Aurora Investment Trust plc

Annual Report December 2018

Company No. 03300814

Aurora
INVESTMENT TRUST

Contents

Strategic Report

Objective

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

Policy

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

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

The Board received shareholder approval at the AGM held on 6 June 2018 to increase the flexibility of Aurora Investment Trust plc ("the Company") to invest up to 20% of gross assets outside the UK and up to 10% of gross assets in unlisted securities.

Benchmark

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

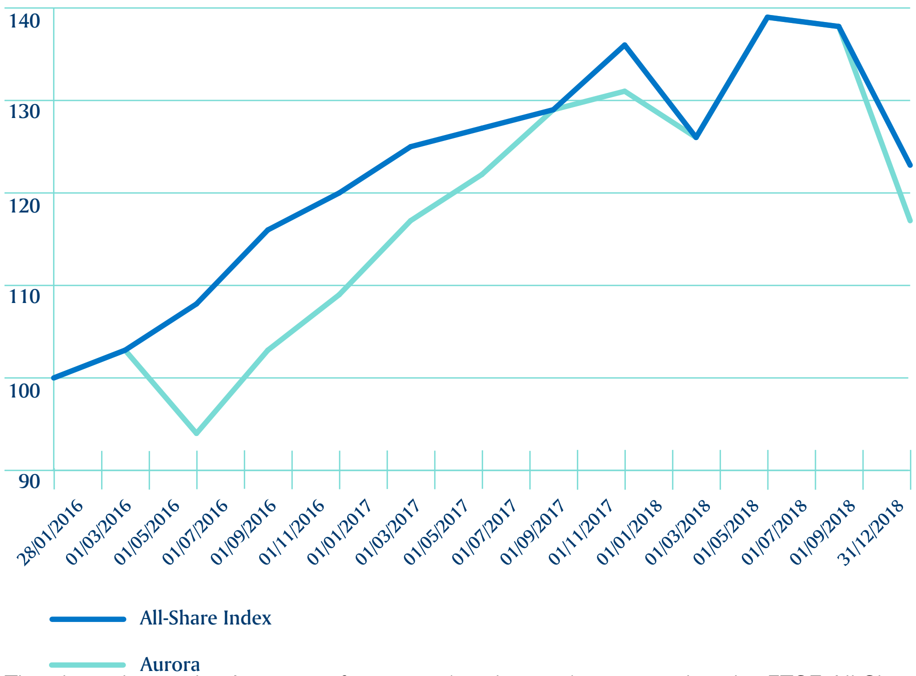
Dividend

The Directors recommend a final dividend of 4.0p per share (2018: 2.75p) to be paid on 19 June 2019 to shareholders on the register as at 3 May 2019.

Annual General Meeting (AGM)

The AGM of the Company will be held at the offices of Grant Thornton, 30 Finsbury Square, London EC2A 1AG on 10 June 2019 at 12.00 noon.

Performance



The chart shows the Aurora performance (total return) compared to the FTSE All-Share Index (total return) since Phoenix became the Investment Manager.

Aurora Chairman's Statement

Lord Flight
Chairman

April 2019

Performance Review

The performance for the year to end December 2018 was down by 10.3%, under-performing the benchmark, FTSE All Share Index, which fell 9.5%. The UK market was not alone in suffering such price falls. The majority of equity markets also fell in the face of concerns over the ongoing trade dispute between the US and China and the threat of rising interest rates, while the UK itself has had the added complexity of resolving its future relationship with Europe.

One of the key features of the Investment Management Agreement with Phoenix is that they earn no management fees other than an annual performance fee, equal to one third of net asset value ("NAV") total returns in excess of the FTSE All Share Index (total return). This fee is subject to claw back and a high water mark and is capped at 4% of NAV per annum in the case of an absolute increase in NAV per share; and 2% in the case of a decrease with performance compared to the FTSE All Share.

In 2018 no performance fee was earned by Phoenix. The performance fee is calculated on a cumulative basis and can only be earned after previous years underperformance has been caught-up. At the year-end, the cumulative underperformance since the appointment of Phoenix was 4.4%, after which a performance fee will be earned for subsequent outperformance.

The share price of Aurora traded at a premium to NAV for substantially all of the period in question which was helpful in attracting new investors to the Company. During the year 12.9 million new shares were issued with value at issuance of £27.1m. Our hope and expectations are for the shares to continue to trade at a small premium to NAV.

Three Years of Phoenix Management

2018 was the third full year of Phoenix Management, which began with their appointment as Investment Manager in January 2016.

As is outlined in the Manager's report 2018 has been a year of much uncertainty. Significant factors were the UK's future relationship with Europe (which is still unresolved at the time of writing) and the continuing major impact of internet shopping on the retail environment.

It was comforting to see Phoenix continuing to follow its focused investment approach in times of market stress. This was especially so when Phoenix identified attractive opportunities presented by the market after significant price falls in Q4. The Company began Q4 with 8.5% cash and cash equivalents weight. This was put to work and the manager added additional value by rotating out of holdings with a lower "upside to intrinsic value," to those such as housebuilders with a higher upside.

Phoenix is a truly long-term investor, which enables it to take advantage of short-term mispricing in the market. In Q4 of 2018 the market penalised shares of companies associated with the domestic economy. Phoenix put this down to a tendency for the stock market to overreact to near term or current news. Phoenix's approach includes extensive stress testing and a focus on intrinsic value.

Investment Policy

The revised investment policy permitting some investment in companies listed outside the UK and unlisted securities received shareholder approval at the Company's AGM held on 6 June 2018.

Growth of the Company

Growing the Company remains a key objective of the Board. A total of 12.9m new shares were issued in 2018 with an issuance value of £27.1m. Consequently, despite the negative investment performance the market capitalisation of the Company rose from £87m in January 2018, to finish the year at £101m.

As reported last year, in January 2018 Phoenix announced the appointment of Frostrow Capital to assist achieving an increase in the size of the Company by raising the profile of Aurora, with potential investors across the UK. Frostrow, along with Phoenix, undertook investor meetings throughout the country in 2018.

As a result, it is pleasing to note the broadening of the Company's shareholder register. In January 2016, when Phoenix took over, the top ten shareholders owned 77% of the Company. As at 28 February, 2019 this had reduced to 64% with the top 20 shareholders holding 82%.

In last year's statement I advised that a key objective was to increase the size of Aurora to £200m over the course of the next two to three years. I am pleased to see that investor demand for new shares in 2018 positioned the Company to be able to achieve this objective. Accordingly, on 13 March, 2019 the Company published a Circular convening a General Meeting on 9 April. At the meeting resolutions were passed by shareholders to give the Board the authority to issue new ordinary shares. This authority will allow the Directors to continue to make periodic issues of new shares to manage supply and demand for the ordinary shares and to continue to grow the size of the Company. In addition, the Circular outlined the intention to publish a prospectus in relation to a share issuance programme.

Continuation Vote

In accordance with the articles, the Company will hold a continuation vote at the next AGM on 10 June 2019. Taking account of the Company's track record over the past three years, the maintenance of a premium on the share price our NAV per share and the successful broadening of the shareholder base, the Board strongly recommends that shareholders vote in favour of continuation. We look to the future with optimism.

Dividend

The Directors recommend a final dividend of 4.0p (2017: 2.75p) per share, to be paid on 19 June 2019 to shareholders on the register as at 3 May 2019.

AGM

A warm welcome is extended to shareholders to attend the AGM to be held at 12.00 noon on 10 June 2019 at the offices of Grant Thornton, 30 Finsbury Square, London EC2A 1AG.

Lord Flight
Chairman
24 April 2019

Investment policy and results

The Company adopted a revised Investment Policy at the Annual General Meeting on 6 June 2018, following a review of the Investment Policy that had been adopted initially upon the appointment of Phoenix Asset Management Partners Limited ("Phoenix") as the Company's new Investment Manager on 28 January 2016.

Investment Policy

The Company's objective is to provide Shareholders with long-term returns through capital and income growth.

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

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

While there is a comparable index for the purposes of measuring performance over material periods, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. The portfolio will be relatively concentrated. The exact number of individual holdings will vary over time but typically the portfolio will consist of holdings in 15 to 20 companies. The Company may use derivatives and similar instruments for the purpose of capital preservation.

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

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

Dividend Policy

The investment policy does not include any fixed dividend policy. However, the Board will distribute substantially all of the net revenue arising from the investment portfolio. Accordingly, the Company is expected to continue to pay an annual dividend, but this could be lower than the level of recent dividends and may vary each year.

Borrowing policy

The Company is not prohibited from incurring borrowings for working capital purposes, however the Board has no current intention to utilise borrowings. Whilst the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share.

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

Objectives and Key Performance Indicators (KPIs)

The Company's principal investment objective is to achieve capital growth. The Board measures the Company's success in attaining its objectives by reference to KPIs as follows:

a. To make an absolute total return for shareholders on a long-term basis.
b. The Company's Benchmark is the FTSE All-Share Index (total return), against which the Net Asset Value (NAV) return is compared. After achieving the goal of making absolute returns for shareholders, the next aim is to provide a better return from the portfolio than from the market as measured by the Benchmark.
c. The Company seeks to ensure that the operating expenses of running the Company as a proportion of NAV (the Ongoing Charges Ratio) are kept to the minimum possible.

The Chairman's Statement on pages 6 and 7 incorporates a review of the highlights during the year.

The Statement from the Investment Manager's Report on pages 15 to 18 gives details on investments made during the year and how performance has been achieved.

