipt of the New Ordinary Shares will be treated as the same asset as the shareholder's holding of Existing Ordinary Shares and as having been acquired at the same time, and for the same consideration, as the shareholder's holding of Existing Ordinary Shares.

The Share Split requires the approval of shareholders and, accordingly, Resolution 13 at this year's Annual General Meeting seeks such approval. The Share Split is conditional on the New Ordinary Shares being admitted to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities. Application for such admissions will be made and, if they are accepted, it is proposed that the last day of dealings in the Existing Ordinary Shares will be 23rd March 2023 (with the record date for the Share Split being 6.00pm on that date) and that dealings in the New Ordinary Shares will commence on 24th March 2023. If Resolution 13 is passed, the Share Split will become effective on admission of the New Ordinary shares to the Official List, which is expected to be at 8.00am on 24th March 2023. The aggregate nominal value of the Company's issued share capital as at 13th February 2023 comprised 6,088,670 ordinary shares of 25p each. If the Share Split is applied to the issued share capital as at 13th February 2023, the total aggregate nominal value of the share capital will remain at £1,522,167.5 but will comprise 60,886,700 ordinary shares of 2.5p each in issue.

The New Ordinary Shares may be held in uncertificated or certificated form. Following the Share Split becoming effective, share certificates in respect of the Existing Ordinary shares will cease to be valid and will be cancelled. New certificates in respect of the New Ordinary Shares will be issued to those shareholders who hold their Existing Ordinary Shares in certificated form and are expected to be dispatched not later than 24th 2023. No temporary documents of title will be issued. Transfers of New Ordinary Shares between 24th 2023 and the dispatch of new certificates will be certified against the Company's register of members held by the Company's Registrars. It is expected that the ISIN (GB0007392078) of the Existing Ordinary Shares will be disabled in CREST at the close of business on 23rd March 2023 and the New Ordinary Shares will be credited to CREST accounts on 24th March 2023.

## CHAIRMAN'S STATEMENT

During 2022 the UK economy suffered from a number of headwinds which impacted heavily on the performance of smaller companies.

The war in Ukraine and its resultant effect on energy and commodity prices have led to supply shortages and high inflation which, in turn, have caused central banks to ratchet up interest rates to levels not seen since before the 2008 financial crisis. Post Brexit, the UK has been particularly prone to staff shortages; COVID-19 appears to have reduced the available labour pool still further.

After a satisfactory 34.4% increase in net asset per share in 2021, 2022 saw a 24.8% reduction from 3036.6p to 2283.2p. During this period the FTSE All Share fell by 3.2%; however as noted in previous reports, the FTSE All Share is dominated by energy and commodity companies which have benefitted from soaring inflation and global supply shortages. Over 5 years the Company has underperformed the FTSE All Share by 0.3% but over 10 years it has generated a 237.3% return compared with 31.7% in the FTSE All Share.

Following Simon Knott's decision to retire as the Company's investment manager, the Board carried out a thorough review of potential replacement managers, resulting in the appointment of Jupiter Unit Trust Managers Limited ("JUTM" or "Jupiter") with effect from 3rd October 2022. The Board is grateful to Simon for his 39 years' tenure and for the outstanding returns for shareholders generated over that period.

Lead investment manager, Dan Nickols, and co-manager, Matt Cable, are responsible for managing the Company's portfolio and are part of Jupiter's UK Small and Mid-Cap ("SMID") team. They are supported by Jupiter's wider investment platform and operational infrastructure, more details of which are provided in the Investment Manager's report.

Dan has an outstanding long term investment track record, being active in UK smaller companies since 1997; Matt has managed UK Smaller Companies portfolios since 2002, both Dan and Matt will be presenting at the forthcoming AGM which will be held at Jupiter's head office in London.

The Board expects continuity of investment style but also a reduction in the historic concentration of the portfolio with interesting new opportunities being added; we have already seen the beginnings of this process.

Jupiter will also be responsible for increasing the marketing of the Company to a wider audience of investors and potential investors including private individuals, wealth managers and professional fund managers through a variety of traditional and digital marketing activities.

In common with other smaller company investment trusts, the Company has seen an increase in the discount during the year and at year-end this stood at 17.2% despite having bought back 1.2m shares at a total cost of £25.9m, including £15.1m as part of the tender offer made to shareholders in September in connection with the change of fund managers. Share buy-backs may succeed in narrowing the discount between the Company's share price and net asset value per share or in limiting its volatility, but their influence is inevitably subject to broader stock market conditions. Irrespective of their effect on the discount, buy-backs at the margin provide an increase in liquidity for those shareholders seeking to crystallise their investment and at the same time deliver an economic uplift for those shareholders wishing to remain invested in the Company. The Company's current share buy-back programme runs until July 2023.

In order to help increase liquidity, given that the share price trades around £18-£20 per share, the Board is proposing, subject to shareholder approval, that each existing ordinary share be subdivided into 10 new ordinary shares. This subdivision will not itself affect the value of any shareholder's holding in the Company and should benefit all shareholders, particularly those who seek to invest on a regular basis or re-invest their dividends. Please see resolution 13 in the notice of AGM on page 4 and the accompanying explanation on page 7 of this Annual Report for further details.

The Directors are equally conscious of the importance of income to shareholders and are proposing a final dividend of 29.25p which, if approved at the forthcoming AGM, would result in a total payment of 40p per share to shareholders, a 15.1% increase over the prior year's dividend.

## **CHAIRMAN'S STATEMENT** continued

There have been changes to the Board of Directors during the year. Whilst retiring as investment manager Simon Knott continues his involvement with the Company as a non-executive director. David Bramwell retired as Chairman at the end of December after a 20-year involvement with the Company. We thank David for his significant contribution over this period. At the same time, we extend a warm welcome to Helen Vaughan who joined the Board on 1st January 2023, both as a non-executive director and Chair of the Audit, Risk and Compliance Committee.

The war in Ukraine will likely continue in an unpredictable manner for some time yet causing uncertainty in the financial markets. There are tentative signs that inflation may be peaking and that increases in base rates may not be as high as the Bank of England previously indicated. However, it is likely to be some time before this filters through to consumer confidence.

Whilst there is expected to be continued volatility in the markets, this does present a significant opportunity to buy into companies operated by high quality management teams with robust balance sheets which are fundamentally mispriced. We believe the Jupiter team has the expertise to identify these opportunities and continue the long-term success of the Company.

**Mr D. M.Best**

Chairman

15th February 2023

# INVESTMENT MANAGER'S REPORT

## Introduction

We are delighted to present our first report to the shareholders of the Company following our appointment as investment managers on 3rd October. We are conscious of the responsibility we are taking on after the remarkable and highly successful 39 year tenure of our predecessor Simon Knott. We are likewise extremely pleased that Mr Knott has agreed to remain on the Board as a non-executive director and continues to be a significant shareholder in the Company.

Given the relatively short period since we took over as managers of the Company, we do not propose to report in detail on performance for the year just ended (please see the Chairman's introduction). Instead, we would like to take this opportunity to introduce ourselves, our investment philosophy and process, and our immediate plans for the portfolio.

## Your new investment managers

Following Mr Knott's decision to step down as the Company's in-house investment manager, the Board undertook a process to select a new external manager. We, Dan Nickols and Matt Cable, were appointed to manage the portfolio with effect from 3rd October 2022. With 25 and 15 years' experience in UK smaller companies investing respectively, we are both part of Jupiter's SMID investment team. In turn, our team forms part of Jupiter's wider investment department which is responsible for the management of £48bn of client funds across a wide range of asset classes, regions and strategies. We are further supported by Jupiter's wider investment and business infrastructure including state-of-the-art systems, well invested operational functions, risk management, data science and governance and sustainability teams.

## Key people

**Dan Nickols** is co-head of Jupiter's SMID team, having joined the company in 2020 following Jupiter's acquisition of Merian. His career in the UK Smaller Companies sector started in 1997 at Old Mutual. Dan has a degree in Modern & Medieval Languages from Cambridge University and is an Associate of the Society of Investment Professionals.

**Matt Cable** joined Jupiter in 2019 as UK smaller companies fund manager after holding a similar role at M&G for almost ten years. Prior to his time at M&G, Matt worked in a variety of roles across financial services firms including Travelex, Bank of America and Capital One. He has a degree in Natural Sciences from Cambridge University and is a CFA Charterholder.

## The Small and Midcap team

Jupiter's SMID team consists of eight investment professionals researching and investing in UK listed businesses outside the FTSE 100. Each member of the team has responsibility for researching specific industry sectors. The team manages £4bn of client funds in 11 portfolios across six investment strategies.

The team operates in a highly collaborative manner, interacting daily but formally meeting weekly to discuss individual stocks and monthly to debate macro-economic and other 'top-down' matters.

## Investment philosophy and process

As a team, we are fundamental investors who look at companies and markets from both a bottom-up and top-down perspective. We aim to combine these two views, alongside careful risk management, to construct portfolios designed to deliver outperformance for our clients over the long term.

## Investment philosophy

We believe that operating in the small to mid-sized part of the equity market offers the opportunity for well resourced, diligent research to generate insights that other market participants sometimes miss. We know, for example, that smaller companies are generally less well researched by both sell-side and buy-side firms. We believe that by doing a lot of our bottom-up research in-house, for example through meeting management, visiting sites and building our own financial models, we can gain an 'edge' over the wider market and exploit this to generate outperformance for our clients.

At the same time, we recognise that we will never know everything. In order to manage the risks of individual mistakes, we therefore pay great attention to portfolio construction and risk management, ensuring that funds are appropriately diversified and balanced across a range of factors.

### **Investment process**

The core of our investment process is the synthesis of top-down views and bottom-up stock-specific research. Top-down factors we consider include macro-economic indicators such as GDP growth, interest rates and inflation as well as secular trends that may impact investments. These may include technological, political or cultural changes (for example the way people choose to shop). We also consider the impact of major global events such as wars and natural disasters on our investment universe. The purpose of this work is not so much to predict the future in detail (which is not our area of expertise) but to ensure that we align our portfolios with thematic market leadership – i.e. the trends that tend to define the types of stocks that do well over moderate to long periods.

Our bottom-up research is detailed and granular. We regularly meet management teams from both current and prospective holdings, often combined with visits to their premises. We make regular use of expert networks and other third-party sources of information and insight. We have close relationships with sell-side analysts but also build and maintain our own financial models so that we are not relying on ‘consensus’ views to make decisions. Much of the value in this process is the synthesis of these various elements. Our team-based approach means that assumptions can be tested and opinions challenged in a collaborative environment in order to arrive at robust decisions that are ‘owned’ by the whole group.

### **Stock selection**

Our stock selection process focused on three factors that we believe are key to generating outperformance:

**Sustainable above market growth** – we look for businesses that we think can generate sustained growth above that of the wider market. These may be businesses aligned to secular change, those with strong intellectual property that can take market share or those with disruptive business models.

**Scope for positive surprises** – we look for businesses that have the potential to deliver consistent positive surprises to the market. In practice this often means companies that are consistently under-forecast by sell-side consensus.

**Potential for re-rating** – we look for businesses that appear to be fundamentally undervalued by the market and therefore have the scope to deliver returns ahead of their own growth.

In practice, our best ideas often display aspects of all three of these elements. A business with strong fundamentals that is growing fast will often exceed anchored market expectations and earn a re-rating in the process.

### **Plans for your Company and progress to date**

The Company has delivered exceptionally strong returns for investors over the last 39 years under the management of Mr Knott. Our overall approach for the future therefore seeks to retain the best of the Company’s established philosophy, combined with the significantly greater resources available to it under the management of Jupiter’s SMID team.

### **What will stay the same**

The portfolio will remain a concentrated, long-term investor in UK small and mid-sized companies. The portfolio consisted of 24 holdings when we took over management and we expect to hold a broadly similar number in the future. We will always make decisions based on our view of likely performance and valuation, but our working assumption on making an investment is that we will be holders for the medium to long term. We will continue to be responsible and engaged owners of businesses. We will meet management regularly, always vote our shares and carefully consider governance matters relating to companies we invest in on your behalf, such as remuneration, succession and Board independence.

### **What we plan to change**

Although we expect to hold a broadly similar number of stocks in the portfolio, we do anticipate reducing the degree of concentration among the very largest positions. We believe that the highly active and differentiated nature of the Company can be retained while mitigating the risk of having very large position sizes. We therefore expect to reduce the size of some of the Trust’s very large positions in the portfolio while adding additional holdings at similar weights. Over time this will make it less likely that the Trust will invest in very small (in market capitalisation terms) stocks as it is not practical to hold them at meaningful position sizes.

## INVESTMENT MANAGER'S REPORT **continued**

Given access to the Jupiter SMID team's wider research coverage we are likely to add holdings from a broader range of industries and sectors. Over time we would expect the portfolio to be more balanced in this regard and closer to the weights of different industries in the market and economy. We will also aim to hold stocks that are clearly small/mid in size to ensure that we capture the higher growth rates we believe are available in this part of the market.

### **Progress to date**

In our discussions with the board, we have been very clear that we have responsibility for performance of the portfolio from day one of our management. There is no concept of a 'transition period' so every decision we have made from the start has been made with shareholders' interests in mind. This will continue to be our guiding philosophy and will always be more important than making changes over an arbitrary timescale.

With that said, and as detailed above, we do plan to make some changes to the portfolio over time. We have made a start on these over our first few months as managers. In particular we have sold some smaller holdings that are not part of our longer term plans and reduced the size of our units in some larger companies in order to release capital for new holdings.

Between taking over management of the Company and the end of the year, we made three new investments:

**Gamma Communications** is a provider of internet telephony and related services to corporates of all sizes. It has a strong long term track record of growth driven by multi-year transition from fixed-line to internet-based infrastructure. Close to 90% recurring revenue and inherent operational gearing drive attractive and predictable earnings growth.

Trading as Utility Warehouse, **Telecom Plus** is a multiservice provider of energy, telecoms and insurance services to UK customers. Growth is delivered by a unique network of c.50k 'partners' and competitive pricing is assured by long-term wholesale supply agreements and discounts for taking multiple services. Following the demise of the unsustainable 'challenger' energy providers, Utility Warehouse now has an unrivalled customer proposition in terms of breadth and value. With only c.2% market share and a plan to double customer numbers over 4-5 years, this should drive attractive earnings growth.

**Alpha Group International** (formerly Alpha FX) is a founder led provider of FX, banking and payment solutions to corporates and investment funds. It takes an innovative approach focused on providing long-term 'sticky' services based on a highly scalable technology platform. The model drives long term visible growth as new clients are 'layered' onto a recurring base. A well invested platform facilitates operational gearing and cash generation which can be reinvested to drive further growth.

In addition, from the start of 2023 to the time of writing we have started further positions in technology business Spirent Communications and specialist lender OSB Group. We look forward to discussing these in more detail in future reports.

### **Conclusion**

We are delighted to have been appointed as your Company's new investment managers and excited about the opportunities ahead of us. While you should expect to see further carefully considered changes over the coming months, this will only ever happen with your best interests as shareholders in mind.

### **Dan Nickols**

Lead Manager

### **Matt Cable**

Fund Manager

15th February 2023

## PORTFOLIO STATEMENT

Details of the investments held within the portfolio as at 31st December 2022 are given below by the market value:

	31st December 2022			31st December 2021		
	Holdings	Market Value	% of Net Assets	Holdings	Market Value	% of Net Assets
<b>UK Investments</b>						
Macfarlane	17,250,000	17,509	12.44	17,250,000	22,425	10.02
Vp	2,450,000	16,170	11.49	1,800,000	16,236	7.26
Hill & Smith	1,246,286	14,606	10.37	1,434,230	25,673	11.48
Treatt	2,012,000	12,535	8.90	2,500,000	32,125	14.36
Spirax-Sarco Engineering	94,415	10,022	7.12	120,714	19,368	8.66
Colefax	1,606,500	9,639	6.85	2,050,000	12,505	5.59
RS	838,870	7,512	5.34	1,300,000	15,678	7.01
Gamma Communications	640,919	6,935	4.93	–	–	–
Renold	30,000,000	6,240	4.43	30,000,000	9,000	4.02
Telecom Plus	263,070	5,774	4.10	–	–	–
Carr's	4,750,000	5,629	4.00	3,300,000	5,280	2.36
Videndum	500,000	5,370	3.81	500,000	7,100	3.17
Morgan Advanced Materials	1,500,000	4,718	3.35	1,500,000	5,370	2.40
IMI	292,263	3,764	2.67	400,000	6,944	3.10
Eleco	4,520,781	3,029	2.15	4,520,781	4,069	1.82
Alpha Group International	98,611	1,824	1.30	–	–	–
Castings	400,000	1,384	0.98	400,000	1,400	0.63
Titon	1,265,000	886	0.63	1,265,000	1,391	0.62
Santander UK 10.375% Non Cumulative Preferred	400,000	540	0.38	400,000	700	0.31
Coral Products	2,000,000	320	0.23	2,000,000	290	0.13
Dyson	1,000,000	41	0.03	1,000,000	2	–
Costain	41	–	–	41	–	–
Bellway*	–	–	–	130,000	4,337	1.94
Menzies (John)*	–	–	–	882,142	2,708	1.21
National Grid*	–	–	–	137,500	1,457	0.65
GlaxoSmithKline*	–	–	–	70,000	1,125	0.50
Dialight*	–	–	–	238,095	738	0.33
LPA*	–	–	–	650,000	403	0.18
Chamberlin*	–	–	–	1,000,000	73	0.03
Discretionary Unit Fund Managers**	–	–	–	2	–	–
Total Investments		134,447	95.50		196,397	87.78
Net current assets		6,336	4.50		27,335	12.22
Net Assets		140,783	100.00		223,732	100.00

Unless otherwise specified, the actual holdings are, in each case, of ordinary shares or stock units and of the nominal value for which listing has been granted.

\*Sold during the year to 31st December 2022.

\*\*Discretionary Unit Fund Managers Limited was dissolved on 26th April 2022.

## STRATEGIC REPORT

The Strategic Report is designed to provide information primarily about the Company's business and results for the year ended 31st December 2022 and should be read in conjunction with the Chairman's Statement and the Investment Manager's Report on pages 8 and 9 and 10 to 12 respectively.

### PERFORMANCE STATISTICS

	<b>31-Dec-22</b>	<b>31-Dec-21</b>	<b>% change</b>
NAV per Ordinary Share	2,283.2p	3,036.6p	-24.8%
Discount to NAV	-17.2%	-9.6%	-7.6%
Closing mid-market price per Ordinary Share	1,890.0p	2,745.0p	-31.1%
Dividends per Ordinary Share	40.00p	34.75p	
Dividend yield*	2.1%	1.3%	
Ongoing Charges*	0.5%	0.3%	
Earnings per Ordinary Share – basic			
Revenue	38.9p	38.8p	
Capital	-818.2p	766.0p	
NAV return*	-24.8%	34.4%	
FTSE All-Share Index	-3.2%	14.5%	

\*These are Alternative Performance Measures.

### EXPLANATION OF ALTERNATIVE PERFORMANCE MEASURES (“APM”)

An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flow that is not prescribed by the relevant accounting standards. The APMs are the dividend yield, ongoing charges and NAV return as defined below.

#### Dividend Yield

The dividend yield is a financial ratio which indicates how much the Company pays out in dividends each year relative to its share price. The figure is calculated by dividing the aggregate value of dividends per share in a given year by the closing share price and is represented as a percentage.

The dividend yield is calculated as follows:

	<b>2022</b>	<b>2021</b>
Total Dividends paid per ordinary share (a)	40.00p	34.75p
NAV per Ordinary Share (b)	1,890.0p	2,745.0p
Dividend Yield (a) / (b)	2.1%	1.3%

#### Ongoing Charges

Ongoing charges are expenses charged to revenue or capital that relate to the operation of the Company as an investment trust and are deemed likely to recur in the foreseeable future. They do not include the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. Ongoing charges are calculated on the basis of the annualised ongoing charge as a percentage of the average net asset value in the period.

The calculation methodology for ongoing charges is set out by the Association of Investment Companies (“AIC”) and is calculated as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Investment management fee <sup>†</sup>	175	–
Other expenses	767	724
Total Expenses (a)	942	724
Average NAV (b)	174,479	207,111
Ongoing Charge (a) / (b)	0.5%	0.3%

<sup>†</sup>Following the appointment of Jupiter Unit Trust Managers as Investment Manager on 3rd October 2022, a management fee is payable quarterly to the Investment Manager. For more information see Note 3 on page 55.



**NAV Return**

The NAV return is the percentage change in closing NAV per share compared with opening NAV per share.

The NAV return is calculated as follows:

NAV per Ordinary Share 31st December 2022 (a)	2,283.2p
NAV per Ordinary Share 31st December 2021 (b)	3,036.6p
NAV return (a/b-1)*100	-24.8%

**STATUS**

The Company is registered as an investment company as defined in section 833 of the Companies Act 2006 and operates as such. The Company is not a close company within the meaning of the provisions of the Corporation Tax Act 2010.

The Company is an "alternative investment fund" ("AIF") for the purposes of the EU Alternative Investment Fund Managers ("AIFM") Directive, as adopted in the UK. In the opinion of the Directors the Company has conducted its affairs during the year under review so as to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010 and continues to meet the eligibility conditions set out in section 1158 of the Corporation Tax Act 2010.

The Board is directly accountable to shareholders. The Company is listed on the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ("FCA"). The Company is governed by its articles of association, amendments to which must be approved by shareholders by special resolution. The Company is a member of the Association of Investment Companies ("AIC").

The FCA rules in relation to non-mainstream pooled investments do not apply to the Company.

**STRATEGY FOR MEETING THE OBJECTIVES**

The Company's objective is to exceed the benchmark index over the long term whilst managing risk.

To achieve this objective, the Board appointed Jupiter on 3rd October 2022 to continue the Company's long-term strategy of seeking out undervalued investments. This is supported by the five-yearly review that addresses the above objective. The latest review was conducted in January 2021, at which the Board concluded that the continuation of the Company for the period until July 2026 was in the best interests of shareholders.

The Company fulfils its investment objective and policy by operating as an investment company. The Board delegates operational matters to specialist third-party service providers. The closed-ended nature of the Company allows a longer-term view on investments because liquidity issues as a result of redemptions are less likely to arise. The Board has closely monitored performance in 2022 to ensure the Company's strategic objectives are continuing to be met.

In pursuing its strategy, close attention is also paid to the control of costs. Further information on this is contained in the Key Performance Indicators on pages 21 and 22.

**INVESTMENT SELECTION**

There is a rigorous process of risk analysis at the level of the individual investment, based on the characteristics of the investee company. This controls the overall risk profile of the investment portfolio.

The Investment Manager plans to balance risk and improve performance by reducing the Company's largest holdings and investing in additional holdings at similar weights. The Investment Manager also plans to invest in companies from a broader range of industries and sectors over time.

The investment portfolio is managed on a medium-term basis with a low level of investment turnover. This minimises transaction costs and ensures medium-term consistency of the investment approach.

## **STRATEGIC REPORT** continued

The Company's investment activities are subject to the following limitations and restrictions:

The policy does not envisage hedging either against price or currency fluctuations. Whilst performance is compared against major UK indices, the composition of indices has no influence on investment decisions or the construction of the portfolio. As a result, it is expected that the Company's investment portfolio and performance will deviate from the comparator indices.

Full details of the Company's portfolio are set out on page 13 and further information is set out in Notes 9 to 12 inclusive.

### **SUSTAINABILITY OF BUSINESS MODEL AND PROMOTING THE SUCCESS OF THE COMPANY**

The Board is responsible for the overall strategy of the Company and decisions regarding corporate governance, asset allocation, risk and control. The day-to-day management of the investments is delegated to the Investment Manager and the management of the operations to specialist third-party suppliers.

The Directors are conscious of their duties under section 172 of the Companies Act 2006 and, in particular, the overarching duty to promote the success of the Company for the benefit of the shareholders, with careful attention paid to wider stakeholders' interests. The Board is aware of the importance of ensuring that the Company has a sustainable, well-governed business model to achieve its strategy and objectives.

As part of discharging its section 172 duties, the Company, through the Investment Manager, uses its influence, where possible, as a shareholder to encourage the companies in which it invests to adopt best practice on environmental, social and corporate governance ("ESG") matters. Further related information can be found on pages 18 to 21.

The third-party service providers are a key element of ensuring the success of the business model. The Board monitors the chosen service providers closely to ensure that they continue to deliver the expected level of service. The Board also receives regular reporting from them, evaluates the control environment and governing contract in place at each service provider and formally assesses their appointment annually.

### **CULTURE & VALUES**

All the Directors seek to discharge their responsibilities and meet shareholder expectations in an open and transparent manner. The Board seeks to recruit Directors who have diverse working experience including managing the types of companies in which the Company invests. The industry experience on the Board ensures there is detailed knowledge and constructive challenge in the decision-making process. This helps the Company achieve its overarching aim of enhancing shareholder value. The Directors are mindful of costs and seek to ensure that the best value is achieved in managing the Company.

The Company's values of skill, knowledge and integrity are aligned to the delivery of its investment objective and are monitored closely by the Board.

The Board seeks to employ third party providers who share the Company's culture and importantly will work with the Directors openly and transparently to achieve the Company's aims. As detailed in the Business Ethics section below, the Board expects and seeks assurance that the companies with which it works adopt working practices that are of a very high standard.

The Responsibilities as an Institutional Shareholder section below describes the Company's approach to managing its investments, including ESG matters.

### **BUSINESS ETHICS**

The Company maintains a zero-tolerance policy towards the provision of illegal services, bribery and corruption in its business activities, including the facilitation of tax evasion. As the Company has no employees and the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not within the scope of the Modern Slavery Act 2015.

### **BOARD DIVERSITY**

Mr S. J. B. Knott ceased to be CEO and Investment Director of the Company on 3rd October 2022, at which time he became a non-executive Director. Dr D. M. Bramwell retired as a Director of the Company on 31st December 2022 and Ms M. H. Vaughan was appointed as a non-executive Director and Chair of the Audit, Risk and Compliance Committee on 1st January 2023. As a result of these changes, the Company's affairs are overseen by a Board comprising five non-executive Directors, one of whom is female, four of whom are male and none of whom are from an ethnic minority background. The FCA Listing Rules board diversity targets are as follows: at least 40% of board members are women, at least one board member is from an ethnic minority background and at least one of the senior positions on the board is held by a woman. The role of Audit, Risk and Compliance Committee Chair is held by a woman, however, the first two of these targets are currently not met by the Company. In terms of progress in achieving diversity, the Board is committed to ensuring that vacancies arising are filled by the best qualified candidates and recognises the value of diversity in the composition of the Board. Improving the Board's gender and ethnic diversity was a key focus of the recent process to recruit the new Chair of the Audit, Risk and Compliance Committee and will continue to be so when the Board goes through its next recruitment process. The Directors engaged a recruitment consultant to aid in the process of finding and recruiting the Chair of the Audit, Risk and Compliance Committee to ensure access to a diverse pool of candidates.

The Directors have broad experience, bringing knowledge of investment markets, business, financial services, accounting and regulatory expertise to discussions on the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective. Whilst appointments are based on skills and experience, the Board is conscious of the importance of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and experience. All appointments are based on objective criteria and merit and are made following a formal, rigorous and transparent process.

### **RESPONSIBILITIES AS AN INSTITUTIONAL SHAREHOLDER**

The Board has delegated authority to the Investment Manager for monitoring the corporate governance of investee companies. The Board has delegated to the Investment Manager responsibility for selecting the portfolio of investments within investment guidelines established by the Board and for monitoring the performance and activities of investee companies. On behalf of the Company the Investment Manager carries out detailed research on investee companies and possible future investee companies through internally generated research. The research includes an evaluation of fundamental details such as financial strength, quality of management, market position and product differentiation. Other aspects of research include an appraisal of social, ethical and environmentally responsible investment policies.

The Board has delegated authority to the Investment Manager to vote on behalf of the Company in accordance with the Company's best interests. The primary aim of the use of voting rights is to address any issues which might impinge on the creation of a satisfactory return from investments. The Company's policy is, where appropriate, to enter into engagement with an investee company in order to communicate its views and allow the investee company an opportunity to respond.

In such circumstances the Investment Manager would not normally vote against investee company management but would seek, through engagement, to achieve its aim. The Investment Manager would, however, vote against resolutions it considers would damage the Company's shareholder rights or economic interests.

The Company has a procedure in place such that where the Investment Manager, on behalf of the Company, has voted against an investee company resolution, it is reported to the Board.

The Board considers that it is not appropriate for the Company to formally adopt the UK Stewardship Code. However, many of the UK Stewardship Code's principles on good practice on engagement with investee companies are used by the Company, as described above.

## STRATEGIC REPORT **continued**

### **CORPORATE AND SOCIAL RESPONSIBILITY**

When investments are made, the primary objective is to achieve the best investment return while allowing for an acceptable degree of risk. In pursuing this objective, various factors that may impact on the performance are considered and these may include socially responsible investment issues.

As an investment trust, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for the year to 31st December 2022 (2021: same). The Directors receive and use electronic meeting packs only. The Company provides electronic copies of the annual and half-yearly reports and other shareholder information on its website. All printed material, wherever possible, is on recycled material. The Investment Manager attempts to minimise the Company's carbon footprint. The Company's indirect impact occurs through the investments it makes.

The Company does not purchase electricity, heat, steam or cooling for its own use nor does it have responsibility for any other emissions producing sources.

### **ENVIRONMENTAL, SOCIAL & GOVERNANCE ("ESG") REPORTING**

#### **Overview**

As a high-conviction active asset manager, the Investment Manager recognises that it has an important role to play in the allocation of capital, both as active owners and long-term stewards of the assets in which it invests on behalf of clients. The investment team has a defined investment process, and consideration of material ESG issues is integrated into both investment analysis and decision-making, influencing asset allocation, portfolio construction, security selection, position sizing, stewardship, engagement and subsequent decisions on whether to remain invested or exit.

The Investment Manager's Responsible Investment Policy, available on its website, describes how it approaches these issues as an active investor, setting out its sustainability governance and oversight, its approach to ESG integration and materiality and core material ESG issues. The Investment Manager supports the Company's integration of environmental, social and governance (ESG) responsibilities in the following ways:

- The presence of a dedicated ESG Investment Director within the investment team
- The support provided by Jupiter's Stewardship and Data Science Teams
- The oversight provided by the Investment Manager's Sustainability and Responsible Investment Governance Structures

#### **ESG in a UK small and mid-cap context**

The Company's investment universe comprises small and mid-size companies which may be exposed to important sustainability risks and opportunities that can have material impacts on value. As an active investment manager, the Investment Manager believes that effective ESG integration cannot be outsourced to third parties, but must be incorporated into the fundamental analysis conducted by the investment team.

In particular, smaller companies remain under-researched by ESG rating agencies relative to their larger listed peers. Where they are covered at all, smaller companies are often penalised by rating agencies, either due to their corporate governance arrangements or a relative lack of detailed corporate disclosure about ESG issues. These factors presents challenges but also, in the Investment Manager's view, opportunities to identify ESG risks or opportunities affecting companies which are not priced efficiently by financial markets.

#### **Corporate Governance**

To grow successfully, the leadership of smaller companies must not only execute strategically, they must also lay the foundations for future growth by creating appropriate corporate governance structures. The Investment Manager would argue that as corporate culture is set at an early stage, the relationships formed with key stakeholders such as customers, the workforce and suppliers at this point in a company's development can be fundamental to long-term success. The Investment Manager fully endorses the principles of the UK Corporate Governance Code, and while it acknowledges the need for pragmatism with smaller companies, it still expects high standards of governance at investee companies to support their growth in a sustainable manner.