Performance

The Investment Manager is Phoenix Asset Management Partners Limited, which is regulated by the FCA. The Chief Investment Officer of Phoenix is Gary Channon. Phoenix reports in detail upon the Company's activities in the Investment Manager's Report.

Under the Investment Management Agreement no regular management fees are payable. A performance fee is payable to the Investment Manager only if the benchmark is outperformed.

Continuation Vote

The Company's policy is to hold continuation votes every three years. A new three year schedule was established upon the appointment of Phoenix in January 2016. Therefore a resolution to approve the continuation of the Company as an investment trust will be put to the AGM on 10 June 2019.

The benchmark is the FTSE All-Share Index Total Return. The Company's performance is shown below:

	Cumulative since January 2016	Year to 31 December 2018	Year to 31 December 2017
Aurora Net Asset Value ("NAV") (total return)[1]	+20.9	-10.3%	+18.5%
Aurora Share price (total return)[1]	+23.2	-10.9%	+19.9%
Benchmark (total return)	+26.7	-9.5%	+13.1%

The Ongoing Charges Ratio was as follows:

	Year to 31 December 2018	Year to 31 December 2017
Ongoing Charges Ratio[1]	0.44%	0.54%

1 These are Alternative Performance Measures ('APMs').

Alternative Performance Measures ("APMs")
The disclosures of Performance above are considered to represent the Company's APMs (which are measurements not defined in Accounting Standards). Definitions of these APMs together with how these measures have been calculated can be found on pages 77 and 78.

Revenue Result and Dividend
The Company's revenue profit after tax for the year amounted to £2,502,000 (2017: £1,306,307).

The directors recommend a final dividend of 4.0p per Ordinary Share (2017: 2.75p per Ordinary Share). If approved by the shareholders at the AGM, this dividend will be paid on 19 June 2019 to shareholders on the register at 3 May 2019; the ordinary shares will be marked ex-dividend on 2 May 2019. In accordance with International Financial Reporting Standards this dividend is not reflected in the financial statements for the year ended 31 December 2018.

Discount/premium to NAV
The discount/premium of the NAV per share relative to the share price is closely monitored by the Board. The share price closed at a 0.4% premium to the NAV as at 31 December 2018 (2017: 1.1% premium).

Control of the level of ongoing charges
The Board monitors the Company's operating costs carefully. Based on the Company's average net assets for the year ended 31 December 2018, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 0.44% (2017: 0.54%). As the size of the Company grows, the Board expects to manage the ongoing charge ratio accordingly.

Five Year Summary

The following data are all expressed as pence per share. NAV figures are all calculated at bid prices.

Year	NAV	Dividend in respect of year	Share price (mid market)
Year ended 28 February 2015	171.37	3.85	147.50
Year ended 29 February 2016	162.30	1.00	158.00
Period from 1 March 2016 to 31 December 2016	172.66	2.00	173.50
Year ended 31 December 2017	205.72	2.75	208.00
Year ended 31 December 2018	182.24	4.00	183.00

Top Holdings at 31 December 2018

Company	Valuation	Percentage of net assets	Date of first purchase	Average* cost per share	Share price	Market capitalisation	Net Cash/(debt)
	£	%		£	£	£billion	£billion
GlaxoSmithKline	9,585,881	9.5	Dec-15	14.17	14.91	73.400	(13.20)
Sports Direct International	8,734,722	8.6	Dec-15	3.40	2.38	1.300	(0.51)
Lloyds Banking Group	8,453,006	8.4	Dec-15	0.66	0.52	35.90	(8.30)
Bellway	8,285,416	8.2	Dec-15	27.42	25.15	3.10	0.99
Dignity	8,222,929	8.1	Jan-18	9.03	6.97	0.34	(0.52)
Tesco	8,058,263	8.0	Dec-15	1.90	1.90	18.50	(3.10)
Randall & Quilter Investment Holdings	7,807,244	7.7	Feb-16	1.22	1.63	0.21	0.18
Phoenix SG**	7,009,543	6.9	Jun-18	2,247.50	2,824.15***	n/a	n/a
Vesuvius	5,712,986	5.7	Dec-15	4.38	5.07	1.40	(0.28)
Redrow	5,615,021	5.6	Oct-16	5.26	4.91	1.80	0.63
easyJet	5,542,349	5.5	Feb-16	11.58	11.05	4.30	0.40
Hornby	5,495,675	5.4	Jul-16	0.29	0.32	0.41	(0.20)
W M Morrison Supermarkets	3,829,757	3.8	Oct-16	2.07	2.13	5.00	(0.93)
J D Wetherspoon	3,057,801	3.0	Jan-16	7.46	11.13	1.20	(0.73)
Other holdings (less than 3%)	3,208,107	3.2	n/a	n/a	n/a	n/a	n/a
Total	98,618,700	97.6					
Other current assets and liabilities	2,377,392	2.4					
Net assets	100,996,092	100.0					

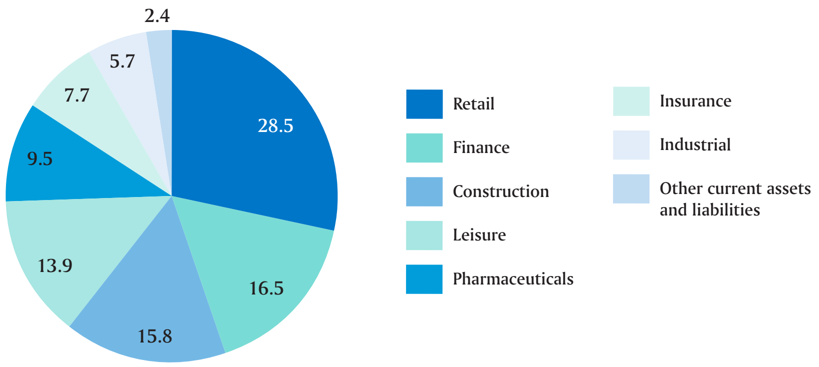
* Net cost including sales.
** Comprises the assets which make up the investment in Stanley Gibbons plc. No income was derived from this holding during the year.
*** A valuation, not a quoted share price

The Company held over 3% of the issued share capital of the following:

Randall & Quilter 3.80%
Hornby PLC 14.15%
Phoenix SG 24.82%

Portfolio Analysis at 31 December 2018

	Percentage of Portfolio
Retail	28.5
Financial	16.5
Construction	15.8
Leisure	13.9
Pharmaceuticals	9.5
Insurance	7.7
Industrial	5.7
Other current assets and liabilities	2.4
Total	100.0



Analysis by Type, Market and Currency

All investments are of Ordinary Shares, denominated in sterling. All holdings carried at a value are in listed companies with the exception of Hornby and Randall & Quilter, which are quoted on AIM, and Phoenix SG which is unquoted (although part of its assets relate to AIM quoted shares in Stanley Gibbons plc).

The Company also has holdings in China Chaintek and Naibu Global International, which have been written down to a valuation of £nil.

All active holdings in the Company's portfolio are UK companies.

Statement from the CIO of the Investment Manager

Gary Channon

April 2019

This is beginning to feel a little like a pendulum because 2016 was a year of sowing, 2017 one for reaping and now 2018 was another one for sowing. The cause, as in 2016, was Brexit which created some great opportunities to invest. Although the accepted wisdom is that to minimise the risk of a hard Brexit you need to avoid those business most exposed to the domestic UK economy, we formed a different view.

For us risk is a function of a number of factors but two in particular:

a. The relationship between the price you pay and the range of potential future value outcomes; and
b. The level of knowledge and certainty that drives the estimating of that range.

We spend a lot of time developing the expertise to estimate the value range with some confidence for a very few securities. The worry about a hard Brexit caused the market to over discount that risk and send the prices of businesses exposed to the UK down to levels, which in some cases were well below even the bottom of the range of values we expected. This included those values estimated that would result from some of the worst case scenarios set out by the Bank of England.

So although we were faced with the uncertainty of how Brexit would unfold we were able to invest with a high probability of a very satisfactory outcome no matter which path the politics took us down. And so we did.

By the end of the year, we were almost fully invested and our estimation of the intrinsic value of the portfolio was more than twice the NAV of the Company. From our past record of the last 21 years we know that is a level of cheapness that generates excellent medium and long term returns. So although we are still to find out how the Brexit saga will conclude we look forward to the future, investment wise, with a great deal of optimism.

Gary Channon
CIO Phoenix Asset Management Partners
24 April 2019

Investment Management Review and Outlook

Steve Tatters
Director
Phoenix Asset Management Partners

April 2019

During the year, the NAV (total return) per share decreased by 10.3% and the share price (total return) fell by 10.9%. At the end of December, the shares were trading at a 0.4% premium. The FTSE All Share (total return) fell by 9.5% over the same period. A total of 12.9m new shares were issued in the year. Net assets reached £101m as at 31 December 2018 (2017 £87m) as the Phoenix investment approach continues to attract new shareholders to the Company.

At the time of writing the exact nature of Britain's future relationship with Europe is still to be resolved. We have lived with the uncertainty surrounding Brexit for much of the last 12 months which reached a peak in Q4 2018 with the Company and the FTSE All Share both posting significant falls. As at 30 September 2018 the Company's NAV had risen 5.9% before losing 16.2% in Q4. The first two months of 2019 have seen a reversal with an 11% gain as at 28 February 2019 as the market began to recognise the cheap valuations in domestic focused UK equities.