The Investment Manager assesses company governance on a range of issues. These issues may include but are not limited to:

- **Boards and executive leadership:** The Investment Manager builds an understanding of the quality of leadership teams and boards through assessment of i) board and committee composition and independence, ii) board and executive tenure and succession planning, iii) Diversity, Equity and Inclusion (“DE&I”) oversight and actions at board level and throughout an enterprise, iv) oversight and management of corporate culture.
- **Remuneration:** Management incentivisation structures should be aligned with shareholder interests. The Investment Manager considers KPIs governing short and long-term incentivisation, as well as the overall quantum, when assessing remuneration packages. It seeks to understand how remuneration structures encourage correct behaviours and how management compensation decisions are linked to the wider employee and sustainability agenda.
- **Protection of minority rights and related party transactions:** The Investment Manager will escalate engagement where it believes that minority rights have been compromised.
- **Systemic risks:** The environment in which companies operate continues to change rapidly and the Investment Manager considers where businesses are exposed to wider systemic risks, including through the assessment of global standards, such as the UN Global Compact.
- **Conduct, litigation and relations with policy makers and regulators:** Poor relations with regulators can severely hamper corporate success and result in value destruction for investors. The Investment Manager seeks to understand board oversight of regulatory matters and how a company guards against malpractice.
- **Corporate culture:** The Investment Manager may engage with boards to understand how corporate culture is being led, developed, and monitored and to highlight strengths and areas for development. Where relevant, it seeks to understand how management is advancing culture and where and how culture challenges emerge.
- **Audit and control environment:** The Investment Manager considers quality and independence of auditors. It may escalate engagement with Audit Committee chairs where it believes that audit standards are not in line with its expectations.

## Environmental

### Climate

Limiting global temperature rises to 1.5 degrees above preindustrial levels, in line with the Paris Agreement, is an urgent challenge facing the global economy. The Investment Manager uses its influence as an investor through stewardship and active ownership to encourage companies to identify, manage and mitigate climate change risks or opportunities. It believes that the scale of climate change will impact all sectors, industries, and asset classes and it acknowledges the positive role that investors can play in tackling it through its investment decisions and capital allocation.

The Investment Manager’s approach is centred on net zero asset alignment, which prioritises the transition to a low carbon economy through active stewardship. This approach creates a greater understanding of a company’s readiness to implement climate-related changes, track progress against goals, and demonstrate impact over time. At a strategy level, the investment team considers asset alignment based on the Net Zero Investment Framework. The Investment Manager supports the Task Force on Climate Related Financial Disclosures (TCFD) and encourages companies to provide accurate and timely disclosure in line with the four thematic pillars of the TCFD framework.

### Biodiversity

The Investment Manager considers biodiversity impacts in its ESG analysis of companies, in line with its approach and commitments. It engages with investee companies where it believes their practices are unsustainable, with the goal of achieving change, reversing biodiversity loss, while preserving and enhancing the value of its clients’ assets.

## **STRATEGIC REPORT** continued

### **Social**

#### **Human Rights**

Companies with poor management of human rights can face a range of issues including fines, workforce issues and supply chain challenges which may affect their licence to operate. The Investment Manager monitors and assesses human rights policies and procedures for its investee companies to ensure that they are promoting good governance and management of human rights issues. It expects companies to comply with internationally-recognised human rights codes and standards.

#### **Human Capital**

Good human capital management supports both value creation and business resilience, and the Investment Manager believes that investing in human capital correlates with longer term business success. Human capital management can both upskill and educate a workforce, increase abilities and retain and motivate employees which has a direct impact both on an individual company and on wider society.

Promoting (DE&I) enables companies to attract talent from a wider talent pool. It also contributes to better decision-making, performance, innovation and employee satisfaction and retention. The Investment Manager understands that approaches to human capital management, including DE&I will differ, and as an active owner it seeks to understand an investee company's operating model and engages to advise on best practice and potential improvements.

#### **Health and safety**

Occupational health and safety is a useful metric to outline good workforce practices and a strong operational culture. Where a company fails to meet health and safety standards, the Investment Manager will engage and encourage the company to improve its practices and to disclose health and safety indicators. Good health and safety should be embedded in a business and the Investment Manager promotes a zero-harm ethos.

#### **Engagement**

Engagement is central to the Investment Manager's active ownership approach. It advances its responsible investment goals, builds lasting relationships with companies and provides its investment teams with greater investment insights. The investment team maintains a dialogue with companies to inform its investment decisions and carry out strategic engagement, based on ESG materiality. To be effective, engagement must be focused and have well-defined targets, objectives, and outcomes. The Investment Manager does not believe that volume of engagement is a reliable indicator of successful active ownership.

The Investment Manager regularly engages with companies to monitor material ESG issues that will impact the long term success of an investment. Engagement should be proactive as reactive engagement may not achieve positive outcomes for investors. Many material ESG issues are complex and interconnected, and outcomes take time. The Investment Manager is committed to long term engagement goals. However to protect client interests it reserves the right to exit an investment if it concludes that progress is insufficient or does not meet its strategic objectives.

The Investment Manager's primary tool is direct engagement with companies. It also engages in collective engagement where such action aligns with its objectives.

#### **Proxy Voting**

Exercising its shareholder voice through active proxy voting is central to the Investment Manager's stewardship approach to represent client interests, hold boards to account and support investee companies. It seeks to vote all eligible proxies, taking account of local market practice such as powers of attorney or share blocking. Its investment managers are accountable for the exercise of their shareholder votes supported by the Stewardship team, which is responsible for proxy voting operations, the monitoring of meeting ballots and providing an initial assessment of each meeting's agenda, including an assessment of independent proxy advisory research.

### **Data Science and third-party data resource**

The Investment Manager's in-house data science team has built a proprietary desktop tool, known as ESG Hub, which allows the investment teams to apply multi-factor ESG screening to their investment universe and to build custom reports. It uses third-party data sources as an input into ESG Hub. It continues to evolve and develop ESG Hub as the quality, consistency, and accuracy of ESG data and analysis improves.

The data science team also works with third-party ESG data providers to challenge and provide constructive feedback to enhance the quality and integrity of the ESG data sets it uses.

### **Screening**

The Investment Manager does not exclude, except i) where required by law, ii) in line with the specifications of a particular client mandate, or iii) if a company is involved in banned activities under the following international conventions:

- The 1997 Ottawa Convention (Anti-Personnel Mine Ban Treaty)
- The 2008 Convention on Cluster Munitions (CCM)

It uses third party vendors to screen for involvement in controversial and banned weaponry.

### **STREAMLINED ENERGY AND CARBON REPORTING**

The Company is categorised as a lower energy user under the HMRC Environmental Reporting Guidelines March 2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company's energy and carbon information is therefore not disclosed in this Report.

### **REVIEW OF THE BUSINESS**

A review of the year and commentary on the future outlook is provided in the Chairman's Statement on pages 8 and 9.

During the year under review, the assets of the Company were invested in accordance with the Company's investment policy.

During the year the Company's net assets have decreased from £223.7m to £140.8m, largely as a result of the tender offer which was completed in September 2022, the ongoing share buyback programme and the fall in the value of investments. At 31st December 2022 the net asset value per Ordinary share was 2283.2p.

### **KEY PERFORMANCE INDICATORS**

The Board is provided with detailed information on the Company's performance at every Board meeting. Key Performance Indicators are:

- Shareholders' funds equity return compared to the FTSE All-Share Index (the Company's benchmark index).
- Dividends per Ordinary share.
- Ongoing Charges ratio (formerly titled the Total Expense Ratio).

#### *Shareholders' funds equity return*

In reviewing the performance of the Company, the Board monitors shareholders' funds in relation to the FTSE All-Share Index. During the year shareholders' funds decreased by 24.8% compared to a decrease of 3.2% in the FTSE All-Share Index. Over the five years ended 31st December 2022 shareholders' funds decreased by 3.8% compared with a decrease of 3.5% in the FTSE All-Share Index.

#### *Dividends per Ordinary share*

The total dividend per Ordinary share paid and proposed is 40.0p (2021: 34.75p).

## STRATEGIC REPORT *continued*

### *Ongoing Charges*

Ongoing charges are expenses charged to revenue or capital that relate to the operation of the Company as an investment trust and are deemed likely to recur in the foreseeable future. They do not include the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. Ongoing charges are calculated on the basis of the annualised ongoing charges as a percentage of the average net asset value in the period. The Ongoing Charges for the year ended 31st December 2022 were 0.5% (2021: 0.3%).

### **PRINCIPAL RISKS**

The Board of Directors has a process for identifying, evaluating and managing the key risks of the Company. This process operated during the year and has continued to the date of this report. The Directors confirm that during the year they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Directors describe below those risks and how they are being managed or mitigated.

Investment in an individual smaller company inherently carries a higher risk than investment in an individual large company. In a diversified portfolio, the portfolio risk of a smaller company portfolio is only slightly greater than the portfolio risk of a large company portfolio. The Company's portfolio is diversified. Additionally, the Company invests overwhelmingly in smaller UK listed and AIM traded companies and has no exposure to derivatives. The principal risks are therefore market price risk and liquidity risk. Further details on these risks and how they are managed may be found in Note 19 to the financial statements on pages 62 and 63.

Additional key risks identified by the Company, together with the Board's approach to dealing with them are as follows:

**Investment performance** – The performance of the investment portfolio will deviate from the performance of the benchmark index. The Board's objective is to exceed the benchmark index over the long-term whilst managing risk. The Board ensures that the Investment Manager is managing the portfolio within the scope of the investment policy; the Board monitors the Company's performance against the benchmark; and the Board also receives detailed portfolio attribution analyses. The Board has a clearly defined investment philosophy which requires the Investment Manager to operate a diversified portfolio.

**Share price discount** – Investment trust shares often trade at a discount to their underlying net asset values. A disproportionate widening of the discount comparative to peers could lead to a decrease in value for shareholders. The Board continually monitors the level of the discount and discusses its discount management policy with the Investment Manager. On 7th December 2016, the Company implemented share buy-back arrangements to mitigate the risk of the discount increasing. In August 2022, the Board announced an extension to the share buy-back programme. The Board has authorised the repurchase of shares up to a rolling £1 million per month until July 2023 (subject to the renewal of the buy-back authority at the forthcoming AGM).

**Loss of key personnel** – The Investment Manager is crucial to performance and the loss of key personnel could adversely affect performance in the medium term. The Board reviews its strategy for this risk annually. The Board has decreased the risk of having no key personnel available by appointing JUTM as Investment Manager, in place of a sole Investment Director. Jupiter provides two dedicated fund managers to the Company as part of the Investment Management Agreement. Jupiter also regularly considers its remuneration packages in order to retain staff and routinely reviews succession planning.

**Regulatory risk** – The Company must comply with the requirements of section 1158 of the Corporation Tax Act 2010 to maintain its investment trust status. This is achieved by the consistent investment policy and is monitored by the Board. The Board seeks assurance from the Administrator that the investment trust status is being maintained. The Board reviews a schedule of regulatory risk items at its Board meetings and takes action to address any regulatory changes.



**PRINCIPAL RISKS continued**

Protection of assets – The Company’s assets are protected by the use of an independent custodian, Northern Trust Company. The Board monitors the custodian to ensure assets remain protected. The Company operates internal controls to safeguard assets held by the custodian, for example, through the Administrator which reconciles the Company’s cash and stock positions to the custodian’s records on a daily basis.

Political risk – Changes in the political landscape could substantially affect the Company’s prospects and the value of its investment portfolio. Political risks are discussed at Board meetings. The risk to market stability and the impact of imposed sanctions following the conflict between Russia and Ukraine were discussed between the Investment Manager and the Board. The Company has no exposure to Russian stocks within its portfolio and therefore there was no need to amend the Company’s investment approach.

Climate change risk – Climate change will bring fundamental shifts to economic activity and human behaviour across the planet. The Board and Investment Manager regularly consider how climate change could affect the Company’s investment portfolio and shareholder returns.

Pandemic Risk – The COVID-19 pandemic highlighted the speed at and extent to which a pandemic or health emergency can exert strain on both global and localised economies and infrastructure. The structural changes that have been accelerated by the pandemic continue to present risks and opportunities for different sectors and their products, markets and supply chains. The Investment Manager mitigates exposure to these risks by carefully monitoring performance and adaptability of portfolio companies, diversifying investments and seeking to learn lessons from the COVID-19 pandemic which may be of use in future pandemics or health crises.

Economic conditions – Changes in economic conditions including, but not limited to, interest rates, rates of inflation, competition and tax legislation, could have a significant effect on the Company’s prospects and the value of its investment portfolio. The Board reviews the investment strategy and the portfolio at each Board meeting, taking into account economic conditions in the market sectors in which the Company invests. The Board continually considers economic conditions whilst seeking to meet the Company’s investment objective.

These and other risks facing the Company are reviewed regularly by the Audit, Risk and Compliance Committee and the Board.

**SECTION 172 STATEMENT**

The Board seeks to promote the success of the Company for the benefit of its shareholders. In doing so it gives consideration to the likely long term consequences of any decision with regard to the interests of its business relationships and the environment in which it operates. As at 31st December 2022, the Company had no employees.

Stakeholder Group	Engagement in the year and their material issues
Investors	<p>Shareholders play an important role in monitoring and safeguarding the governance of the Company. They have access to the Board via the Company Secretary throughout the year. The Board welcomes the opportunity to engage with shareholders at its Annual General Meeting. The Company continues to communicate with shareholders via the Company Secretary, its website and the publication of its financial reports throughout the year.</p> <p>The Board encourages shareholders to ask questions of the Chairman of the Board and all other Directors via the Company Secretary and to ask questions of the Investment Manager. Shareholders may submit questions to cosec@maitlandgroup.com or investmentcompanies@jupiteram.com. Communication with shareholders enables the Board to make informed decisions when considering how to promote the success of the Company over the long term.</p>

**STRATEGIC REPORT** continued**SECTION 172 STATEMENT** continued

<b>Stakeholder Group</b>	<b>Engagement in the year and their material issues</b>
Suppliers	<p>The Board relies on a number of advisors for support in the successful operation of the Company and in meeting its obligations. The Board therefore considers the Investment Manager, Secretary/Administrator, Broker, Registrar, Custodian and Depository to be stakeholders.</p> <p>Key suppliers are required to report to the Board on a regular basis and, as detailed on page 16, there is a robust framework in place to evaluate their performance annually. The Company employs a collaborative approach and looks to build long term partnerships based on open terms of business and fair payment terms.</p> <p>The Secretary engages with key suppliers to ensure that services provided are satisfactory.</p>
Investee Companies	<p>The Board recognises the benefits of good communication with and stewardship of investee companies and the importance of such in meeting the Company's investment objective.</p> <p>The Investment Manager meets with the management of companies in which the Company has a significant interest and reports on findings to the Board regularly.</p>
Regulators	<p>As a company listed on the London Stock Exchange, the Board ensures compliance with the necessary rules and regulations relevant to the Company in order to build trust and maintain its reputation in the market.</p>
Community and environment	<p>As discussed in more detail on pages 22 and 23 and throughout this report, in pursuing the Company's objectives, various factors that may impact on performance are considered. These may include environmental, social and governance ('ESG') issues. The Board believes that poor practices can have an impact on the value of investments and potential investments and consideration of ESG factors as part of the investment process is therefore key.</p>

**Factoring Stakeholders into Principal Decisions**

The Board defines principal decisions as not only those that are material to the Company but also those that are significant to any of the Company's key stakeholders as identified above. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly as between the members of the Company.

Principal Decision 1	<p><i>Change of Investment Manager and AIFM</i></p> <p>Following Mr S. J. B. Knott's decision to retire as CEO and Investment Director the Board engaged a third-party consultant to produce a shortlist of and to assist in a thorough evaluation of a number of potential investment managers prior to taking the decision to appoint JUTM as Investment Manager and AIFM. JUTM's appointment became effective on 3rd October 2022. JUTM is authorised and regulated by the FCA as a "full scope UK AIFM" for the purposes of the AIFM Directive.</p>
Principal Decision 2	<p><i>Refocusing the Investment Portfolio</i></p> <p>Following a detailed review, the Board agreed that the Investment Manager should continue to gradually rebalance and refocus the investment portfolio in order to mitigate risk, improve performance and reinvest a proportion of the Company's significant cash reserves in line with the Investment Objectives.</p>

**SECTION 172 STATEMENT continued**

Principal Decision 3	<p><i>Change of Directorate</i></p> <p>The Board recognises the importance of diversity of Directors in relation to their experience, background, gender and ethnicity, whilst also ensuring continuity. As announced on 8th December 2022, Dr D. M. Bramwell retired from the Board on 31st December 2022. Following Dr D. M. Bramwell's retirement Mr D. M. Best was appointed Chairman of the Company. The Board engaged a third-party recruitment consultant in its search for an additional director. This search resulted in the appointment of Ms M. H. Vaughan as a non-executive Director and Chair of the Audit, Risk and Compliance Committee on 1st January 2023.</p>
Principal Decision 4	<p><i>Tender Offer</i></p> <p>As part of the change of Investment Manager the Board provided shareholders with an opportunity to tender their shares and launched a tender offer on 2nd September 2022 for 10% of the issued share capital. The tender offer was fully subscribed with 706,904 Ordinary shares being bought back by the Company. The tender offer was conducted in addition to the ongoing share buyback programme. This was a discretionary tender offer and was not made in accordance with any provision of the Articles of Association.</p>
Principal Decision 5	<p><i>Change of Broker</i></p> <p>In conjunction with the tender offer process the Board evaluated a number of potential firms to provide broking and advisory services to the Company. Having decided to engage finnCap Limited to conduct the tender offer, the Board concluded that using the same broker for the share buy-back programme could provide synergies and cost efficiencies. As a result, finnCap was appointed as the Company's broker on 1st August 2022.</p>
Principal Decision 6	<p><i>Share buy-back programme</i></p> <p>In August 2022 the Company announced an extension of the share buy-back programme for a further twelve months. The Board has authorised repurchases of shares up to a rolling £1 million per month until July 2023. The continuation of the programme is designed to address the share price discount.</p>
Principal Decision 7	<p><i>Dividend Policy</i></p> <p>The Board continues to operate a progressive dividend policy. Despite continuing uncertainty as a result of the pandemic and the political and economic outlook, the Board has increased the annual dividend, having paid and recommended dividends totalling 40.0p per share to shareholders for the financial year ended 31st December 2022.</p>
Principal Decision 8	<p><i>Remuneration</i></p> <p>During the year the Nominations and Remuneration Committee undertook a review of the level of non-executive Directors' fees. The Committee considered the level of fees relative to the Company's peer group, together with the Company's performance and the need to attract and retain directors of a high calibre. The Committee concluded that the fees for each non-executive director should be increased by £3,000 per annum, with an additional fee of £4,000 for the Chair of the Audit, Risk and Compliance Committee and an additional fee of £9,000 for the Chairman with effect from 1st January 2023 and that the fees should continue to be reviewed annually to ensure that the levels of remuneration remain attractive to current and prospective directors. On the recommendation of the Nominations and Remuneration Committee the Board considered and approved the proposed increase in Directors' fees.</p>

**STRATEGIC REPORT** continued**SECTION 172 STATEMENT** continued

Principal Decision 8	<p><i>Remuneration (continued)</i></p> <p>As a result of the increase in the number of non-executive directors and the increase in fees, the aggregate annual fees for the year ending 31st December 2023 will be £148,000, within the current total of £150,000 permitted by the Articles of Association. Subject to approval at the 2023 AGM, the Board proposes that the aggregate level of Directors' fees that can be paid during each financial year be increased from £150,000 to £250,000 to allow for potential future increases in fees or the recruitment of additional directors.</p>
Principal Decision 9	<p><i>Management Engagement Committee</i></p> <p>The Board monitors the Investment Manager's performance against the Company's investment objective at each Board meeting. In addition, the Board took the decision to establish a Management Engagement Committee in early 2023. The terms of reference of the Committee are yet to be determined but as a minimum the Committee will meet annually to review the contractual terms and conditions and performance of the Investment Manager.</p>
Principal Decision 10	<p><i>Senior Independent Director</i></p> <p>The Board agreed that it would be appropriate to nominate a non-executive director to take on the role of Senior Independent Director ('SID'). Following his nomination, Mr J. B. Roper agreed to be appointed as SID with effect from 19th January 2023.</p>

**VIABILITY STATEMENT**

The Board reviews the performance and progress of the Company over five-year periods and uses these assessments, regular investment performance updates from the Investment Manager and a continuing programme of risk monitoring to assess the future viability of the Company. The Directors consider that a period of five years is a reasonable time horizon to consider the viability of the Company. The Company also uses this period for its strategic planning. The following facts support the Directors' view of the viability of the Company:

- The Company's portfolio comprises marketable smaller UK-listed and AIM traded securities and has short term cash on deposit.
- The Company does not use gearing.
- The expenses of the Company were covered three times by investment income in 2022.

In order to maintain viability, the Company has a robust risk control framework for the identification and mitigation of risk which is reviewed regularly by Board. Consideration was also given to the principal risks and uncertainties faced by the Company, as detailed on pages 22 and 23. The Directors seek assurances from suppliers that their operations are well managed and that they are taking appropriate action to monitor and mitigate risk. The Board also considered the implications of the pandemic and resultant political and economic uncertainty in relation to the Company's investment positions, its future income streams and its ability to continue trading.

Based on the above, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

**SHAREHOLDER COMMUNICATION**

The Board is committed to maintaining open channels of communication with shareholders. It is the Chairman's role to ensure effective communication with the Company's shareholders and it is the responsibility of the Board to ensure that satisfactory dialogue takes place, based on the mutual understanding of objectives. The Board remains cognisant of the importance of clear communications with shareholders and will respond to all reasonable requests for information or meetings.

The Investment Manager maintains a regular dialogue with major shareholders and reports to the Board. In the event that shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time via the Company Secretary at cosec@maitlandgroup.com. The Annual Report and half-year results are circulated to shareholders wishing to receive them and are available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share. Shareholders are encouraged to ask questions either at the Annual General Meeting or via the Company Secretary.

### COMPANY'S DIRECTORS AND EMPLOYEES

The number of directors and employees during the year was 5 (2021: 5).

	2022		2021	
	Male	Female	Male	Female
Directors (non-executive)	<b>5*</b>	<b>0</b>	4	0
Directors (executive)	<b>0</b>	<b>0</b>	1	0
Other Employees	<b>0</b>	<b>0</b>	0	0

\* Mr S. J. B. Knott became a non-executive Director on 3rd October 2022.

The Directors have considered the Strategic Report and believe that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and strategy.

The Strategic Report was approved by the Board and signed on its behalf by:

**Mr D. M. Best**, Director

15th February 2023

## REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their sixtieth Annual Report, together with audited financial statements in respect of the year ended 31st December 2022.

### DIRECTORS

The Directors who served during the year were as follows:

#### **Dr David Bramwell**

David is a Chartered Engineer and during his career has worked in a wide range of industries in senior executive and management consultancy roles. He was appointed Chief Executive of Peterhouse Group PLC in 1997 and thereafter Chairman of Intelek PLC. During his career he has represented several private equity and investment institutions as chairman and independent non-executive director of many private companies operating in a wide range of industries. His prime role was the strategic and tactical development in order to achieve growth in stakeholder value.

#### **David Best**

David is a Chartered Accountant and has been a director of a number of private companies. He was previously Group Finance Director of Peterhouse Group PLC and a Managing Director of YFM Group, a private equity business. He has over 35 years of investment experience across a number of businesses; since 2011 he has been involved with Mercia Asset Management PLC and its predecessor operations as its board representative advising on a number of portfolio companies. His involvement in operating companies allows him to share insights with the Board on the issues businesses face across a number of varied sectors.

#### **Dr Andrew Hosty**

Andrew is a Chartered Engineer and Fellow of the Royal Academy of Engineers. He is an international business leader with over 20 years of non-executive board experience and 30 years of executive and management experience, spanning private equity, UK Plc and global blue-chip corporates. From 2016 to 2018 Andrew was the CEO of the Sir Henry Royce Institute, the UK's home of advanced materials research and innovation. Andrew was Chief Operating Officer of Morgan Advanced Materials, and served on the Plc Board as an Executive Director from 2010 to 2016. These experiences and his current work with other operating companies mean that Andrew can contribute to a range of business matters over a wide spectrum of end markets.

#### **Jonathan Roper**

Jonathan is a solicitor and until his retirement from practice was a partner in Eversheds Sutherland (formerly Eversheds LLP.) He has more than 35 years' experience of commercial practice in the City, advising primarily on public and private company mergers and acquisitions, joint ventures and equity and other financing arrangements for UK and overseas clients, including many in the financial services sector, and often at a strategic board level. Until recently, was a member of the Council of the London School of Hygiene & Tropical Medicine and chair of its Audit & Risk Committee.

#### **Simon Knott**

Simon served as Investment Director of the Company from 1983 focusing on UK smaller companies. Following the appointment of Jupiter as Investment Manager on 3rd October 2022 Simon retired as Investment Director but remains a non-executive director of the Company.

An additional Director was appointed on 1st January 2023:

#### **Helen Vaughan**

Helen is a Chartered Accountant and a certified independent fund director. She has over 30 years of investment management experience. As the Chief Operating Officer for the J O Hambro Capital Management Group, Helen oversaw the transformation of the Group's operating model to one which supported rapid growth and also significantly reduced operational risk to the business. She retired from this company in September 2019. Prior to this, Helen was Director of Business Development at Credit Suisse Asset Management and before that Head of Investment Operations at SLC Asset Management and Head of Client Accounting at Framlington Group Limited.

## DIVIDENDS

The Board is recommending a final dividend of 29.25p per Ordinary share (2021: 24.0p). If approved, taken with the interim dividend of 10.75p per Ordinary share (2021: 10:75p), this will result in a total dividend to the holders of Ordinary shares for the year of 40.0p per Ordinary share (2021: 34.75p).

## SUBSTANTIAL SHAREHOLDINGS

As at 13th February 2023 the Company had received notification in accordance with Chapter 5 of the Disclosure and Transparency Rules of the following voting rights:

	Ordinary shares	% of voting rights*
Dartmoor Investment Trust	609,258	10.01
S. J. B. Knott	488,111	8.02
J. Knott	471,074	7.74
Rathbone Brothers PLC	305,998	5.03

\* The percentage of voting rights is as at the time of the notification.

## SECTION 414C(11) COMPANIES ACT 2006 INFORMATION

The Company has chosen to set out in the Strategic Report all information relating to the above.

## SECTION 992 COMPANIES ACT 2006 DISCLOSURES

Details of the Company's capital structure and voting rights are given on page 1 of this document and in Note 15 on page 60 of the financial statements.

## CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 31 to 33. The Corporate Governance Statement forms part of this Directors' Report.

Whilst the Company has no employees or customers, the Directors give regular consideration to the need to foster the Company's business relationships with its stakeholders including, but not limited to, its shareholders and service providers. The effect of this consideration upon the principal decisions taken by the Company during the year to 31st December 2022 is set out in further detail in the Strategic Report on pages 14 to 27.

## STAKEHOLDER CONSIDERATIONS

The Notice of the Annual General Meeting to be held on 23rd March 2023 is set out on pages 4 to 6.

**Directors' Aggregate Fee Limit Increase (resolution 12):** Upon recommendation from the Nomination and Remuneration Committee, the Board concluded that the fees for each non-executive director should be increased by £3,000 per annum, with an additional fee of £4,000 for the Chair of the Audit, Risk and Compliance Committee and an additional fee of £9,000 for the Chairman with effect from 1st January 2023. Following the increase in fees, the aggregate Directors' remuneration for the year ending 31st December 2023 stands at £148,000, within the limit of £150,000 stated in the Articles of Association. Subject to approval at the 2023 AGM, the Board proposes that the aggregate level of Directors' fees be increased to £250,000 to allow for potential future increases in fees or recruitment of additional directors.

**Share Split (resolution 13):** The Board is proposing the sub-division of each existing Ordinary Share into 10 new ordinary shares of 2.5p each. The Board believes that a share split may improve the liquidity in and marketability of the Company's shares which would benefit shareholders. More detail on the share split can be found on page 7.

## REPORT OF THE DIRECTORS *continued*

**Share Buy-Back Facility (resolution 14):** The Board is seeking to renew the authority granted at the Annual General Meeting held on 24th March 2022 that authorises the Company to make market purchases of Ordinary shares for cancellation. At the forthcoming Annual General Meeting the Directors will seek to renew this authority to buy back for cancellation up to 14.99% of Ordinary shares in issue, representing 912,691 Ordinary shares as at 13th February 2023. The authority will expire at the conclusion of the Annual General Meeting of the Company in 2024 unless the authority is renewed. The share buy-back programme was extended in August 2022. finnCap, the Company's broker, continues to facilitate these buy-backs on the Company's behalf and in accordance with the relevant provisions of the Companies Act 2006 and Listing Rules.

**Recommendation:** The Directors recommend that shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting, as they intend to do in respect of their own beneficial holdings; all resolutions are considered to be in the best interests of the Company and its members.

### DIRECTORS' REMUNERATION REPORT

The Annual Report on Directors' Remuneration on pages 37 to 39 provides information on the Directors' remuneration and their interests in the share capital of the Company, together with details of their letters of appointment and memoranda of service.

### ADMINISTRATION & SECRETARIAL AGREEMENT

The accounting, company secretarial and administrative services are provided by Maitland Administration Services Limited ("Maitland") under an agreement terminable by either party on not less than six months' notice. The services provided by Maitland are reviewed regularly by the Board.

### DISCLOSURE OF INFORMATION TO AUDITOR

So far as each Director at the date of approval of this report is aware:

- there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

### GOING CONCERN

The Company's assets comprise mainly readily realisable equity securities and cash and the value of its assets is significantly greater than its liabilities. Additionally, after reviewing the Company's budget, including the current financial resources and projected expenses for the next 12 months and its medium-term plans, the Directors believe that the Company's resources are adequate for it to continue in operational existence for the foreseeable future. The Directors have considered the impact of the increased market volatility since the outbreak of COVID-19, the risks arising from the conflict between Russia and Ukraine, the UK's cost of living crisis and global increases in inflation in relation to both the Company's operations and performance, and have concluded that they are able to meet their financial obligations and that these factors do not affect the going concern status. Accordingly, the Directors consider that it is appropriate to continue to prepare the financial statements on a going concern basis.

### GENERAL

No political contributions have been made during the year.

The Company purchases liability insurance covering the Directors and Officers of the Company. In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Begbies as Auditor of the Company will be put to the Annual General Meeting.

The Directors' Report was approved by the Board and signed on its behalf by:

**Mr D. M. Best**, Chairman  
15th February 2023



## CORPORATE GOVERNANCE STATEMENT

### AIC CODE

The Board has considered the AIC Code of Corporate Governance, published in February 2019 (AIC Code). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional provisions on issues that are of specific relevance to investment companies.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

The Board confirms that the Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://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.

### OPERATION OF THE BOARD OF DIRECTORS

The Directors of the Company, as shown on page 3, are Mr D. M. Best, Dr A. J. Hosty, Mr S. J. B. Knott, Mr J. B. Roper and Ms M. H. Vaughan. Dr D. M. Bramwell served throughout the year under review, retiring on 31st December 2022. Their biographical details, set out on page 28, demonstrate a breadth of investment, commercial and professional experience.

The Board is collectively responsible for promoting the success of the Company. It deals with the important aspects of the Company's affairs, including the setting of parameters for and the monitoring of investment strategy, as well as the review of investment performance. It reviews the share price and the discount or premium to net asset value. The Board sets limits on the size and concentration of new investments. The application of these and other restrictions, including those which govern the Company's tax status as an investment trust, are reviewed regularly at meetings of the Board and have been subject to close monitoring during the financial year.