Activity Review

2018 saw two new holdings added to the portfolio. They were **Phoenix SG Ltd** and **Dignity PLC.** Phoenix SG is a private company, which we incorporated to hold the assets that comprise our investment in Stanley Gibbons, the world's leading stamp and coin dealing business. We reported on the Stanley Gibbons investment in the June monthly factsheet as follows:

"The investment takes an unusual form, structured to protect our downside risk. The design makes this a far superior investment to one we could have made by just buying equity. We purchased four things: an equity stake, a loan owed to the bank, a portfolio of stamps and a receivable from the administration of the Guernsey entity. We expect the loan will be repaid in the next 5 years. Over that same period, we expect sales of the stamps we have purchased and a distribution from the receivable. In total we expect to earn from those 3 items around the same amount as our total investment leaving us with the Stanley Gibbons equity at no cost. Whilst we are owed money, we have a first charge over all the assets of the company.

The Group has been through a disastrous period of mismanagement, which saw it make overpriced acquisitions and distort its core business to serve an investment business which is now in administration. The current Board have in the past two years unwound and disposed of those acquisitions, including an antiques business. They also closed the investment business. What we inherit is a company ready to recover based upon its core business in the world of stamp and coin collecting.

The group has 3 well-known brands: Stanley Gibbons and Murray Payne in stamps, and Baldwins in coins. Stanley Gibbons was founded in 1856 and from 1899 has been located on The Strand in London. Since 1914, the company has held a Royal Warrant for supplying the Royal Household. In the philatelic world, Stanley Gibbons has the pre-eminent reputation and for that stamp buyers are willing to pay a premium because of the lifetime guarantee of authenticity. Stanley Gibbons publishes catalogues that list prices for stamps in the areas in which it specialises, and these are used by the rest of the trade as their reference point.

Our vision is that the company can now rebuild and update its business from a single destination location and reach a worldwide audience through an effective digital strategy. The desire to collect and have hobbies, the wherewithal to fund these pursuits, leisure time and good health are all boosted by the prevailing demographic trends. However, to achieve their potential and attract and delight new customers, it is essential to modernise and make the most of new technologies and insights.

The internet, rather than hurting a business-like Stanley Gibbons, in fact does the opposite. It allows a unique single iconic location in London to reach a worldwide audience inexpensively, and for a business so rich in intellectual property and knowledge, to offer an engaging and immersive experience tailored to the interest of the customer. The building blocks for a great business are there in terms of the brand, heritage, reputation and capability."

The Company owns 28% of **Phoenix SG**, which in turn owns 58% of Stanley Gibbons, and through the various vehicles we manage we therefore have a controlling stake. The initial months following our investment were spent setting and refining the business strategy and working on improving certain day to day operational practices, which saw progress in Q4 through laying the groundwork for the more tangible elements of the strategy to come to life in 2019.

More recently, it was also announced that Phoenix has increased the existing loan facility to the company by up to an additional £5m to be drawn down over time. The terms of this extension are the same as on the existing loan amount and will allow the business to invest in several potentially transformational strategic initiatives.

Dignity PLC is in summary made up of over 800 local funeral director brands where each has many decades (and sometimes centuries) of embedded networks of customer connections. When someone is purchasing the products and services related to a funeral, they are normally grieving. The customer seeks to minimise time putting together the arrangements and wants to conduct the funeral as quickly as possible. The anguish in thinking about the arrangements, the urgency to get it done and the necessity to choose a provider they can trust, means customers tend not to shop around. Price is an afterthought.

Customers tend to choose a provider they have used before, or a provider that a friend or family member recommends. Repeat and referral business makes up about 90% of Dignity's sales and has done for many decades. The more funerals a provider carries out in a community over time, the deeper the web of repeat and referral customers as well as trust/awareness that exists in a local catchment. Over time, it becomes very difficult for a new provider to displace an established funeral director.

As well as providing funeral services, Dignity own crematoria. Again, the consumer behaviour surrounding choosing a crematorium involves almost no shopping around. Proximity and convenience are the most important factors. Crematoria have the added benefit of being incredibly hard to build. You need to prove the need which is difficult because the vast majority of crematoria are operating at less than capacity. The planning laws also make it very difficult to get permission close to areas where people live. This has resulted in a situation where demand for cremations has increased at about 2% per year, but the supply has increased at only 1%.

Dignity also offer prepaid funeral plans. These are plans that a customer buys before they die so that their family does not have to think about arrangements. Dignity takes payments up front, which are on average 17 years before they have to perform the funeral. Dignity get to keep any investment gains on the prepayments.

When you tie it all together, you have a very predictable business. There is lots of pricing power in the funeral services business because of the well documented consumer behaviour around the purchasing decision, and even more in the crematoria because of the added supply/planning constraints.

In Q4 2018 the Competition and Markets Authority (CMA) announced it would undertake a full review of the funeral industry. We reported in the December 2018 Aurora Fact Sheet that the major players in the industry, Dignity included, have already reduced prices. The CMA investigation and the price falls are incongruous; either there is a lack of competition and the authorities will seek ways to increase it, or there is competition driving down prices already and intervention is not needed. The truth is that for a long time the leaders in this field persistently raised prices ahead of costs, but in so doing they increased their vulnerability to competition. In Buffett's words, "they reduced the moat that protected their pricing power". Over time, they paid the price in loss of share and declining volumes until ultimately, they are now lowering prices. We assume this is the world they will operate in, i.e. price competitive, where they will need to use their scale to be the low-cost operator and where future margins will not match the past. However, even on that assumption the shares are worth, in our estimate, three times where they trade today. The best investments we have found in the past are where you can buy "the ugly duckling", of an ugly sector, in an ugly market. Dignity fits the bill perfectly.

In 2018 we exited one holding Headlam Group in March. Management's approach to capital allocation is a key part of the investment process at Phoenix and we became concerned at the approach employed by the team at Headlam. We continue to monitor the business from the side-lines.

We made two significant changes to our housebuilding holdings (**Bellway**, **Redrow** and **Barratt Developments**). In March we reduced the sector weight from 18% to 10% and exited Barratt Developments completely. This move was the result of an internal process at Phoenix whereby we subject all our investments to a test of repurchase at least once every three years. The weight reduction reflected the findings of that process, that although housebuilders were good value and likely to deliver attractive long-term returns, we recognised that the market conditions could not have been more favourable and so it was reasonable to expect that the most likely future path was for a deterioration in some of the positives. With that in mind, we decided that our overall exposure was too high and reduced it.

Share prices subsequently reduced through concerns over the Help to Buy scheme and uncertainty over Brexit. In Q4 we took the opportunity of significant price falls to restore a position in Barratt Development and to add to our holdings in Bellway and Redrow at attractive valuation levels.

In Q4 we took advantage of the price falls across the portfolio to utilise our cash weight to rotate out of holdings with a lower upside to intrinsic value into holdings with higher upsides. In addition to the housebuilders we added to **Sports Direct** and **EasyJet** along with the additional purchases of Dignity. As well as utilising cash, we made small reductions in **Lloyds**, **GlaxoSmithKline**, **Tesco** and **Morrisons** to fund the new purchases.

From a share price perspective stronger showing this year came from **Randall & Quilter** +31%, **GlaxoSmithKline** +19% and **Hornby** +16%. Significant falls during the year came from **CPP** -49%, and **Sports Direct** -37%. Dignity fell sharply this year -61%, but we started the year not owning any and didn't start buying until it had fallen 45%.

Randall & Quilter announced an additional fundraising exercise in early 2019 to take advantage of the opportunities available to them in their core markets. We participated and remain very supportive of the management. Emma Walmsley, the GlaxoSmithKline CEO, has now been in place 18 months and we have been impressed with her focus of identifying and reducing non-performing assets whilst focussing on those with the most potential. These priorities feed into the capital allocation framework to improve the long-term competitive performance and ability to bring new breakthrough medicines and better healthcare products to the market.

Sports Direct fell significantly due to market concerns over its purchase of non-core businesses, such as House of Fraser, and difficult trading conditions in Q4. We remain comfortable with the investment and as outlined above, took advantage of price falls to add to the holding. We do however continue to monitor its plans for the House of Fraser business very closely together with our continuing focus on online shopping habits to asses its ongoing competitive threat to all retailers. In our December 2018 monthly report, we touched upon the retail sector:

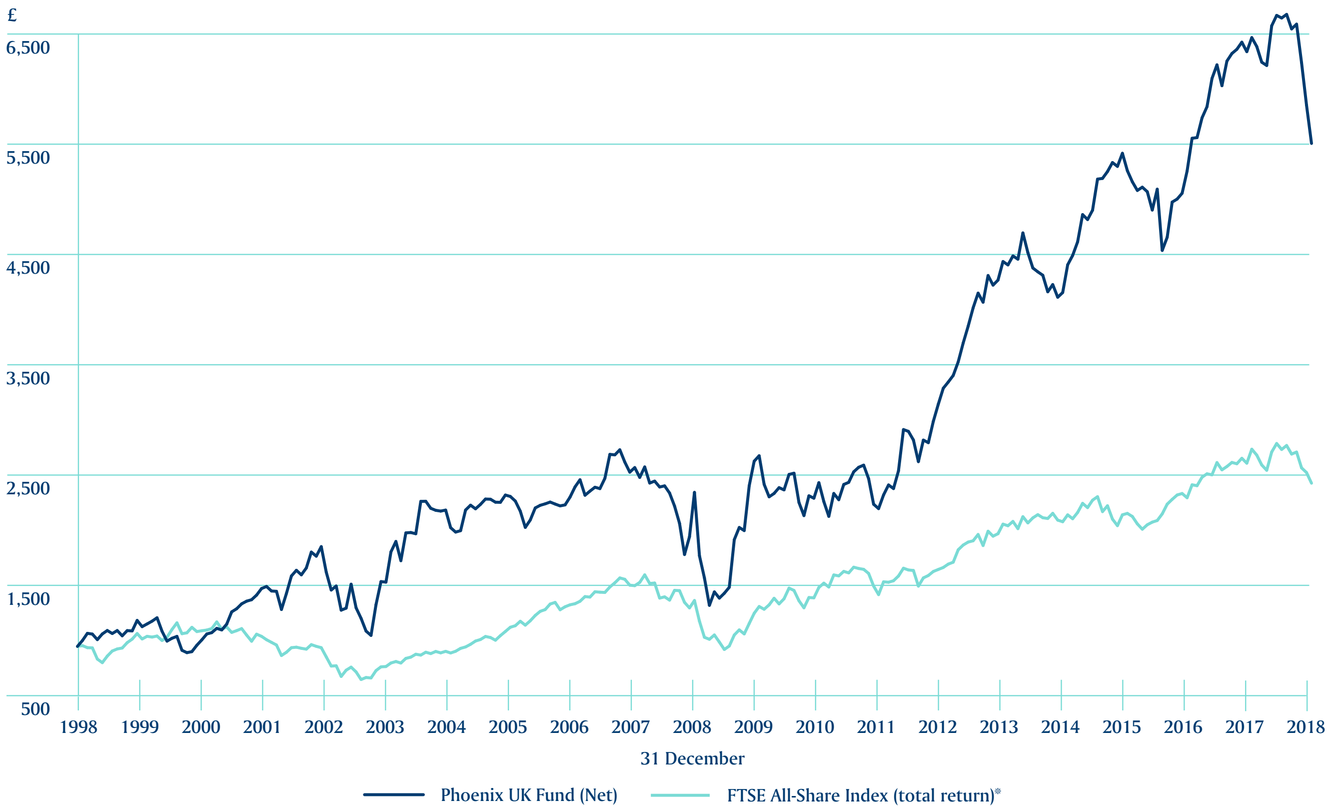
"Where a far greater destructive force than Brexit has been at work, that is the changing nature of shopping brought about by the internet. This is doing serious damage, wiping out whole businesses and depressing the values of those that remain. The businesses we own (Sports Direct, Tesco, Morrisons) are all positioned where they are the lowest cost operator in both stores and online. This should protect them from being undermined by an online competitor. We do assume in our modelling of the future that physical retailing will remain, but in a different form, as a showcase for products and as an experiential activity. Consumers, we believe the evidence shows, still like to go shopping, they do it today even when an online opportunity exists with more convenience and lower prices. The winners in this space, we expect, will be able to do both well and seamlessly. The best online only retailers are now beginning to open physical stores as they recognise that."

Steve Tatters
Director
Phoenix Asset Management Partners
24 April 2019

Value of £1,000 invested in the Phoenix UK Fund at launch to 31 December 2018

Phoenix UK Fund Track Record

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



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

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

Phoenix UK Fund Track Record

Year	Investment Return	NAV Return	FTSE All-Share Index	NAV Per Share
	%	%	%	£
1998 (8 mths)	17.6	14.4	-3.3	1,143.71
1999	-1.3	-4.6	24.3	1,090.75
2000	24.7	23.0	-5.8	1,341.46
2001	31.7	26.0	-13.1	1,690.09
2002	-17.8	-20.1	-22.6	1,349.64
2003	51.5	49.8	20.9	2,021.24
2004	14.1	11.2	12.8	2,247.26
2005	1.4	0.3	22.0	2,254.99
2006	9.5	8.3	16.8	2,442.90
2007	3.4	2.3	5.3	2,498.40
2008	-39.5	-40.2	-29.9	1,494.31
2009	62.8	59.7	30.2	2,386.48
2010	1.1	0.0	14.7	2,386.37
2011	3.0	1.9	-3.2	2,430.75
2012	48.3	42.2	12.5	3,456.27
2013	40.5	31.3	20.9	4,539.47
2014	1.9	0.1	1.2	4,544.25
2015	20.1	14.7	0.9	5,211.13
2016	9.1	7.6	16.8	5,605.58
2017	21.5	16.3	13.1	6,518.69
2018	-13.6	-14.7	-9.5	5,558.97
Cumulative	**830.2**	**455.9**	**161.5**	**n/a**
Annualised Returns	**11.4**	**8.7**	**4.8**	**n/a**

Source: Phoenix as at 31 December 2018. Past performance is not a reliable indicator of future performance.

The investment strategy of the Phoenix UK Fund is the same as that followed by Aurora and is shown here because it has a longer track record. Whilst the investment strategy is the same in all material respects, the portfolio holdings will not necessarily be the same and investors in Aurora will have no exposure to the investment performance of the Phoenix UK Fund. For illustrative purposes only, not a recommendation to buy or sell shares in the Fund. The Fund's inception date is May 1998. Phoenix Asset Management Partners Limited began managing Aurora in January 2016.

Other Strategic Report Information

Risk Analysis

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

External Risks

Poor market performance in the UK and/or world economies; poor corporate profits and dividends.

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

Internal Risks

Poor asset management, which may include poor stock selection, excessive concentration of the portfolio, mistakes regarding currency movements, speculation in shares of companies without sound or established businesses and speculation in derivatives.

Poor governance, compliance or administration, including particularly the risk of loss of investment trust status.

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

Risk Controls

External risks

As described in the Investment Policy section on page 8, external risks are mitigated by diversification of the portfolio and by not utilising gearing.

Risk diversification

An element of risk is inherent in investment undertaken on a selective basis. The Company seeks to mitigate the degree of risk by investing in securities in substantial organisations, normally listed and traded on the London Stock Exchange, and by spreading its investments across a range of such securities. At 31 December 2018 the Company held 18 stocks, spread across 7 main sectors.

Gearing

The Company has the power under its Articles to borrow money. The Company does not currently intend to use gearing. However, if the Board did decide to utilise gearing the aggregate borrowings of the Company would be restricted to 30% of the aggregate of the paid up nominal capital plus the capital and revenue reserves.

The Board will keep under review whether any provision should be made for the use of short-term borrowing for the sole purpose of meeting working capital requirements from time-to-time.

Further details concerning currency risks, liquidity risks and interest rate risks are given in note 17.

Internal risks

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

Viability Statement

The Company is subject to continuation votes every three years, with the next vote falling due in 2019. A resolution will be proposed at the AGM on 10 June 2019 to approve the continuation of the Company as an investment trust.

Although there is a continuation vote in 2019, the Directors consider that a longer time frame is appropriate for the purpose of assessing the Company's viability. The Directors recommend that the continuation vote be passed. Accordingly, they have concluded that they should continue to utilise a five year period to evaluate performance.

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least five years from the date of approval of this document.

In reaching this conclusion, the Directors have considered each of the principal risks and uncertainties set out above. They have considered the liquidity and solvency of the Company, the level of premium at which its shares trade, its income and expenditure profile including the absence of monthly management fees and the discontinuation of the use of gearing as an instrument of normal investment policy. The Company's investments comprise readily realisable securities which could, if necessary, be sold to meet the Company's funding requirements. The Company's plan to expand by the issue of new share capital and the sale of any shares held in treasury is kept under close, ongoing review by the Board. Portfolio changes and market developments are also discussed at quarterly Board meetings. The internal control framework of the Company is subject to formal review on at least an annual basis.

The Directors do not expect there to be any material increase in the annual ongoing charges of the Company over the period of their assessment. The Company's income from investments and cash realisable from the sale of investments provide substantial cover to the Company's operating expenses and any other costs likely to be faced by the Company during the period under review.

Social, Ethical, Human Rights and Environmental Matters

Being an investment company, with no staff, premises, manufacturing or other operations of its own, the Company does not have any direct influence on social, ethical, human rights and environmental matters. The Company has no greenhouse gas emissions to report from its operations, nor any responsibility for emission producing sources.

Employees and Boardroom Diversity

The Company has no employees. At 31 December 2018 the Company had five Directors, all of whom were male. The Company's policy is that the Board should have a broad range of skills; while keeping this in mind, consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

Modern slavery disclosure

Due to the nature of the Company's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk to this matter.

Outlook

The outlook for Aurora is discussed in the Chairman's Statement on pages 6 and 7, and the Management Review on pages 15 to 18.

This Strategic Report was approved by the Board on 24 April 2019.
For and on behalf of the Board
Lord Flight
Chairman
24 April 2019

Governance

Directors, Investment Manager and Advisers

Directors
Lord Flight (Chairman)
The Honourable James Nelson
RM Martin
D Stevenson
S Tatters

Alternative Investment Fund Manager ("AIFM") and Investment Manager
Phoenix Asset Management Partners Limited
64-66 Glentham Road
London SW13 9JJ
Telephone: 0208 600 0100

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

Secretary & Registered Office
PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

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

Administrator
PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Stockbroker
Liberum Capital Limited
25 Ropemaker Street
London EC2Y 9LY

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Banker
Metro Bank
One Southampton Row
London WC1B 5HA

Website Address: www.aurorainvestmenttrust.com
Registered Number – 03300814
A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Directors' Report

By Order of the Board
John Luetchford
PraxisIFM Fund Services (UK) Limited
Company Secretary

April 2019

The Directors present their report and accounts for the year ended 31 December 2018.

Strategic Report

The Directors' Report should be read in conjunction with the Strategic Report on pages 4 to 22.