The Board delegates all investment matters to the Investment Manager but retains all decisions concerning unquoted investments. The Investment Manager takes decisions as to the purchase and sale of individual investments and is responsible for effecting those decisions on the best available terms in accordance with the investment policy as stated on page 1.

The Chairman leads the Board and ensures that it deals effectively with all the aspects of its role. In particular, he ensures that the Administrator provides the Directors, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant. Representatives of the Administrator attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

The Directors, their roles and attendance records are as follows:

Directors	Role	Audit, Risk and Compliance Committee	Nominations and Remuneration Committee	Board meetings attended	Committee meetings attended
Dr D. M. Bramwell*	Chairman, non-executive	Yes	Yes	10 (10)	5 (5)
Mr S. J. B. Knott	Non-executive	No	No	9 (10)	0 (0)
Mr D. M. Best	Non-executive	Chairman	Yes	10 (10)	5 (5)
Dr A. J. Hosty	Non-executive	Yes	Yes	10 (10)	5 (5)
Mr J. B. Roper	Non-executive	Yes	Chairman	10 (10)	5 (5)
Ms M. H. Vaughan**	Non-executive	Yes	No	n/a	n/a

\*Dr D. M. Bramwell retired from the Company on 31st December 2022.

\*\*Ms M. H. Vaughan was appointed on 1st January 2023 and attended the Board and Audit, Risk and Compliance Committee meetings held in November 2022 by invitation.

Ten board and three board committee meetings were held during the year. Mr S. J. B. Knott became a member of the Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee on 3rd October 2022, prior to which he attended committee meetings when appropriate by invitation only. Mr D. M. Best is no longer a member of the Audit, Risk and Compliance Committee as of 31st December 2022 but may attend meetings by standing invitation.

## **CORPORATE GOVERNANCE STATEMENT** continued

### **INDEPENDENCE OF THE DIRECTORS**

The Board of Directors, which includes five non-executive Directors, four of whom are considered to be independent, normally meets six times a year to review the affairs of the Company. The Directors have reviewed their independence by reference to the AIC Code. Mr S. J. B. Knott is not deemed independent by virtue of his previous position as Investment Director. All other Directors have had no material connection other than as Directors of the Company. The Board is of the opinion that each of the four non-executive Directors is independent in character and judgment and that there are no relationships or circumstances that are likely to affect their judgment. Mr D. M. Best and Mr. J. B. Roper have now served on the Board for more than nine years and (along with the other Directors) will stand for re-election by the shareholders each year. The Board is firmly of the view, however, that length of service does not of itself impair a Director's ability to act independently. As such, the Board considers Mr. D. M. Best and Mr. J. B. Roper to be independent but, in accordance with the Code, their roles and contribution will be subject to particularly rigorous review.

### **CONFLICTS OF INTEREST**

The Articles of Association reflect the codification of certain Directors' duties arising from the Companies Act 2006 and in particular the duty for Directors to avoid conflicts of interest. The Board has put in place a framework in order for Directors to report conflicts of interest or potential conflicts of interest.

All Directors are required to notify the Company Secretary of any situations, or potential situations, where they consider that they have or may have a direct or indirect interest or duty that conflicts or may possibly conflict with the interests of the Company. The Board considers that the framework has worked effectively throughout the period since its adoption. Directors are also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis. This process was maintained throughout the year.

### **NOMINATIONS AND REMUNERATION COMMITTEE**

The Committee oversees a formal review procedure and evaluates the overall composition of the Board from time to time, taking into account the existing balance of skills and knowledge. Its chairman is an independent non-executive Director. There are procedures for new Directors to receive relevant information on the Company together with appropriate induction. The Committee is satisfied that the Board and its Committees function effectively, both collectively and individually, and that they contain the appropriate balance of skills and experience to provide effective management. The Board uses a skills matrix in order to identify any gaps in the current Board's knowledge and experience which will be used to support future evaluations and succession planning.

Mr S. J. B. Knott retired as Investment Director on 3rd October 2022. Until that date the remuneration of the Investment Director was recommended to the Board by the Nomination and Remuneration Committee. The Board considered that the interests of the Investment Director, who was himself a shareholder (see page 38), were aligned with those of other shareholders. The Committee also reviews the composition of the Board and manages the recruitment process for new Directors.

Further details of the work of the Committee are given on page 37.

### **BOARD AND DIRECTOR EVALUATION**

The Board reviews its performance on an annual basis; the review was not facilitated by a third party for the year ended 2022. The review covers an assessment of how cohesively the Board, Audit, Risk and Compliance Committee and Nominations and Remuneration Committee work as a whole, as well as the performance of the individuals within them.

The Chairman is responsible for performing this review. Mr S. J. B Knott, Dr A. J. Hosty, Mr J. B. Roper and Ms M. H. Vaughan perform a similar role in respect of the performance of the Chairman. The evaluation confirmed that all Directors continue to be effective on behalf of the Company and committed to the role.

In order to prevent "over boarding" and possible conflict, any significant external commitments require the prior consent of the Board.

## TENURE OF DIRECTORS

Subject to shareholder approval, Ms M. H. Vaughan will be elected at the Annual General Meeting. As in previous years, all incumbent Directors retire at each Annual General Meeting and, if appropriate, seek re-election. Being eligible, Mr D. M. Best, Dr A. J. Hosty, Mr J. B. Roper, and Mr S. J. B. Knott offer themselves for re-election. The Board considers that the Directors should be re-elected because they bring broad, current and relevant business experience that allows them to contribute effectively to the leadership of the Company. The Board evaluation confirmed that the performance of all directors continues to be effective and that all Directors are committed to their roles.

Each non-executive Director has signed a letter of appointment to formalise the terms of their engagement as a Director of the Company (or there is a memorandum of such terms), copies of which are available on request and at the Company's Annual General Meeting. No Director is or was materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business.

With the exception of Mr S. J. B. Knott, no Director has, or during the financial year had, a contract of service with the Company. The terms of Mr S. J. B. Knott's remuneration as Investment Director until 3rd October 2022 are detailed in the Directors' Annual Remuneration Report on pages 37 to 42.

The Company is committed to ensuring that vacancies arising are filled by the best qualified candidates and recognises the value of diversity in the composition of the Board.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is fully aware of its duty to present a balanced and understandable assessment of the Company's position. It acknowledges its responsibility for the Company's system of internal financial controls and their effectiveness. The Board meets regularly and reviews performance against approved plans and forecasts. In addition, the day-to-day administration and accounting functions are carried out by the Administrator and reports are submitted regularly to the Board.

As part of the system of internal control, there is a process to identify, evaluate and manage the significant risks faced by the Company, which has been in place during the year under review and up to the date of approval of these financial statements. This has been reviewed by the Board, is in accordance with the guidelines in the AIC Code and is considered by the Board to be effective and fit for purpose. The system of risk analysis adopted by the Board is designed to manage rather than eliminate the risk of failure to achieve the investment objectives of the Company. It must be stressed that undertaking an acceptable degree of controlled risk is always necessary in the conduct of any investment trust if above average performance is to be achieved. For this reason, the process can only provide reasonable and not absolute assurance against loss.

## AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit, Risk and Compliance Committee is a formally constituted committee of the Board with defined terms of reference, which include its role and the authority delegated to it by the Board, and which are available at the Company's registered office and on the Company's website. Its specific responsibilities include reviewing the Company's annual and half yearly results, together with the supporting documentation.

This Committee also reviews the performance of key suppliers although in future the performance of the Investment Manager will be reviewed by the newly established Management Engagement Committee.

Further details are given in the Report of the Audit, Risk and Compliance Committee on pages 34 to 36.

## STATEMENT OF COMPLIANCE

The Directors consider that during the year ended 31st December 2022 the Company has complied with all the relevant provisions set out in the AIC Code.

This Corporate Governance Statement was approved by the Board and signed on its behalf:

**Mr D. M. Best**, Chairman  
15th February 2023

## **REPORT OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE**

### **ROLE OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE**

The Audit, Risk and Compliance Committee's main functions are as follows:

- To monitor the internal financial control and risk management systems on which the Company is reliant.
- To monitor the integrity of the half-year and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgments of the Investment Manager.
- To meet the Auditor to review its proposed audit programme and the subsequent Audit Report, to review the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work.
- To make recommendations to the Board in relation to the appointment, reappointment or removal of the Auditor and to negotiate its remuneration and terms of engagement on audit and non-audit work.
- To monitor and review annually the Auditor's independence, objectivity, effectiveness, resources and qualification.
- To monitor the performance of key suppliers.

The Audit, Risk and Compliance Committee meets at least twice each year and operates within defined terms of reference which are available at the Company's registered office and on the Company's website.

### **COMPOSITION OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE**

The Audit, Risk and Compliance Committee comprises four non-executive Directors, at least one of whom has recent and relevant financial experience.

### **SIGNIFICANT ISSUES AND RISKS**

In planning its own work and reviewing the audit plan of the Auditor, the Audit, Risk and Compliance Committee takes account of the most significant issues and risks, both operational and financial, likely to impact upon the Company's financial statements.

The valuation of the investment portfolio is a significant risk factor; however, the values of all investments can be verified against daily market prices.

A further significant risk control issue is to ensure that the investment portfolio reported upon in the financial statements is supported by evidence of physical ownership of the relevant securities. The Company uses the services of an independent custodian, Northern Trust Company, to hold the assets of the Company. The investment portfolio is regularly reconciled to the custodian's records and that reconciliation is also reviewed by the Auditor. Northern Trust Company also acts as the Company's Depositary.

The incomplete or inaccurate recognition of income in the financial statements are risks. Internal control systems, including frequent reconciliations, are in place to ensure income is fully accounted for. The Board is provided with information on the Company's income account at each meeting.

Financial statements issued by the Company need to be fair, balanced and understandable. The Audit, Risk and Compliance Committee reviews the Annual Report as a whole and makes suitable recommendations to the Board.

The Company's half-yearly report is approved by the Audit, Risk and Compliance Committee prior to publication and is also reviewed by the Auditor.

The Audit, Risk and Compliance Committee assesses whether it is appropriate to prepare the Company's financial statements on a going concern basis and makes recommendations to the Board. The Board's conclusions are set out in the Report of the Directors.

## **INTERNAL CONTROLS**

The Audit, Risk and Compliance Committee is responsible for ensuring that suitable internal control systems to prevent and detect fraud and error are designed and implemented and is also responsible for reviewing the effectiveness of such controls. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Report and is regularly reviewed. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these are managed. The risks of failure of any such controls are identified in a risk assessment which identifies the likelihood and severity of the impact of such risks and the controls in place to minimise the probability of such risks occurring; the risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, but not absolute, assurance against material misstatement or loss. Equally, it must be stressed that undertaking an acceptable degree of controlled risk is always necessary in the conduct of any investment trust if above average performance is to be achieved.

The following are the key components which the Company has in place to provide effective internal control:

- The Board has agreed clearly defined investment criteria; reports on compliance therewith are regularly reviewed by the Board.
- The Board has a procedure to ensure that the Company can continue to be approved as an investment company by complying with section 1158 of the Corporation Tax Act 2010.
- The Administrator prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.
- The performance of the Investment Manager and any contractual agreements with other third party service providers, and adherence to them, are regularly reviewed.
- The Company does not itself have a whistleblowing policy in place. The Company delegates its administration to third party providers who have such policies in place.

The Audit, Risk and Compliance Committee has reviewed the need for an internal audit function, but has concluded that, given the size of the organisation and the clear segregation of investment management and control of the assets, there is no need for such a function at the current time. The Audit, Risk and Compliance Committee continues to keep such a requirement under review.

## **EXTERNAL AUDIT PROCESS**

The Audit, Risk and Compliance Committee meets at least twice a year with the Auditor. The Auditor provides a planning report in advance of the annual audit, a report on the annual audit, and a report of its review of the half-year financial statements. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports; it also agrees the level and scope of materiality to be adopted in respect of the annual audit.

In addition, at least once a year, the Audit, Risk and Compliance Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Investment Manager and Administrator.

After each audit, the Audit, Risk and Compliance Committee will review the audit process and consider its effectiveness.

## REPORT OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE **continued**

### AUDITOR ASSESSMENT AND INDEPENDENCE

The Company's Auditor is Begbies, which has been the Company's Auditor since 2006. Rotation of the Audit Partner takes place in accordance with Ethical Standard 3; "Long Association with the Audit Engagement" of the Financial Reporting Council ("FRC").

The Board is committed to conducting a tender of the Company's audit engagement in accordance with applicable regulations, but in the short term continues to value the continuity and objectivity that Begbies offer through the uncertainty caused by the COVID-19 pandemic and the Ukraine war. Any decision to conduct an audit tender will therefore be reconsidered once the global economic outlook has stabilised.

The fees for audit purposes were £18,300 (2021: £17,400).

The Audit, Risk and Compliance Committee has approved and implemented a policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the FRC, and does not believe there is any impediment to the Auditor's objectivity and independence. All non-audit work to be carried out by the Auditor must be approved by the Audit, Risk and Compliance Committee in advance. The cost of non-audit services provided by the Auditor for the financial year ended 31st December 2022 was £4,500 (2021: £4,320). The non-audit service provided during the year related solely to the review of the half year accounts. The Committee believes that the review provides comfort to the Company's stakeholders and that the Auditor is best placed to provide this on a cost-effective basis. No other non-audit services were provided to the Company by the Auditor. The fees for non-audit services are not considered material in the context of the financial statements as a whole.

### INDEPENDENCE

During the year the Committee reviewed the independence policies and procedures of the Auditor, including quality assurance procedures. It was considered that those policies and procedures remained fit for purpose.

### DISCLOSURE OF INFORMATION TO THE AUDITOR

It is the Company's policy to allow the Auditor unlimited access to its records. The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware and that they have taken all the steps which they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### CONCLUSION

The Audit, Risk and Compliance Committee has reviewed the matters within its terms of reference and reports as follows:

- it has approved the financial statements for the year ended 31st December 2022;
- it has reviewed the effectiveness of the Company's internal controls and risk management;
- it has reviewed the need for a separate internal audit function;
- it has recommended to the Board that a resolution be proposed at the Annual General Meeting for the reappointment of the Auditor and it has considered the proposed terms of its engagement;
- it has satisfied itself as to the independence of the Auditor; and
- it has satisfied itself that the contents of the Annual Report are consistent with the financial statements.

**Ms M. H. Vaughan**, Director  
Chair, Audit, Risk and Compliance Committee

15th February 2023

## DIRECTORS' ANNUAL REMUNERATION REPORT

### INTRODUCTION

This Report is submitted in accordance with the requirements of sections 420 to 422 of the Companies Act 2006 in respect of the year ended 31st December 2022. An ordinary resolution to approve this Report will be put to members at the forthcoming Annual General Meeting; however, the Directors' remuneration is not conditional upon the resolution being passed.

The Company has established a Nominations and Remuneration Committee, the terms of reference of which include annually reviewing and recommending to the Board the level of Directors' fees and remuneration. The full terms of reference are available at the Company's registered office and on the Company's website. The Committee comprises all Board members and is chaired by Mr J. B. Roper. The Board being members of the Committee enables Directors to address any potential conflicts when assessing individual levels of remuneration.

### DIRECTORS' REMUNERATION AS A SINGLE FIGURE (AUDITED)

Director	Salary and fees 2022 £	Additional payments 2022 £	Total for 2022 £	Salary and fees 2021 £	Additional payments 2021 £	Total for 2021 £
Mr D. M. Best (Chairman)	24,000	11,000	35,000	22,000	–	22,000
Dr D. M. Bramwell	30,000	–	30,000	28,000	–	28,000
Dr A. J. Hosty	24,000	–	24,000	22,000	–	22,000
Mr S. J. B. Knott*	197,250	–	197,250	255,000	–	255,000
Mr J. B. Roper	24,000	17,000	41,000	22,000	–	22,000
Ms M. H. Vaughan**	–	–	–	–	–	–
<b>Total</b>	<b>299,250</b>	<b>28,000</b>	<b>327,250</b>	349,000	–	349,000

\*Mr S. J. B. Knott's role changed from Investment Director to non-executive Director on 3rd October 2022. The table above reflects the salary he earned in total for his roles as Investment Director and then subsequently non-executive Director during the year.