Corporate Governance

The Corporate Governance Statement on pages 32 to 38 forms part of this report.

Legal and Taxation Status

The Company has sought and obtained approval from HM Revenue and Customs of its status as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company has conducted its affairs so as to be able to maintain such status in respect of the year ended 31 December 2018.

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

The Board and Re-Election of Directors

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

Lord Flight (Chairman)
The Honourable James Nelson
Richard Martin
David Stevenson
Tristan Chapple (resigned 10 July 2018)
Steve Tatters (appointed 10 July 2018)

All Directors are non-executive, in as much as Mr Tatters is an employee of the Investment Manager and not of the Company. Mr Tatters replaced Mr Chapple, also an employee of the Investment Manager.

Directors are required by the Company's Articles to retire by rotation at the Annual General Meeting so that each Director is subject to re-election at a maximum interval of three years. Mr Tatters was appointed by the Board during the year and is consequently required to stand for election at the next AGM, Being a representative of the Manager, Mr Tatters remains subject to annual re-election.

The Board has determined as a matter of policy, however, that all Directors should in any case submit to annual re-election. Accordingly, resolutions will be put to re-appoint Lord Flight, The Honourable James Nelson, Mr Martin and Mr Stevenson and to confirm the appointment of Mr Tatters.

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

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

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Grant Thornton UK LLP be re-appointed as auditors of the Company will be put to the AGM. This is item 8 in the Notice of Meeting.

Disclosure of information to auditor

The Directors confirm that:

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

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

Continuation of the Company

A resolution to approve the continuation of the Company as an investment trust will be put to the AGM. This is in accordance with the Board's policy to implement a new three-year cycle of such votes starting from the date of Phoenix becoming the Company's investment manager in January 2016. This is item 7 in the Notice of Meeting.

Share Capital

The Company has one class of capital, Ordinary Shares. There are no special restrictions or obligations. Shareholders have equal rights with regard to distributions of all kinds in proportion to their shareholdings. Final dividends are payable subject to approval by the AGM; interim dividends can be declared by the Directors.

Purchases of the Company's own shares may be carried out if the relevant sanction is given by shareholders. Resolutions at general meetings may be carried by show of hands, when each shareholder present in person or by proxy has one vote, or by poll, when each shareholder present in person or by proxy has one vote for every share.

During 2018 the Company has expanded the number of shares in issue by means of both a placing and issues under block listing facilities. The prospectus approved at a General Meeting held on 26 September 2017 had established a placing programme lasting from 2 October 2017 to 4 September 2018. A placing and intermediary offer under the terms of this facility was completed on 2 July 2018. No further placings were carried out during 2018.

Block listing facilities were also in place during the period ended 31 December 2018. Additional issues of new shares were made during January to May 2018 under a facility established in October 2017. A new block listing facility came into effect in June 2018 and issues were made from this facility throughout the remainder of 2018.

During the year under review the Company issued 12,947,213 new shares, 4,302,420 of which was via a placing and intermediaries offer at a price of 216.76 pence per share raising a total of £9,325,925 at an aggregate nominal amount of £1,075,605 and 8,644,793 by way of blocklistings at prices ranging between 183.04 pence per share and 221.67 pence per share, raising a total of £17,926,968 at an aggregate nominal amount of £2,161,198.

At 31 December 2018, there were 55,418,716 shares in issue. The number of shares with voting rights was also 55,418,716. Further details of the share issues through the Placing and under the terms of the block listings are given in note 10 to the financial statements.

Additional issues of new shares have been made since 1 January 2019 by way of block listing issues. Further details of the shares issued since 1 January 2019 are given in note 20 to the financial statements.

Power to Issue Shares

The authority to issue new Ordinary Shares up to an aggregate nominal amount of £37,500,000 on a non pre-emptive basis that was granted by the General Meeting in 2017 expired on 4 September 2018.

To cater for further placings, a General Meeting was held on 9 April 2019 which authorised the Company to allot up to 57 million new Ordinary Shares on a non pre-emptive basis.

To cater for block listings, shareholders gave authority at the AGM on 6 June 2018 for the allotment of up to 20% of the shares then in issue on a non pre-emptive basis. This expires at the AGM on 10 June 2019. The Directors have concluded that the approval of shareholders should be sought at the AGM on 10 June 2019 to put in place a new, similar authority to cover the demand for Ordinary Shares by block listing issues outside a placing programme.

The directors recommend that the new authority should again be for up to an aggregate nominal amount representing 20% of the share capital in issue as at the date of passing the resolution. The directors believe that it is in the interests of the Company that they can continue to issue new shares under the block listing facility to meet ordinary market demand from time to time. Shares will only be issued at a price representing a premium to the prevailing net asset value as at the date of issue.

Resolution 13 in the Notice of the Annual General Meeting will, if passed, give the directors the general power to allot securities up to an aggregate nominal amount of 20% of the share capital in issue as at the date of passing the resolution.

Resolution 14 which is a special resolution, will, if passed, empower the Directors to make allotments of shares other than according to the statutory pre-emption rights which otherwise require all new shares to be offered first to all existing shareholders.

Discount and Premium Control

The Board is aiming to achieve a share price over the long-term that reflects the level and movement of the Net Asset Value per Ordinary Share. This is intended to be achieved in the following ways:

(i) The Company will use clear and transparent communication that seeks to attract new and existing investors to invest and keep investing in the Company.

(ii) Execution of the investment strategy as communicated and the delivery of excellent long-term investment returns in excess of most peers and the benchmark.

(iii) The Board intends the Company to buy back its shares when the discount to Net Asset Value per Ordinary Share is persistent and a share buy back represents the best use of Shareholders' funds.

(iv) The Board intends to issue shares when the Company's shares trade at a premium to the then prevailing Net Asset Value per Ordinary Share at a time when, in the opinion of the Board, a further issue of shares is in the best interest of shareholders.

Holding Shares in Treasury

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

There were no Ordinary Shares held in treasury during the year ended 31 December 2018 and at year end.

Purchase of Own Shares

A resolution is to be proposed at the AGM to renew the Company's powers to purchase its own shares. This is Resolution 12 in the Notice of Meeting.

Although the current position of the Company is directed towards active expansion, the Directors nevertheless recommend that the general power to purchase shares continues to be held in reserve in case of need. The renewed authority sought by the Company is to purchase up to 14.99% of the voting shares that are in issue as at the date of the AGM.

Investment Management Contract

The Company entered into a new investment management contract with Phoenix on 28 January 2016.

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

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

The performance fee is subject to a high water mark so that no performance fee will be payable in any year until all underperformance of the Company's net asset value since the last performance fee was payable has been made-up. The performance fee will also be subject to a clawback if over a rolling period of three years following the end of the last financial year for which a performance fee was payable the Company underperforms.

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

No performance fee was earned in the year ended 31 December 2018 (*period ended 31 December 2017: £nil*).

Investment Management Engagement

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

Recommendation Regarding Resolutions

The Directors consider that all the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and are likely to promote the success of the Company. The Directors unanimously recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Alternative Investment Fund Managers' Directive (AIFMD)

The Company is classified as an Alternative Investment Fund under AIFMD and is therefore required to have an Alternative Investment Fund Manager (AIFM).

Because of the scale of its overall funds under management, Phoenix is classed as a full-scope AIFM. This brings the Company into the full scope of AIFMD, requiring *inter alia* the appointment of a Depository.

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period, which is the year ended 31 December 2018. These disclosures are available on the Company's website which can be found at www.aurorainvestmenttrust.com or are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set a limit as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set a maximum limit of leverage for the Company of 100%. This equates to nil leverage. As described in the Strategic Report the Phoenix policy is not to use leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	100%	100%
Actual leverage at 31 December 2018	100%	100%

Depository and Custodian

Since 28 January 2016 the positions of Depository and Custodian to the Company have been held by BNP Paribas Securities Services.

Retail Distribution of Investment Company Shares

The Company has concluded that the distribution of its Ordinary Shares, being ordinary shares in an investment trust, is not restricted as a result of the FCA rules determining which investment products can be promoted to ordinary retail investors. The Company conducts its affairs so that there is no bar to a financial adviser recommending the Company's shares to ordinary retail investors when the adviser deems it appropriate.

Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited is responsible for all administrative matters. It is appointed under a contract subject to 180 days' notice. It receives a fee of one-twelfth of £40,000 plus one-twelfth of 0.075% of the Company's net assets at the end of each calendar month on net assets up to £100 million and one-twelfth of 0.025% of net assets thereafter, subject to a minimum fee of £6,500 per month, plus VAT.

Banking

The Company's banker during the year ending 31 December 2018 was Metro Bank. The Company cash balances were held with BNP at 31 October 2018 and 31 December 2017.

At 31 December 2018 the gross external borrowings of the Company were £nil (*2017: £nil*).

Market Information

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

Notifiable Interest in the Company's Voting Rights

The following investors have declared a notifiable interest in the Company's voting rights.

	Ordinary shares	%	Date of Notification
Rothschild and Co. Wealth Management (UK) Limited	9,316,864	15.78	22 March 2019
Brewin Dolphin Limited	3,271,677	6.19	5 July 2018
Myddleton Croft Limited	2,209,699	3.89	12 February 2019

Settlement of Ordinary Share Transactions

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

Political Donations

The Company did not make any political donations or incur any political expenditure during the year under review.

Anti-bribery and corruption

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

Notice of General Meetings

Annual general meetings and general meetings shall be convened by such notice as may be required by law from time-to-time. The notice shall specify the place, day and time of the meeting, the general nature of the business to be transacted, any procedures as to attendance and voting and, if the meeting is convened to consider a special resolution, the text of the resolution and the intention to propose the resolution as such. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or any restrictions imposed on any Ordinary Shares they hold, are not entitled to receive such notices from the Company, to the Directors and to the Auditors and to any other person who may be entitled to receive it.

Going Concern

The financial statements have been prepared on the going concern basis. The Directors have a reasonable expectation, after making enquiries, that the Company has adequate resources to continue in existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. As at 31 December 2018, the Company held £2,008,070 in cash, £91,609,155 in quoted investments and £7,009,543 in an unquoted investment. It is estimated that the majority of the portfolio could be realised in seven days under normal conditions. The total operating expenses for the year ended 31 December 2018 were £456,588.

The Company is subject to a continuation vote at this year's AGM to be held on 10 June 2019. Having regard to the Company's performance and having made enquiries of the Company's major shareholders, the Board believes that the continuation vote will be passed by shareholders at the forthcoming AGM.

At 31 March 2019, the Company has in excess of 263 years' cover of operating and finance costs. The Company's net assets at 31 March 2019 were £120,177,000.

Brexit

The Company could face potential uncertainty as a result of the UK government triggering Article 50 of the Treaty on the European Union on 29 March 2017. The exit, anticipation of the exit or the terms of the exit could create UK (and potentially global) uncertainty, which could affect total shareholder returns, the NAV and/or the price of the Ordinary Shares favourably or unfavourably. The Board has considered the impact of Brexit on the Company and has concluded that it will be minimal and will not affect the Company's going concern status.

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report

24 April 2019

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

The Listing Rules and the Disclosure Guidance and Tansparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of The UK Corporate Governance Code 2016 (the 'UK Code'), as issued by the Financial Reporting Council ('FRC'). The UK Code can be viewed on the FRC's website (www.frc.gov.uk). An updated UK Corporate Governance Code was published in 2018, which will be applicable for the year ending 31 December 2019.

The related AIC Corporate Governance Guide for Investment Companies issued in July 2016 (the 'AIC Guide') provides specific corporate governance guidelines to investment trusts. The FRC has confirmed that AIC member companies who follow and report against the AIC Code of Corporate Governance ('AIC Code') will be meeting their obligations in relation to the UK Code. The AIC Code can be viewed on the AIC's website www.theaic.co.uk. An updated AIC code was published in 2019, reflecting changes made in 2018. The 2019 AIC Code will be applicable to the Company for the year ending 31 December 2019.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses the principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

- the role of the chief executive (provision A2.1)
- the need for an internal audit function (provision C3.6)
- executive Director's remuneration (section D)

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

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

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

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

The Board

Board composition

The Board currently consists of a Chairman, Lord Flight, three independent Directors, Mr Martin, The Honourable James Nelson and Mr Stevenson, and Mr Tatters, who is an employee of Phoenix Asset Management Partners ("Phoenix").

Mr Tatters joined the Board on 10 July 2018. Mr Martin has served on the Board since 8 September 2010. Lord Flight and The Honourable James Nelson joined the Board on 18 July 2011 and the Board appointed Lord Flight as Chairman from that date.

With the exception of Mr Tatters, all Board members are independent of the Investment Manager, Phoenix. Phoenix supplied fund management services to the Company throughout the year under a contract described under the "Management" section in the Directors' Report. With this exception, there were no contracts subsisting during or at the end of the year in which a Director was or is materially interested.

Lord Flight

Lord Flight has worked in the financial services industry for over 40 years. He co-founded Guinness Flight Global Asset Management in 1986. In 1998, upon Guinness Flight's acquisition by Investec, he became Joint Chairman of Investec Asset Management Limited. He was the MP for Arundel and South Downs from 1997 to 2005; was Shadow Chief Secretary to the Treasury between 2000 and 2004 and a member of the Shadow Cabinet. He was appointed to the House of Lords in January 2011. He is Chairman of the EIS Association and of Flight & Partners; he has been a non-executive director of Metro Bank plc and Investec Asset Management Limited and of a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission and was a member of the House of Lords EU Finance and Economics Committee from 2010 to 2015.

The Honourable James Nelson

The Honourable James Nelson has had a long career in the financial service sector, working in banking with Morgan Guaranty Trust Company of New York (the predecessor to JP Morgan) in investment management with Foreign & Colonial, where he was a director of F & C Management Limited, and in private equity with Graphite Capital Management Limited as a founding partner. He has held many non-executive directorships, more recently with the Henderson Smaller Companies Investment Trust Plc, Syncora Guarantee (UK) Limited and Intermediate Capital Group Plc. He is a past chairman of the British Private Equity & Venture Capital Association and is currently chairman of the McGill University Trust.

Richard Martin

Richard Martin is an adviser to various family groups and he was also chairman of BMO Managed Portfolio Trust plc until 31 December 2018. Previously he was CIO and adviser to T. Bailey Asset Management Limited, a position held for fourteen years, and was chairman of the investment committee of the National Trust for Scotland.

David Stevenson

David Stevenson is a columnist for the Financial Times, Investment Week and Money Week and author of a number of books on investment matters. He was the founding director of Rocket Science Group. Currently he is a director of SQN Secured Income Fund Plc, Gresham House Energy Storage Fund Plc, AltFi Limited and Brismo Limited and a strategy consultant to a number of asset management firms and investment banks.

Steve Tatters

Steve Tatters is a Director of Phoenix Asset Management Partners. He joined Phoenix as a Director in 2004 and acts as its Chief Operating Officer responsible for Business Development, Compliance & Operations and Investor Relations. He has worked in financial services for over 28 years, beginning at Nomura International PLC in London and Hong Kong. He held various roles in the Operations and Equity trading areas before he was was appointed Co-Head of the Equity and Equity Derivatives Trading teams in 1998. He initially combined his role at Phoenix with managing new and existing private company investments at Channon & Co, a private investment company owned by Gary Channon.

As described below under "Evaluation of Board Performance" the Board conducts a review of its strengths and weaknesses, with the aim of ensuring that there is available a good balance of attributes that are useful to the direction of the Company, in addition to the skills and commitment of the Investment Manager. The Chairman has wide and deep experience of the management and governance of investment trusts through the other relevant directorships that he holds and has held. The Honourable James Nelson and Mr Martin have a long track record of success in the fields of investment and asset management. The attributes that Mr Stevenson and Mr Tatters are able to bring to the Board were carefully considered at the time of their appointments. Mr Stevenson has a strong record of independent scrutiny of the markets and commentary upon them, while Mr Tatters has very considerable experience of investment company operations.

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

Evaluation of Board performance

The Board arranged for an independent evaluation of its performance during the year ended 31 December 2018. This was carried out by Lintstock Limited by means of a written questionnaire. The evaluation was carried out mainly during October-November 2018. The Board has given careful consideration to the detailed results of the survey.

Policy with regard to tenure and reappointment

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

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

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

How the Board operates

The Company does not have any employees. The Board has contractually delegated to external agencies, including the Investment Manager, for the management of the Company's investment portfolio, the custodial services (which include the safeguarding of the Company's assets), the registration services and the accounting and company secretarial requirements. Each of these contracts were entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board reviews these contracts annually. The Board does not undertake any executive function, but is responsible to shareholders for the overall strategy and performance of the Company. It reviews and evaluates all aspects of the Company's performance and all functions performed by the service providers.

There is no formal schedule of matters reserved for the Board. Such a schedule would be inappropriate since the Board decides on all aspects of the activities of the Company and is of sufficiently small size to decide upon such matters as a full Board.

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

Attendance at Board meetings

The Board holds at least four meetings a year.
During the year ended 31 December 2018 there were five meetings of the Board. Lord Flight, The Hon James Nelson, Mr Martin and Mr Stevenson attended all of these meetings. Mr Chapple attended two meetings before he retired on 10 July 2018. Mr Tatters attended two meetings, after he was appointed to the Board on 10 July 2018.

There were also ad-hoc meetings to deal with placings, block listings and other matters.

In addition there were five fully-attended meetings of the Board's committees, as detailed below.

Board Committees

Since all Directors are non-executive and the Chairman is both non-executive and independent, the Board considers that all directors may normally be present at Committee meetings even if not formally part of the quorum. On certain occasions, as described below, it is inappropriate for the representative of the Investment Manager to be involved. The main purpose of the Committees in the context of the Company's structure is that their existence ensures that time is set aside on a formal basis to cover certain important issues of governance, without those issues obscuring the flow of general Board business. Each committee has a separate chairman, as detailed under the separate headings below. The Committees have formal terms of reference, which are available to shareholders upon request from the Company's registered office and can be viewed via the Company's website at www.aurorainvestmenttrust.com.

Remuneration and Management Engagement Committee

The Board has formed a Remuneration and Management Engagement Committee, which considers the level of fees paid to directors and also considers issues related to the engagement of the Investment Manager and other service providers, making recommendations as appropriate to the Board. Since all the executive functions of the Company are delegated to service providers, issues concerning the remuneration of those functions relate to the payment of service providers rather than of directors or employees. The Committee therefore considers whether amounts paid to service providers are appropriate, with particular reference to those contracted to the Company on a continuing basis, including the Investment Manager, and whether those contracts should be maintained. The Honourable James Nelson is chairman of the Committee.

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

- The performance of the Company
- Quality of team – the skills and particularly the experience of the team involved

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

When considering issues related to directors' fees and the remuneration of service providers other than the Investment Manager, the Committee comprises all the directors. Mr Tatters excuses himself from the Committees when the investment management contract is discussed.