\*\*Ms M. H. Vaughan was appointed a Director on 1st January 2023.

### ANNUAL PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

The annual percentage change in fees for each Director who served in the year under review is set out in the following table:

	Year to 31st December 2022 %	Year to 31st December 2021 %	Year to 31st December 2020 %
Mr D. M. Best (Chairman)	9	0	0
Dr D. M. Bramwell	7	0	0
Dr A. J. Hosty	9	0	0
Mr S. J. B. Knott*	n/a	n/a	n/a
Mr J. B. Roper	9	0	0

\*Mr S. J. B. Knott's appointment a non-executive Director commenced on 3rd October 2022.

No payments of other types prescribed in the relevant regulations such as Long-term Incentive Plans ("LTIPs") or pensions and pension-related benefits were made.

All Directors are entitled to the reimbursement of expenses incurred by them in order to perform their duties as Directors of the Company.

Following the extensive work carried out during the year in relation to succession planning, the tender offer, change of broker, change of investment manager and recruitment of a non-executive Director, the Board (with Mr D. M. Best and Mr J. B. Roper not participating in any discussions) agreed that an additional payment of £11,000 would be paid to Mr D. M. Best and £17,000 to Mr J. B. Roper. No other remuneration or compensation was paid or payable by the Company during the year to any current or former Directors.

With effect from 1st January 2023 the fees payable to the Directors are as follows: Chairman £36,000, Chair of the Audit, Risk and Compliance Committee £31,000 and other non-executive Directors £27,000.

**DIRECTORS' ANNUAL REMUNERATION REPORT** continued**STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)**

The Company has not set any requirements or guidelines for the Directors to own Ordinary shares in the Company. The beneficial interests of the Directors and their connected persons in the Ordinary shares of the Company are shown in the table below.

	Ordinary shares	
	31st December 2022	31st December 2021
Mr D. M. Best	480	480
Dr D. M. Bramwell*	22,625	22,625
Dr A. J. Hosty	–	–
Mr S. J. B. Knott	488,111	488,111
Mr J. B. Roper	–	–
Ms M. H. Vaughan**	–	–

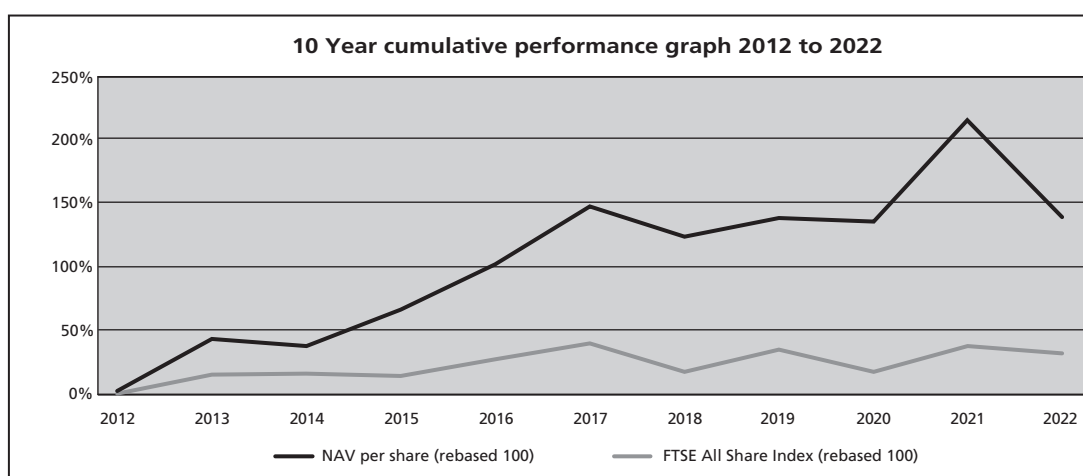
\* Dr D. M. Bramwell retired on 31st December 2022.

\*\* Ms M. H. Vaughan was appointed on 1st January 2023.

No changes in the Directors' interests shown above have occurred since 31st December 2022.

**PERFORMANCE GRAPH AND CEO REMUNERATION TABLE**

The graph below illustrates the total shareholder return for the Ordinary shares relative to the FTSE All-Share Index. This has been selected as the most appropriate index as it is the Company's benchmark index.

**CEO REMUNERATION TABLE**

	CEO Single Figure of Total Remuneration £	Annual Bonus Paid Out £
2018	319,500	–
2019	319,500	–
2020	319,500	–
2021	255,000	–
<b>2022</b>	<b>191,250</b>	–
<b>Total</b>	<b>1,404,750</b>	–



The table below shows the percentage change in the remuneration of the Director undertaking the role of CEO (the Investment Director) between the years 2021 and to 3rd October 2022. During the same period the Company had no other employees.

	Percentage change in salary	Percentage change in annual bonus
CEO*	-25%	0%
Workforce	N/A	N/A

\* This percentage is based on the difference between Mr S. J. B Knott's remuneration for the period 1st January 2021 to 31st December 2021 and 1st January 2022 to 3rd October 2022 when he retired as Investment Director.

### SIGNIFICANCE OF SPEND ON PAY

	Directors' remuneration £	Shareholder distribution £
<b>2022</b>	<b>299,250</b>	<b>2,513,000</b>
2021	349,000	2,429,000
Difference	-49,750	84,000
% Change*	-14.2	3.4

\* This figure includes Mr S. J. B Knott's remuneration for the period 1st January 2022 to 3rd October 2022 when he retired as Investment Director.

### SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Except as set out below, there are no written service contracts or contract for services in respect of any Director. There are no share options, LTIPs, pension or profit-related pay arrangements with any of the Directors.

There are letters of appointment for all five non-executive Directors:

<i>Director</i>	<i>Date</i>
Mr D. M. Best	5th April 2016
Dr A. J. Hosty	1st July 2017
Mr S. J. B. Knott	3rd October 2022
Mr J. B. Roper	5th April 2016
Ms M. H. Vaughan	8th December 2022

There was a written memorandum setting out the terms of the contract of service for Mr S. J. B. Knott and subsequent memoranda varying the letters of appointment and the memorandum for the period covering Mr S. J. B. Knott's appointment until his retirement as Investment Director on 3rd October 2022. The annualised performance objectives for the Investment Director were subject to rigorous review by the Committee and its Chairman over the course of the financial year to 3rd October 2022, as in previous years.

No terms or notice periods are set out in any terms of appointment of any of the Directors. Ms M. H. Vaughan is subject to election and all other Directors are subject to re-election at the Company's Annual General Meeting to be held on 23rd March 2023.

There are no provisions for the payment of compensation for loss of office, early termination or wrongful termination by the Company. Any payment on termination of their appointments would be calculated in accordance with their strict legal entitlements.

## THE COMPANY'S POLICY ON DIRECTORS' REMUNERATION

The following is the Company's policy for Directors' remuneration which was last approved by shareholders at the Annual General Meeting held on 24th June 2020. The shareholders will be asked to reconsider the Remuneration Policy at the forthcoming Annual General Meeting to be held on 23rd March 2023.

Following the increase in the number of non-executive directors and taking into account current benchmarking as well as future director recruitment, it is proposed that the limit of aggregate fees should be increased to £250,000 and that reference to the Investment Director be removed. No other material changes to the policy are proposed. The proposed amended policy is stated in full below.

### INTRODUCTION

The Company's policy as regards non-executive Directors is that fees payable to them should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents should be considered with regard being had to the overall activities and size of the Company.

The maximum aggregate level of fees payable to the Directors for acting as Directors of the Company is £150,000 per annum (or such higher amount as is decided by ordinary resolution – an ordinary resolution to increase this to £250,000 is being proposed at the Company's annual general meeting to be held on 23rd March 2023). Directors may also be remunerated for providing special services or for performing any other office or employment by the Company (other than as auditor).

The Company does not confer any share options, long-term incentives or retirement benefits on any Director, nor does it make a contribution to any pension scheme on behalf of the Directors. The Company also puts Directors' liability insurance in place.

### FUTURE POLICY TABLE

The tables below summarise the various elements of the remuneration packages of the Directors.

#### Chairman and non-executive Directors' fees

<i>Element</i>	<i>Purpose and link to strategy</i>
Chairman and non-executive Directors' fees	The fees paid to the Chairman and the other non-executive Directors aim to be competitive with other investment trusts of equivalent size and complexity. Fees are fixed annual sums and are reviewed periodically by the Board (for non-executive Directors) and the Nominations and Remuneration Committee (for the Chairman). Neither the Chairman nor the other non-executive Directors receive any incentive payment.

#### *Notes:*

No Director is entitled to receive any pension provision.

The Company has no employees.

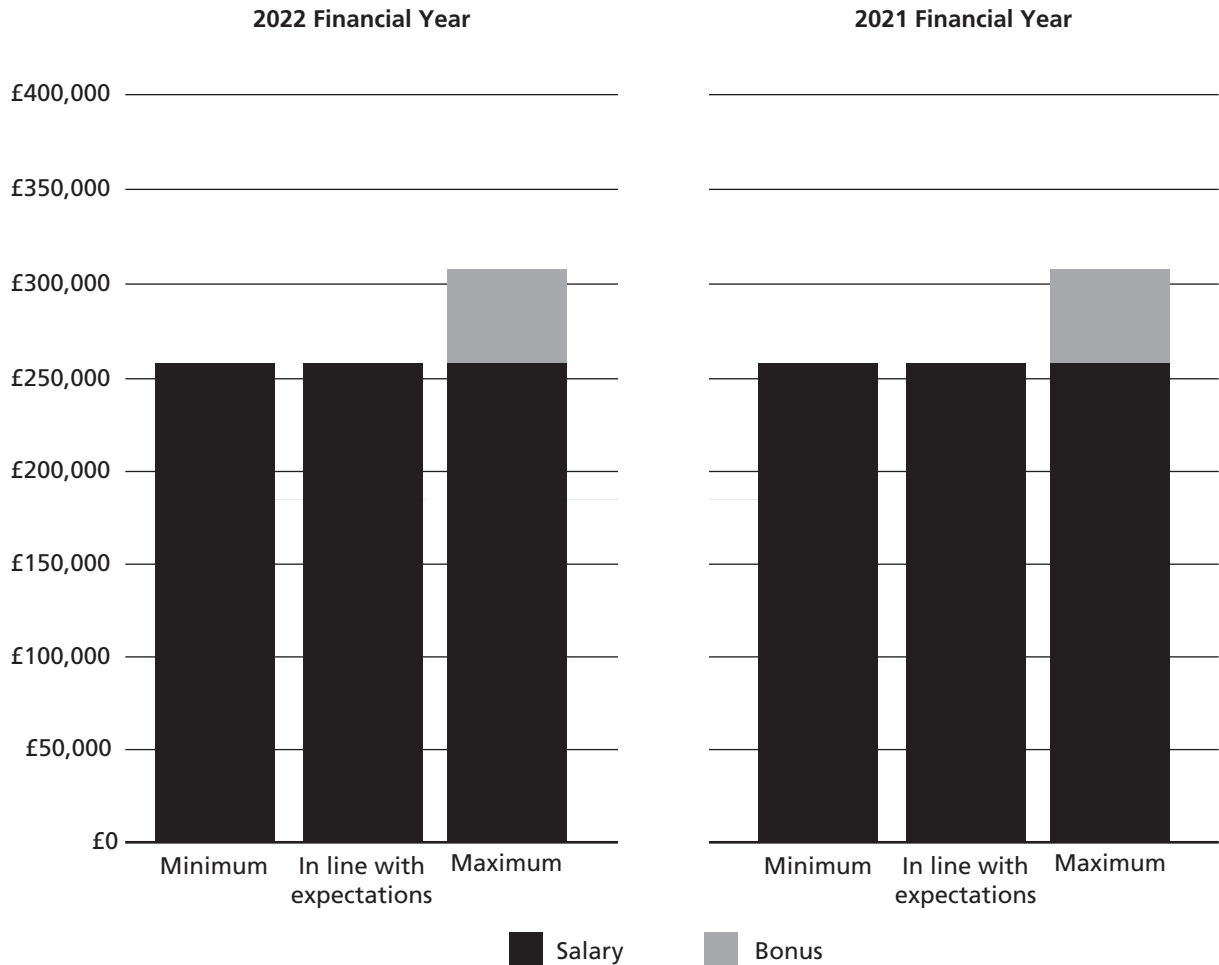
### APPROACH TO RECRUITMENT REMUNERATION

The principles the Company would apply in setting remuneration for new Board members would be in line with the Remuneration Policy. Fees and salary for new appointees would therefore be commensurate with that of the existing Board members and their relevant peer group.

### STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

As the Company has no employees, other than the Investment Director up until 3rd October 2022, there was no consultation when setting the Directors' Remuneration Policy and no remuneration comparison measurement with employees was used.

It is intended that the Directors' Remuneration Policy will continue to apply from its approval at the 2023 Annual General Meeting until the Annual General Meeting in 2026.

**ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY TO INVESTMENT DIRECTOR'S PAY**

	Minimum	In line with expectations	Maximum
Bonus	0%	0%	17%
Salary	100%	100%	83%

It is expected that no bonus will be payable for performance in line with expectations and a maximum bonus of 20% of salary would be payable in the event of outperformance.

**VOTING AT ANNUAL GENERAL MEETING**

A binding ordinary resolution approving the Directors' Remuneration Policy was approved on 24th June 2020. The votes cast were as follows:

**Remuneration Policy**

For – % of votes cast	98.39%
Against – % of votes cast	0.03%
At Chairman's discretion – % of votes cast	1.58%
Total votes cast	1,331,179
Number of votes withheld	2,425

**THE COMPANY'S POLICY ON DIRECTORS' REMUNERATION** continued

A non-binding ordinary resolution adopting the Annual Report on Directors' Remuneration for the year ended 31st December 2021 was approved by shareholders at the Annual General Meeting held on 24th March 2022. The votes cast by proxy were as follows:

**Annual Report on Directors' Remuneration**

For – % of votes cast	100%
Against – % of votes cast	0.0%
At Chairman's discretion – % of votes cast	0.0%
Total votes cast	1,354,098
Number of votes withheld	280

**ANNUAL STATEMENT**

On behalf of the Board and in accordance with Part 2 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report (which has been agreed by the Board) summarises, as applicable, for the year ended 31st December 2022:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions that have been taken.

**Mr J. B. Roper**, Director  
Chairman, Nominations and Remuneration Committee

15th February 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and UK adopted International Financial Reporting Standards ("IFRS").

The Directors are required to prepare the financial statements for each financial year which present fairly the financial position, the financial performance and cash flows of the Company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRS subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Strategic Report and Directors' Remuneration Report that comply 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. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide shareholders with the information necessary to assess the Company's position and performance, business model and strategy.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with applicable 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.

**Mr D. M. Best**, Director

15th February 2023

## INDEPENDENT AUDITOR'S REPORT

To the Members of Rights and Issues Investment Trust PLC

### OPINION

We have audited the financial statements of Rights and Issues Investment Trust PLC for the year ended 31st December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards ("IFRS").

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted IFRS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with our report to the Audit, Risk and Compliance Committee.