The work of the Committee is further described, including the number of meetings and attendance at those meetings, in the Directors' Remuneration Report.

Audit Committee

It is considered appropriate that issues relating to the review of the annual financial statements, the appointment of the auditor and internal control procedures, including those of the Investment Manager and the Secretary, should be considered by those directors who are independent. Therefore the Board has formed an Audit Committee comprised of those directors who are independent of the investment manager. During the year ended 31 December 2018 the Committee comprised Lord Flight, The Honourable James Nelson, Mr Martin and Mr Stevenson. Mr Martin is chairman of the Committee.

The Audit Committee also reviews any non-audit services provided by the auditor. Under the Revised Ethical Code it is necessary for the tax compliance function to be separated from the audit role. Ernst & Young has been appointed to provide tax compliance services. The auditor did not perform any non-audit services during the year ended 31 December 2018.

All members of the Committee are active in the investment markets and/or the investment trust sector and the Committee considers that all have recent and relevant financial experience.

The work of the Audit Committee during the year ended 31 December 2018, and in relation to this annual report, is described in more detail in the Audit Committee Report on pages 46 and 47.

Nominations Committee

A Nominations Committee has been established by the Board, to identify and interview candidates for vacancies on the Board. It is established as a principle that this process should be led by the independent directors and the Committee comprises all independent directors of the Company. The Honourable James Nelson is chairman of the Committee, which will meet as and when required.

The Nominations Committee met once during the year ended 31 December 2018. There were no nominations to consider, but the Committee reviewed the Company's overall policy on the size and make-up of the Board and considered the Board's performance.

Relations with Shareholders and with Investee Companies

Relations with shareholders

The Investment Manager has meetings with the largest shareholders and reports back to the Board on those meetings. The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Exercise of voting powers and stewardship code

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council. The Investment Manager has published its proxy voting policy and statement of compliance with the principles of best practice of the Stewardship Code on its website.

Internal Controls and Risk Management

Review of internal controls

The UK Corporate Governance Code requires the Board to review the effectiveness of the Company's risk management and system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of risk management and internal control and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements.

By these procedures the directors have kept under review the effectiveness of the risk management and internal control system throughout the year and up to the date of this report.

Assessment by the Board of service providers

The Investment Manager and the Administrator are normally invited to attend each full meeting of the Board and have in practice done so. Between these meetings there is further, regular contact with the Investment Manager and the Administrator. The Investment Manager reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary. Directors receive and consider regular monthly reports from the Administrator, giving full details of all holdings in the portfolio, including all transactions, and of all aspects of the financial position of the Company. The Administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures, compliance with investment trust rules and secretarial matters, highlighting any changes which have occurred. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Contact with the Investment Manager and the Administrator enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis throughout the year and again, formally, at year end and this process of assessment has continued up to the date of this report.

Financial Aspects of Internal Control

The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. In accordance with item C.2.1 of the UK Corporate Governance Code, the directors are responsible for making a robust assessment of the principal risks facing the Company and they have done so. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by the Investment Manager and the administrator to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include monthly production of management accounts and daily Net Asset Value calculations, monitoring of performance at regular board meetings, supervision by directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures.

The directors' statement of responsibilities in respect of the accounts is on pages 44 to 45, a statement of going concern is on page 31 and the report of the auditors is on pages 48 to 54.

By Order of the Board
John Luetchford
PraxisIFM Fund Services (UK) Limited
Company Secretary
24 April 2019

Directors' Remuneration Report

James Nelson
Chairman of the Remuneration and Management Engagement Committee

April 2019

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

An ordinary resolution for the approval of the Remuneration Policy Implementation Report will be put forward at the forthcoming Annual General Meeting.

The Remuneration Policy is required to be put before shareholders for approval once every three years (unless changed, in which case the changes must be approved) and shareholder approval is mandatory. At the AGM in 2017 the resolution to approve the Remuneration Policy was passed unanimously by show of hands; the proxy voting was 5,034,384 in favour, 8,500 discretionary on the part of the chairman and 2,952 against.

The Remuneration Policy Implementation Report is required to be put before shareholders each year. The shareholders' vote on the Implementation Report is not binding upon the Company, but the Board and the Committee take account of any concerns that are expressed by shareholders. At the AGM in 2018, the resolution to approve the Remuneration Implementation Report was passed unanimously by show of hands; the proxy voting on this resolution was 15,955,620 in favour, 4,828 discretionary on the part of the Chairman, 240 withheld and 3,942 against.

Information not subject to audit

Remuneration Policy

Remuneration and Management Engagement Committee

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

Policy on directors' fees

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

The Committee will keep the position under review and will consider an increase in the levels of remuneration if general market rates of remuneration for non-executive directors increase and if the Company's performance and size warrants it.

Directors' service contracts

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

Statement of consideration of conditions elsewhere in the Company

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

Remuneration Policy Implementation Report

The levels of remuneration in 2018 were:

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

The Remuneration Committee met twice during the year ended 31 December 2018. All members of the Committee attended the meeting. The Committee considered the results of the independent review of directors' performance together with an internal survey of board remuneration among a peer group of similar companies. It concluded that the level of fees should be increased with effect from 1 January 2019 to £33,000 per year for the Chairman, £24,000 per year for non-executive directors other than the chairman of the Audit Committee and at £28,000 per year for the chairman of the Audit Committee. These recommendations were accepted by the Board.

Mr Tatters is an employee of Phoenix and it was agreed with Phoenix and Mr Tatters that he would take no remuneration from the Company (as was previously the case with Mr Chapple).

A fee of £5,000 plus VAT was paid to Lintstock Limited for its independent review of board performance. No other services were provided by advisers in respect of remuneration policy during the year ended 31 December 2018.

Directors' indemnities

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

Resolution to increase the Maximum Limit of Remuneration

Although the increase in fees described above does not breach the limit of £150,000 per year set by the Articles, the headroom over the limit has reduced. In view of this, and the possible appointment of additional directors, an increase in the maximum limit to £200,000 per year is proposed.

Performance

The performance of the Company's Ordinary Shares, with dividends reinvested, is compared to that of the FTSE All-Share Index (total return) which is the Company's Benchmark. Phoenix Investment Management Partners Ltd (Phoenix) took over the investment management on 28 January 2016.

Relative importance of spend on pay

The table below shows the proportion of the Company's income spent on pay (including National Insurance or VAT where applicable).

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000	Change Favourable/ (unfavourable) £'000
Revenue income receivable	2,959	1,683	1,276
Spend on directors' fees	88	88	–
Other expenses	369	288	(81)
Dividends paid to shareholders	1,286	615	671

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

Information subject to audit

Directors' emoluments for the period

The following emoluments in the form of fees (excluding National Insurance or VAT) were payable to the directors who served during the period:

	2018 £	2017 £
Lord Flight	26,250	26,250
The Hon. James Nelson	17,500	17,500
Richard Martin	20,000	20,000
Tristan Chapple	–	–
Steve Tatters	–	–
David Stevenson	17,500	17,500
	81,250	81,250

Directors' Shareholdings

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

	At 31 December 2018 and at the date of this report Ordinary shares	At 31 December 2017 Ordinary shares
Lord Flight	43,000	43,000
The Hon. James Nelson	40,000	40,000
R Martin	30,100	30,100
T Chapple	–	–
S Tatters	–	–
D Stevenson	9,466	9,466

During the year, no rights to subscribe for shares in or debentures of the Company or its subsidiary have been granted to, or exercised by, any Director or a member of his immediate family. There are no requirements or formal guidelines in effect for Directors holding shares in the Company, although the Board welcomes such holdings.

Annual statement

On behalf of the Board and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Reports on Remuneration Policy and Remuneration Implementation summarise, as applicable, for the year to 31 December 2018:

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

James Nelson
Chairman of the Remuneration and Management Engagement Committee
24 April 2019

Statement of Directors' Responsibilities for the Annual Report

Lord Flight
Chairman

April 2019

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

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

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

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

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

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

Statement under the Disclosure and Transparency Rules 4.1.12

The Directors confirm that to the best of their knowledge and belief:

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

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

For and on behalf of the Board
Lord Flight
Chairman
24 April 2019

Audit Committee Report

Richard Martin
Chairman of the Audit Committee

April 2019

Work of the Audit Committee

During the year ended 31 December 2018 the Audit Committee met three times. Mr Martin, Lord Flight, the Honourable James Nelson and Mr Stevenson attended all three meetings.

Since 31 December 2018 the Committee has again met on two occasions. The auditor attended both meetings, first to discuss the audit plan with the Committee and then to discuss with them in detail the results of the audit of the financial statements.

Financial statements and significant accounting matters

In its meetings since 31 December 2018, the Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 December 2018:

Valuation of investments

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

The Company holds a small proportion of the portfolio in an unquoted company. The valuation of this investment is based on a proportionate share of the investment's NAV. The Manager provided valuation recommendations for the investment in the unquoted company held at the year end and it was discussed and approved by the Audit Committee.

Financial statement presentation

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

Going concern

The Audit Committee reviewed the Company's financial resources and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report.

Conclusion with respect to the annual report and financial statements

The Audit Committee has concluded that the annual report for the year ended 31 December 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Provision of non-audit services

The Audit Committee has put in place a non-audit service policy to ensure that the auditor's independence and objectivity are not impaired. The Company has appointed Ernst & Young to provide tax compliance services. No non-audit work was performed for the Company by the auditor during the year ended 31 December 2018 and the Committee has no current plans to seek any non-audit services from the auditor.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing.