### CONCLUSIONS RELATING TO GOING CONCERN

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

- confirmation of our understanding of the Company's going concern assessment process and reviewing the Directors' assessment of going concern including revenue forecasts and the ability of the Company to meet future expected operating expenses;
- reviewing the holdings in the investment portfolio and the Company's assessment of its liquidity and any potential impairment;
- reviewing the Directors' assessment of the impact of the COVID-19 outbreak, the conflict between Russia and Ukraine, the UK's cost of living crisis and global increases in inflation on the revenue forecast, the liquidity of investments and the Company's ability to cover working capital requirements should income decline significantly;
- the review of the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with reporting standards

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

## KEY AUDIT MATTERS

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

The purpose of the Company is to invest in equities with a view to achieving capital appreciation and a dividend income stream. Consequently we have identified the following risks of material misstatements that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

- the incorrect valuation of the investment portfolio held by the Company;
- the ownership of the investments and the risk of the misappropriation of those assets;
- the incomplete or inaccurate recognition of the Company's investment income.

The risks we have identified are consistent with those risks that were identified in the prior year.

Therefore particular emphasis was placed in examining and testing the processes of measuring and recognising investments including ownership of those investments together with the testing of its income. We obtained confirmation of investments held at the year end from the custodian, testing this to the records maintained by the Company. We tested a selection of investment additions and disposals shown in the Company's records to supporting documentation and agreed the valuation of quoted investments. We also tested dividends receivable and confirmed that the income was recorded in accordance with the Company's accounting policy.

Based on the work we performed, we had no matters to report to the Audit, Risk and Compliance Committee.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our assessment of audit risk and our evaluation of materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment, when assessing the level of work to be performed. There are no significant changes in our approach from the previous year.

## OUR APPLICATION OF MATERIALITY

We determined our planning materiality to be £1.41 million which is 1% of net assets. Given the importance of the distinction between revenue and capital for the Company, we also decided on a separate testing materiality of £270,000 for the revenue column of the Income Statement which is 10% of the net return.

The Audit, Risk and Compliance Committee requested our materiality to be set at the lower level of £1 million for the financial statements as a whole. Due to the significance of the Company's net assets compared with the amounts in the revenue column of the Income Statement, they asked us to set a separate materiality level for the revenue column of £100,000.

We have also agreed with the Audit, Risk and Compliance Committee that we would report to them all audit differences in excess of £50,000 as well as any other differences below that threshold which in our view should be reported to them because of their nature, relevance and prominence in the financial statements.

**INDEPENDENT AUDITOR'S REPORT** continued

To the Members of Rights and Issues Investment Trust PLC

**OTHER INFORMATION**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report (including the Strategic Report and the Directors' Report), other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement 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 in this regard.

**OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

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

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

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

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

**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.

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

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties set out on pages 30 and 53.
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 26.
- The Directors' statement on fair, balanced and understandable set out page 43.
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 22.
- The section of the Annual Report that describes the review of the effectiveness of risk management and internal control on page 33.
- The section describing the work of the Audit, Risk and Compliance Committee set out on pages 34 to 36.



## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

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

## **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (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.

## **EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES INCLUDING FRAUD**

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

- assessing the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements;
- agreement of the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- enquiries and confirmation of management as to their identification of any non-compliance with laws or regulations, or any actual or potential claims;
- reading of minutes of meetings of those charged with governance;
- assessing the segregation of duties in place between the Directors, the Administrator and the Investment Manager; and
- undertaking procedures to review journal entries and evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud;

## **INDEPENDENT AUDITOR'S REPORT** continued

To the Members of Rights and Issues Investment Trust PLC

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **USE OF THIS REPORT**

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

### **OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS**

We were appointed by the Board of Directors to audit the financial statements for the year ended 31st December 2006. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

**Jeremy Staines** (Senior Statutory Auditor)  
For and on behalf of Begbies  
Chartered Accountants and Statutory Auditor

9 Bonhill Street  
London  
15th February 2023

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31st December 2022

Notes	Year ended 31st December 2022			Year ended 31st December 2021			
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
<b>Investment income</b>	2	<b>3,633</b>	–	<b>3,633</b>	3,640	–	3,640
Other operating income	2	<b>19</b>	–	<b>19</b>	–	–	–
Total income		<b>3,652</b>	–	<b>3,652</b>	3,640	–	3,640
(Losses)/gains on fair value through profit or loss assets	10	–	<b>(56,774)</b>	<b>(56,774)</b>	–	58,259	58,259
(Losses) on subsidiary holding	11	–	–	–	–	(758)	(758)
		<b>3,652</b>	<b>(56,774)</b>	<b>(53,122)</b>	3,640	57,501	61,141
<b>Expenses</b>							
Investment management fee	3	<b>175</b>	–	<b>175</b>	–	–	–
Other expenses	4	<b>767</b>	<b>181</b>	<b>948</b>	724	34	758
		<b>942</b>	<b>181</b>	<b>1,123</b>	724	34	758
<b>Profit/(losses) before finance costs and taxation</b>		<b>2,710</b>	<b>(56,955)</b>	<b>(54,245)</b>	2,916	57,467	60,383
Finance costs		–	–	–	–	–	–
<b>Profit/(losses) before tax</b>		<b>2,710</b>	<b>(56,955)</b>	<b>(54,245)</b>	2,916	57,467	60,383
Tax	6	–	–	–	–	–	–
<b>Profit/(losses) for the year</b>		<b>2,710</b>	<b>(56,955)</b>	<b>(54,245)</b>	2,916	57,467	60,383
<b>Earnings per share</b>							
Return per Ordinary share	8	<b>38.9p</b>	<b>(818.2)p</b>	<b>(779.3)p</b>	38.8p	766.0p	804.8p

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

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

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

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

The notes on pages 53 to 64 form part of these financial statements.

**BALANCE SHEET**

as at 31st December 2022

	Notes	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Investments – fair value through profit or loss	10	<b>134,447</b>	196,397
		<b>134,447</b>	196,397
<b>Current assets</b>			
Other receivables	13	<b>561</b>	641
Cash and cash equivalents		<b>6,039</b>	26,761
		<b>6,600</b>	27,402
<b>Total assets</b>		<b>141,047</b>	223,799
<b>Current liabilities</b>			
Other payables	14	<b>264</b>	67
<b>Total assets less current liabilities</b>		<b>140,783</b>	223,732
<b>Net assets</b>		<b>140,783</b>	223,732
<b>Equity</b>			
Called up share capital	15	<b>1,542</b>	1,842
Capital redemption reserve	16	<b>713</b>	413
Retained reserves:			
Capital reserve	16	<b>67,191</b>	81,410
Revaluation reserve	16	<b>69,032</b>	137,959
Revenue reserve	16	<b>2,305</b>	2,108
<b>Total equity</b>		<b>140,783</b>	223,732
<b>Net asset value per share</b>			
Ordinary shares	17	<b>2283.2p</b>	3036.6p

The notes on pages 53 to 64 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 15th February 2023. They were signed on its behalf by:

**Mr D. M. Best**, Director

Company Registration Number: 00736898

**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31st December 2022

	Share capital £'000	Capital Redemption reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at</b>						
<b>31st December 2020</b>	1,885	370	63,842	102,833	1,399	170,329
<b>Changes in equity for 2021</b>						
Profit for the year	–	–	22,341	35,126	2,916	60,383
Total recognised income and expense	1,885	370	86,183	137,959	4,315	230,712
Ordinary shares bought back and cancelled	(43)	43	(4,551)	–	–	(4,551)
Dividends	7	–	(222)	–	(2,207)	(2,429)
<b>As at 31st December 2021</b>	<b>1,842</b>	<b>413</b>	<b>81,410</b>	<b>137,959</b>	<b>2,108</b>	<b>223,732</b>
	Share capital £'000	Capital Redemption reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at</b>						
<b>31st December 2021</b>	<b>1,842</b>	<b>413</b>	<b>81,410</b>	<b>137,959</b>	<b>2,108</b>	<b>223,732</b>
<b>Changes in equity for 2022</b>						
Profit/(losses) for the year	–	–	11,972	(68,927)	2,710	(54,245)
Total recognised income and expense	1,842	413	93,382	69,032	4,818	169,487
Ordinary shares bought back and cancelled	(300)	300	(10,838)	–	–	(10,838)
Tender offer	–	–	(15,111)	–	–	(15,111)
Tender offer costs	–	–	(242)	–	–	(242)
Dividends	7	–	–	–	(2,513)	(2,513)
<b>As at 31st December 2022</b>	<b>1,542</b>	<b>713</b>	<b>67,191</b>	<b>69,032</b>	<b>2,305</b>	<b>140,783</b>

The notes on pages 53 to 64 form part of these financial statements.

**STATEMENT OF CASH FLOWS**

for the year ended 31st December 2022

	Notes	2022 £'000	2021 £'000
<b>Cashflows from operating activities</b>			
(Loss)/profit before tax		<b>(54,245)</b>	60,383
Adjustments for:			
Losses/(gains) on investments		<b>56,774</b>	(57,501)
Purchases of investments	10	<b>(24,439)</b>	(9,502)
Proceeds on disposal of investments	10	<b>29,615</b>	28,611
Operating cash flows before movements in working capital		<b>7,705</b>	21,991
Decrease in receivables		<b>80</b>	40
Increase/(decrease) in payables		<b>197</b>	(6)
Decrease in amounts payable to group undertakings		<b>-</b>	(758)
Net cash from operating activities before income taxes		<b>7,982</b>	21,267
Income taxes received		<b>-</b>	-
<b>Net cash from operating activities</b>		<b>7,982</b>	21,267
<b>Cashflows from financing activities</b>			
Ordinary shares bought back		<b>(10,838)</b>	(4,551)
Tender offer		<b>(15,111)</b>	-
Tender costs paid		<b>(242)</b>	-
Dividends paid	7	<b>(2,513)</b>	(2,429)
<b>Net cash used in financing activities</b>		<b>(28,704)</b>	(6,980)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,722)</b>	14,287
<b>Cash and cash equivalents at beginning of year</b>		<b>26,761</b>	12,474
<b>Cash and cash equivalents at end of year</b>		<b>6,039</b>	26,761

The notes on pages 53 to 64 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2022

### 1. REPORTING ENTITY

Rights and Issues Investment Trust PLC is a closed-ended investment company, registered in England and Wales on 2nd October 1962 with Company number 00736898. The Company's registered office is Hamilton Centre, Rodney Way, Chelmsford CM1 3BY. Business operations commenced on 28th July 1966 when the Company's shares were admitted to trading on the London Stock Exchange. The Company invests primarily in a portfolio of equity securities with an emphasis on smaller companies. UK smaller companies will normally constitute at least 80% of the investment portfolio. UK smaller companies include both listed securities and those admitted to trading on the Alternative Investment Market ("AIM").

Details of the Directors, Investment Manager and Advisors can be found on page 3.

The financial statements of the Company are presented for the year ended 31st December 2022 and were authorised for issue by the Board on 15th February 2023.

#### Basis of Accounting

The financial statements have been prepared in accordance with UK-adopted international standards and the applicable legal requirements of the Companies Act 2006. On 31st December 2020, International Financial Reporting Standards ("IFRS") as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted international accounting standards in its financial statements on 1st January 2021. There was no impact or change in accounting policies from the transition.

Under UK-adopted IFRS, the AIC Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued in April 2021 has no formal status, but the Company adheres to the guidance of the SORP.

#### Going concern

The financial statements have been prepared on a going concern basis. In forming this opinion, the Directors have considered the general economic backdrop and the potential impact of the war in Ukraine on the going concern and viability of the Company. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Investment Manager, have in place to maintain operational resilience.

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. Further information on the Company's going concern can be found on page 30.

#### Significant accounting policies

##### *a. Accounting convention*

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

##### *b. Adoption of new IFRS standards*

In accordance with IFRS 10 (Investment Entities Amendments), the Company measured its subsidiary at fair value through profit and loss and did not consolidate it. The subsidiary was dissolved on 26th April 2022.

There have been minor amendments to IAS 16, 37 and 41 and IFRS 4, 7, 9, and 16 which were effective for annual periods beginning on or after 1st January 2022 and have not had any material impact on the accounts. Amendments to IAS 1 (Disclosure of Accounting Policies), IAS 8 (Definition of Accounting Estimates), IFRS 4 (Extension of IFRS 9 Deferral) and IFRS 17 (Insurance Contracts) are effective for annual periods beginning on or after 1st January 2023 and are not anticipated to have any material impact on the accounts.

**NOTES TO THE FINANCIAL STATEMENTS** *continued*

for the year ended 31st December 2022

**1. REPORTING ENTITY** *continued**c. Income*

Dividend income is included in the financial statements on the ex-dividend date. All other income is included on an accruals basis.

*d. Expenses*

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- Expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

*e. Taxation*

The charge for taxation is based on the net revenue for the year. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Investment trusts which have approval under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

*f. Dividends*

Dividends payable to shareholders are recognised in the financial statements when they are paid or, in the case of final dividends, when they are approved by the shareholders.

*g. Cash and cash equivalents*

Cash comprises cash in hand and deposits payable on demand. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash.

*h. Investments*

Investments are classified as fair value through profit or loss as the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or capital growth.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains or losses on investments held at fair value through profit or loss". Also included within this heading are transaction costs in relation to the purchase or sale of investments.

All investments, classified as fair value through profit or loss, are further categorised into the following fair value hierarchy:

Level 1 – Unadjusted prices quoted in active markets for identical assets and liabilities.

Level 2 – Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 – Having inputs for the asset or liability that are not based on observable data.

Investments traded on active stock exchange markets are valued at their fair value, which is determined by the quoted market bid price at the close of business at the balance sheet date. Where trading in a security is suspended, the investment is valued at the Board's estimate of its fair value.

Unquoted investments are valued by the Board at fair value using the International Private Equity and Venture Capital Valuation Guidelines.

**Judgments, estimates or assumptions**

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



**2. INCOME**

	2022 £'000	2021 £'000
<b>Income from investments</b>		
Franked investment income	<b>3,633</b>	2,882
Dividend from subsidiary	–	758
	<b>3,633</b>	3,640
<b>Other operating income</b>		
Deposit interest	<b>19</b>	–
<b>Total income</b>	<b>3,652</b>	3,640
<b>Income from investments (by category)</b>		
UK equity listed	<b>3,408</b>	2,800
AIM traded	<b>209</b>	82
Unlisted stock	<b>16</b>	–
Dividend from subsidiary	–	758
	<b>3,633</b>	3,640

**3. INVESTMENT MANAGEMENT FEE**

	2022 £'000	2021 £'000
Investment management fee	<b>210</b>	–
Operating expenses rebate	<b>(35)</b>	–
	<b>175</b>	–

Following the appointment of Jupiter as Investment Manager on 3rd October 2022 a management fee is payable quarterly to the Investment Manager on the following basis:

0.60% per cent per annum on the Company's NAV up to and including £200 million.

0.50% per cent per annum on the Company's NAV in excess of £200 million.

An operating expenses cap (rebate) will be applied, in respect of each financial year by means of a balancing charge, which will reduce the management fee payable to the Investment Manager with respect to the quarter ending 31st March of the following financial year. The operating expenses cap will not apply to the extent that the management fee would be less than 0.50% of the Company's average daily NAV during any financial year.

**4. OTHER EXPENSES**

	2022 £'000	2021 £'000
Staff costs (note 5)	<b>227</b>	293
Non-executive Directors' fees	<b>136</b>	94
Administration fees	<b>122</b>	145
Auditor's remuneration		
– Audit	<b>18</b>	17
– Review of the half yearly report	<b>5</b>	4
Secretarial services	<b>42</b>	42
Other	<b>217</b>	129
	<b>767</b>	724
Capital expenses	<b>181</b>	34
	<b>948</b>	758

**NOTES TO THE FINANCIAL STATEMENTS** continued

for the year ended 31st December 2022

**5. STAFF COSTS**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Wages and salaries	<b>191</b>	255
Social security costs	<b>36</b>	38
	<b>227</b>	293
	<b>Number</b>	Number
The average number of staff employed by the Company was	<b>1</b>	1
	<b>£'000</b>	£'000
Directors' emoluments	<b>327</b>	349
	<b>327</b>	349

The highest paid Director received total emoluments of £191,250 (2021: £255,000) covering the period 1st January 2022 to 3rd October 2022 until the retirement of the Investment Director. The only employee during the period was the Investment Director which ceased when JUTM was appointed as Investment Manager.

**6. TAX ON ORDINARY ACTIVITIES**

	<b>Revenue</b>	<b>Capital</b>	<b>2022</b>	Revenue	Capital	2021
	<b>£'000</b>	<b>£'000</b>	<b>Total</b>	£'000	£'000	Total
			<b>£'000</b>			£'000
UK corporation tax at 19.00% (2021: 19.00%)	-	-	-	-	-	-
Tax receivable	-	-	-	-	-	-
	-	-	-	-	-	-
Profit before tax	<b>2,710</b>	<b>(56,955)</b>	<b>(54,245)</b>	2,916	57,467	60,383
Tax on profit at standard rate	<b>515</b>	<b>(10,821)</b>	<b>(10,306)</b>	554	10,919	11,473
Factors affecting the recovery/charge for the year:						
Income not taxable	<b>(690)</b>	-	<b>(690)</b>	(692)	-	(692)
Capital items not taxable	-	<b>10,787</b>	<b>10,787</b>	-	(10,925)	(10,925)
Unutilised losses carried forward	<b>175</b>	<b>34</b>	<b>209</b>	138	6	144
	-	-	-	-	-	-

No provision for deferred taxation has been made in the current year or in the prior year. The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company.

**Factors that may affect future tax charges**

The Company has not recognised any deferred tax asset arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of the Company's income and capital gains changes or if the Company's investment profile changes.

**7. DIVIDENDS**

Amounts recognised as distributions to equity holders in the year:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
<b>Ordinary (Paid)</b>		
Final dividend for the year ended 31st December 2021 of 24.0p per share (year ended 31st December 2020: 21.5p, split 18.56p per share from Revenue and 2.94p per share from Capital)	<b>1,752</b>	1,621
Interim dividend for the year ended 31st December 2022 of 10.75p per share (year ended 31st December 2021: 10.75p)	<b>761</b>	808
	<b>2,513</b>	2,429

	2022 £'000	2021 £'000
<b>Ordinary</b>		
Proposed final dividend payable for the year ended 31st December 2022 of 29.25p per share (year ended 31st December 2021: 24.0p)	<b>1,781</b>	1,753

The final dividend payable is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Set out below is the total dividend paid and payable in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered.

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	<b>2,710</b>	2,916
<b>Ordinary</b>		
Interim dividend for the year ended 31st December 2022 of 10.75p per share (year ended 31st December 2021: 10.75p)	<b>(761)</b>	(808)
Proposed final dividend for the year ended 31st December 2022 of 29.25p per share (year ended 31st December 2021: 24.0p)	<b>(1,781)</b>	(1,753)
<b>Net addition to Revenue reserve</b>	<b>168</b>	355

## 8. RETURN PER SHARE

	2022 Income £'000	2021 Income £'000
Return attributable to equity shareholders:		
Revenue return	<b>2,710</b>	2,916
Capital return	<b>(56,955)</b>	57,467
	<b>(54,245)</b>	60,383
	<b>P</b>	<b>P</b>
Revenue return per share	<b>38.9</b>	38.8
Capital return per share	<b>(818.2)</b>	766.0
	<b>(779.3)</b>	804.8

Return per share is calculated using the weighted average number of Ordinary shares in issue during the year of 6,960,445 (2021: 7,502,568).

**NOTES TO THE FINANCIAL STATEMENTS** continued

for the year ended 31st December 2022

**9. INVESTMENTS****Analysis of the investments**

The number of companies or institutions in which equities, convertibles or fixed interest securities were held was 22 (2021: 28).

	2022		2021	
	£'000	%	£'000	%
<b>EQUITY GROUPS</b>				
<b>Basic Materials</b>				
Chemicals	<b>22,882</b>	<b>17.02</b>	42,775	21.78
<b>Industrials</b>				
General Industrials	<b>17,509</b>	<b>13.02</b>	22,425	11.42
Electronic & Electrical Equipment	–	–	738	0.37
Industrial Engineering	<b>35,146</b>	<b>26.14</b>	60,485	30.80
Support Services	<b>23,682</b>	<b>17.62</b>	34,622	17.63
<b>Consumer Goods</b>				
Household Goods & Home Construction	–	–	4,337	2.21
<b>Healthcare</b>				
Pharmaceuticals & Biotechnology	–	–	1,125	0.57
<b>Telecommunications</b>				
Telecommunications Services	<b>5,774</b>	<b>4.29</b>	–	–
<b>Utilities</b>				
Gas, Water & Multi-Utilities	–	–	1,457	0.74
<b>AIM Traded Stocks</b>	<b>28,873</b>	<b>21.48</b>	27,731	14.12
<b>Unlisted</b>	<b>41</b>	<b>0.03</b>	2	–
<b>Subsidiary</b>	–	–	–	–
<b>FIXED INTEREST</b>				
Preference	<b>540</b>	<b>0.40</b>	700	0.36
<b>Total UK</b>	<b>134,447</b>	<b>100.00</b>	196,397	100.00

**10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2022 £'000	2021 £'000	
Investments listed on a recognised investment exchange			
UK equity listed investments at fair value	<b>105,533</b>	168,664	
AIM traded stocks	<b>28,873</b>	27,731	
Unlisted stock	<b>41</b>	2	
	<b>134,447</b>	196,397	
	<b>Listed</b>	<b>AIM traded/ Unlisted</b>	<b>Total</b>
	<b>2022 £'000</b>	<b>2022 £'000</b>	<b>2022 £'000</b>
Opening book cost	<b>42,333</b>	<b>16,105</b>	<b>58,438</b>
Opening unrealised appreciation	<b>126,331</b>	<b>11,628</b>	<b>137,959</b>
Opening valuation	<b>168,664</b>	<b>27,733</b>	<b>196,397</b>
Movements in the year			
Purchases at cost	<b>15,844</b>	<b>8,595</b>	<b>24,439</b>
Sales - proceeds	<b>(25,722)</b>	<b>(3,893)</b>	<b>(29,615)</b>
Sales - realised gains on sales	<b>10,262</b>	<b>1,891</b>	<b>12,153</b>
Decrease in unrealised appreciation	<b>(63,515)</b>	<b>(5,412)</b>	<b>(68,927)</b>
Closing valuation	<b>105,533</b>	<b>28,914</b>	<b>134,447</b>
Closing book cost	<b>42,717</b>	<b>22,698</b>	<b>65,415</b>
Closing unrealised appreciation	<b>62,816</b>	<b>6,216</b>	<b>69,032</b>
	<b>105,533</b>	<b>28,914</b>	<b>134,447</b>
Realised gains on sales	<b>10,262</b>	<b>1,891</b>	<b>12,153</b>
Decrease in unrealised appreciation	<b>(63,515)</b>	<b>(5,412)</b>	<b>(68,927)</b>
Losses on investments	<b>(53,253)</b>	<b>(3,521)</b>	<b>(56,774)</b>

With the exception of the subsidiary (which was dissolved on 26th April 2022) and the unlisted stock, the Company's investments are Level 1 assets under the definition of IFRS 7 and comprise equity listed and AIM traded investments classified as held at fair value through profit or loss.

During the year transaction costs of £118,699 were incurred on the acquisition of investments (2021: £77,763). Costs relating to disposals of investments during the year amounted to £26,614 (2021: £30,894). All transaction costs have been included within the capital column of the Income Statement.

**11. SUBSIDIARY UNDERTAKINGS**

The Company had one wholly owned subsidiary undertaking, Discretionary Unit Fund Managers Limited, of which it held 100% of the nominal value of issued shares and voting rights. The subsidiary was dissolved on 26th April 2022.

**NOTES TO THE FINANCIAL STATEMENTS** continued

for the year ended 31st December 2022

**12. SIGNIFICANT INTERESTS**

The Company has a holding of 3% or more that is material in the context of the financial statements in the following investments as at 31st December 2022:

<b>Name</b>	<b>% holding</b>
Colefax	22.20
Renold	13.31
Titon	11.28
Macfarlane	10.89
Vp	6.10
Eleco	5.44
Carr's	5.05
Treatt	3.35

**13. OTHER RECEIVABLES**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Prepayments and accrued income	<b>561</b>	641
	<b>561</b>	641

**14. OTHER PAYABLES**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Accruals	<b>264</b>	67
	<b>264</b>	67

**15. SHARE CAPITAL**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
<b>Allotted, Called Up and Fully Paid</b>		
6,165,989 Ordinary shares of 25p each (2021: 7,367,952)	<b>1,542</b>	1,842
		<b>Number of</b>
		<b>Ordinary</b>
		<b>shares</b>
		<b>2022</b>
Balance at beginning of year		<b>7,367,952</b>
Ordinary shares bought back and cancelled		<b>(495,059)</b>
Ordinary shares bought back and cancelled pursuant to the tender		<b>(706,904)</b>
		<b>6,165,989</b>

During the year a tender offer for a total of 706,904 Ordinary shares took place, representing 10.0% of the issued share capital, for a total consideration of £15,111,000. The tender offer was fully subscribed and was conducted in addition to the ongoing share buyback programme.

**16. RESERVES**

	<b>Capital redemption reserve £'000</b>	<b>Capital reserve £'000</b>	<b>Revaluation reserve £'000</b>	<b>Revenue reserve £'000</b>
Beginning of year	<b>413</b>	<b>81,410</b>	<b>137,959</b>	<b>2,108</b>
Ordinary shares bought back and cancelled	<b>300</b>	<b>(10,838)</b>	–	–
Tender offer	–	<b>(15,111)</b>	–	–
Tender offer costs	–	<b>(242)</b>	–	–
Decrease in unrealised appreciation	–	–	<b>(68,927)</b>	–
Net gains on realisation of investments	–	<b>12,153</b>	–	–
Expenses	–	<b>(181)</b>	–	–
Profit for year	–	–	–	<b>2,710</b>
Dividends	–	–	–	<b>(2,513)</b>
End of year	<b>713</b>	<b>67,191</b>	<b>69,032</b>	<b>2,305</b>

The capital reserve represents realised profits and losses arising on the disposal of investments. The revaluation reserve represents unrealised profits and losses arising on the revaluation of investments held.

**17. NET ASSET VALUE PER SHARE**

The net asset value per Ordinary share calculated in accordance with the Articles of Association was as follows:

	<b>Net asset value per Ordinary share attributable</b>		<b>Net asset value attributable</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>p</b>	p	<b>£'000</b>	£'000
Ordinary shares	<b>2283.2</b>	3036.6	<b>140,783</b>	223,732

The movements during the year were as follows:

Total net assets attributable at beginning of year	<b>223,732</b>
Ordinary shares bought back and cancelled	<b>(10,838)</b>
Tender offer	<b>(15,111)</b>
Tender offer costs	<b>(242)</b>
Total recognised gains for the year	<b>(56,955)</b>
Transfer to reserves	<b>197</b>
Total net assets attributable at end of year	<b>140,783</b>
Number of shares in issue	<b>6,165,989</b>

The Company may repurchase its own shares and then cancel them, reducing the freely traded shares ranking for dividends and enhancing returns and earnings per Ordinary Share to the remaining Shareholders. When the Company repurchases its shares, it does so at a total cost below the prevailing NAV per share.

In addition to the ongoing share buyback programme the Board provided shareholders with an opportunity to tender their shares and launched a tender offer on 2nd September 2022 for 10% of the issued share capital for a total consideration of £15,111,000. The tender offer was fully subscribed with 706,904 Ordinary shares being bought back by the Company. This was a discretionary tender offer and was not made in accordance with any provision of the Articles of Association.

**NOTES TO THE FINANCIAL STATEMENTS** continued

for the year ended 31st December 2022

**17. NET ASSET VALUE PER SHARE continued**

The estimated percentage added to the NAV per share as a result of buybacks of 0.9% (2021: 0.3%) is derived from the repurchase of shares in the market at a discount to the prevailing NAV at the point of repurchase. The shares were bought back at a weighted average discount of 12.9% (2020: 10.8%).

	2022	2021	
Weighted average discount of buybacks	12.9%	10.8%	a
Percentage of shares bought back	6.7%	2.3%	b
NAV accretion from buyback	0.9%	0.3%	(a*b)/(100-b)

**18. RELATED PARTY TRANSACTIONS**

On 26th April 2022 the Company's only subsidiary, Discretionary Unit Fund Managers, was dissolved. There were no transactions during the year relating to the subsidiary.

	2022 £'000	2021 £'000
Dividends received	-	758
Amounts (due to)/owed by subsidiary undertaking	-	-

**19. FINANCIAL ASSETS AND LIABILITIES**

The Company's financial instruments comprise securities, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The investment policy and objectives of the Company are stated on page 1.

As an investment trust, the Company invests in securities for the long term. Accordingly it is and has been throughout the year under review, the Company's policy that no short term trading in investments or other financial instruments should be undertaken.

The main risks arising from the Company's financial instruments are market price risk, liquidity risk and credit risk. The Board's policy for managing these risks is summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

*Market price risk*

Market price risk arises from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets at least quarterly to consider the asset allocation of the portfolio in order to minimise the risk associated with industry sectors. The Investment Manager has responsibility for monitoring the existing portfolio selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

The Company's exposure to changes in market prices at 31st December 2022 on its quoted equity investments was £134,406,000 (2021: £196,395,000).

*Liquidity risk*

Liquidity risk is the possibility of the Company having difficulties in realising sufficient assets to meet its financial obligations. All investments are made in quoted securities, which are normally listed on the London Stock Exchange or AIM. Transactions in these securities may be subject to some short-term liquidity constraint, in common with other smaller and medium sized listed securities, but subject to that they are considered to be reasonably realisable.

*Credit risk*

Credit risk is the failure of the counterparty to a transaction to discharge its obligations which could result in the Company suffering a loss. At the year end the Company's maximum exposure to credit risk was as follows:



**19. FINANCIAL ASSETS AND LIABILITIES continued**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Trade and other receivables	<b>561</b>	641
Cash and cash equivalents	<b>6,039</b>	26,761
	<b>6,600</b>	27,402

The risk is managed by dealing only with brokers and banks which have satisfactory credit ratings and are approved by the Audit, Risk and Compliance Committee.

*Financial assets and liabilities*

All assets and liabilities are included at fair value.

**Valuation of financial instruments**

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 1h Investments.

The fair value hierarchy has the following levels:

Level 1 – Unadjusted prices quoted in active markets for identical assets and liabilities.

Level 2 – Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 – Having inputs for the asset or liability that are not based on observable data.

<b>31st December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets at fair value through profit or loss				
UK Equity Listed	<b>105,533</b>	–	–	<b>105,533</b>
AIM traded stocks	<b>28,873</b>	–	–	<b>28,873</b>
Delisted stock	–	<b>41</b>	–	<b>41</b>
Net fair value	<b>134,406</b>	<b>41</b>	–	<b>134,447</b>
31st December 2021	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
UK Equity Listed	168,664	–	–	168,664
AIM traded stocks	27,731	–	–	27,731
Delisted stock	–	2	–	2
Net fair value	196,395	2	–	196,397

There were no transfers between Level 1 and Level 2 during the period.

A reconciliation of fair value measurements in Level 3 is set out in the following table.

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Opening Balance	–	758
Purchases	–	–
Sales	–	–
Total gains or losses included in gains on investments in the income statement:		
– on assets sold	–	–
– on assets held at year end	–	(758)
Closing Balance	–	–

The Level 3 investment related to the Company's subsidiary, Discretionary Unit Fund Managers Limited. At 31st December 2022 there were no Level 3 investments as the subsidiary was dissolved 26th April 2022.

## **NOTES TO THE FINANCIAL STATEMENTS** continued

for the year ended 31st December 2022

### **20. POST BALANCE SHEET EVENTS**

Between the year end and 13th February 2022, the latest practicable date before the publication of the financial statements, the Company has bought back and cancelled 77,319 Ordinary shares for a cost of £1,525,051.

## NOTES

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