In accordance with the EU Directive that a review of the auditor be carried out after 10 years' service, a full review of the audit service on a competitive basis was conducted during 2016. The Committee gave careful consideration to proposals put forward by Grant Thornton and by a competitor firm. After discussion, it concluded that the appointment of Grant Thornton should be continued, subject to approval by the Board and the shareholders of the Company.

The renewed appointment of Grant Thornton is potentially for a further period up to 31 December 2023, the maximum permitted by the EU Directive, but always subject to annual confirmation. The Audit Committee performed a further review of the external auditor following the presentation of the results of the latest audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Having reviewed the position, the Committee recommended to the Board that a resolution be put to shareholders at the AGM in 2019 for the re-appointment of Grant Thornton.

In accordance with professional guidelines, the senior statutory auditor, currently Christopher Smith, is rotated after at most five years. The current senior statutory auditor started first signed an audit report on the Company in 2015. Therefore Christopher Smith is now standing down after signing the 2019 report. Grant Thornton is pursuing the appointment of a replacement.

Richard Martin
Chairman of the Audit Committee
24 April 2019

Independent Auditors' Report to the Members of Aurora Investment Trust Plc

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

24 April 2019

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Aurora Investment Trust plc (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We 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 FRC's Ethical Standard as applied to 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 21 and 22 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 38 of the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 31 of the financial statements, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

- the directors' explanation, set out on pages 21 and 22 of the annual report, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £1m which represents 1% of the Company's net assets;
- Key audit matters were identified as completeness and occurrence of investment income and existence and valuation of investments; and
- Our audit approach was a risk based substantive audit focused on investments at the year end and investment income recognised during the year. There was no significant change in our approach from the prior year.

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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.

Key Audit Matter	How the matter was addressed in the audit
Completeness and occurrence of investment Income The Company's investment objective is to provide shareholders with long term returns through capital and income growth. Investment income is the Company's major source of revenue and a material balance in the Statement of Comprehensive Income. Accordingly, we identified the completeness and occurrence of investment income from the investment portfolio as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** • assessing whether the Company's accounting policy for revenue recognition is in accordance with IFRSs as adopted by the European Union and the Statement of Recommended Practice (the 'SORP') issued by the Association of Investment Companies ('AIC'); • substantively testing income transactions, as described below, to assess if they were recognised in accordance with the accounting policy; • for investments held during the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Statement of Comprehensive Income; and • agreeing dividend income recognised by the Company to an independent source.

Key Audit Matter	How the matter was addressed in the audit
	The Company's accounting policy on income from investments is shown in note 1(d) to the financial statements and related disclosures are included in note 2. **Key observations** Our testing did not identify any material misstatements in the completeness and occurrence of investment income recognised during the year.
Existence and valuation of investments The Company's principal investment objective is to provide shareholders with long term returns through capital and income growth by investing in a concentrated portfolio of UK equities. The investment portfolio at £99m is a significant material balance in the statement of financial position at year end and the main driver of the Company's performance. We therefore identified the existence and valuation of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** • assessing whether the Company's accounting policy for investments is in accordance with IFRSs as adopted by the European Union and the SORP and testing whether management have accounted for valuation in accordance with that policy; • confirming the existence and ownership of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company's custodian; • independently pricing 100% of the quoted equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on Company investment holdings, which was agreed to the financial statements; • assessing the valuation of the Company's unquoted investment in Phoenix SG Limited by examining the valuation report prepared by Duff & Phelps as at 30 September 2018 and examining management's assessment of its valuation as at 31 December 2018. This included involvement of our valuation specialist in order to evaluate the adequacy of assumptions made by Duff & Phelps and challenging the assumptions made by management; • agreeing the Company's holding in Phoenix SG Ltd at the year end to a confirmation from the Company's custodian; • substantively testing a sample of additions and disposals of investments during the year by agreeing to trade confirmations, agreements and bank statements, as applicable; and

Key Audit Matter	How the matter was addressed in the audit
	• examining the book cost reconciliation prepared by management for accuracy and consistency with the results of other substantive audit procedures performed on investments. The Company's accounting policy on investments is shown in notes 1(c) to the financial statements and related disclosures are included in note 9. The Audit Committee identified valuation of investments as a significant accounting issue in its report on page 46, where the Committee also described the action that it has taken to address this issue. **Key observations** Our testing did not identify any material misstatements in the valuation of the Company’s investment portfolio as at the year end or in the existence of the underlying investments at the year end.

Our application of materiality

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

We determined materiality for the audit of the financial statements as a whole to be £1m, which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is higher than the level we determined for the year ended 31 December 2017 reflecting the increase in the Company’s net assets at the current year end.

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

We also determine a lower level of specific materiality for certain areas such as investment income, directors’ remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £50k. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third party service providers. Therefore our audit work was focused on:

- obtaining an understanding of, and evaluating, relevant internal controls at the Company's third-party service providers. This included an evaluation of the internal controls at the relevant third-party service providers;
- performing substantive testing by obtaining direct confirmations on existence and valuation of quoted investments; and agreeing the investment income to an independent source for completeness and occurrence; and
- performing substantive testing on the Company's unquoted investment in Phoenix SG Limited by agreeing the holding to direct confirmation from the custodian, obtaining the year end net asset value from CIBC; administrator and custodian of Phoenix SG Limited and use of our valuation specialists.

Other information

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

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 45 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 46 and 47 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 32 – the parts of the statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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

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.

Matters on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, 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 ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. We followed a risk-based audit approach, as explained more fully in the 'An overview of the scope of our audit' section of our auditor's report. This included selection of an audit team that has the relevant sector experience, understanding of the regulatory environment the Company operates in and previous experience with the Company. It also included discussions with the Directors as regard to specific law and regulations applicable to the Company including compliance with the relevant provisions of HMRC's regulations applicable to an Investment Trust Company. We remained alert to any indications of misstatements or non-compliance of regulations throughout the audit.

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The primary responsibility for the prevention and detection of fraud rests with those charged with governance of the Company and management.

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. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the members on 1 January 2000. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 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.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 April 2019

Finance

Statement of Comprehensive Income

For the year ended 31 December 2018

		Year ended 31 December 2018			Year ended 31 December 2017		
		Revenue	Capital	Total	Revenue	Capital	Total
Notes		£'000	£'000	£'000	£'000	£'000	£'000
	(Losses)/gains on investments at fair value	–	(14,585)	(14,585)	–	10,621	10,621
2	Income	2,959	–	2,959	1,683	–	1,683
	Total income	2,959	(14,585)	(11,626)	1,683	10,621	12,304
3	Investment management fees	–	–	–	–	–	–
3	Other expenses	(457)	–	(457)	(376)	–	(376)
6	Profit/(loss) before tax	2,502	(14,585)	(12,083)	1,307	10,621	11,928
	Tax	–	–	–	–	–	–
	Profit/(loss) and total comprehensive income for the year	2,502	(14,585)	(12,083)	1,307	10,621	11,928
8	Earnings per share	4.99p	(29.09p)	(24.10p)	3.67p	29.85p	33.52p

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

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

The Board has recommended a final dividend of 4.0p per share (see note 7).

The notes on pages 61 to 74 form part of these accounts.

Statement of Financial Position

At 31 December 2018

Approved by the Board of Directors on 24 April 2019 and signed on their behalf by:
Lord Flight
Richard Martin
Company no. 03300814

		2018	2017
Notes		£'000	£'000
	NON-CURRENT ASSETS		
9	Investments held at fair value through profit or loss	98,619	82,587
		98,619	82,587
	CURRENT ASSETS		
	Receivables	459	351
	Cash and cash equivalents	2,008	4,507
		2,467	4,858
	TOTAL ASSETS	101,086	87,445
	CURRENT LIABILITIES:		
	Payables	90	72
		90	72
	NET ASSETS	100,996	87,373
	EQUITY		
10	Called up share capital	13,855	10,618
	Capital redemption reserve	179	179
	Share premium account	77,764	54,009
12	Investment holding (losses)/gains	(5,218)	10,887
12	Other capital reserves	11,573	10,053
	Revenue reserve	2,843	1,627
	TOTAL EQUITY	100,996	87,373
13	Net assets per ordinary share	182.24p	205.72p

The notes on pages 61 to 74 form part of these accounts.

Statement of Changes in Equity

Year to 31 December 2018

Notes		Share capital	Capital redemption reserve	Share premium account	Investment holding losses	Other capital reserves	Revenue reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Opening equity	10,618	179	54,009	10,887	10,053	1,627	87,373
	Profit/(loss) for the year	–	–	–	(16,105)	1,520	2,502	(12,083)
	Issue of new shares	3,237	–	24,016	–	–	–	27,253
	Share issue costs	–	–	(261)	–	–	–	(261)
7	Dividends paid	–	–	–	–	–	(1,286)	(1,286)
	Closing equity	13,855	179	77,764	(5,218)	11,573	2,843	100,996

The notes on pages 61 to 74 form part of these accounts.

Statement of Changes in Equity continued

Year to 31 December 2017

Notes		Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Investment holding gains £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	Opening equity	7,448	179	32,557	2,111	8,208	935	51,438
	Profit for the year	–	–	–	8,776	1,845	1,307	11,928
	Issue of new shares	3,170	–	21,737	–	–	–	24,907
	Share issue costs	–	–	(285)	–	–	–	(285)
7	Dividends paid	–	–	–	–	–	(615)	(615)
	Closing equity	10,618	179	54,009	10,887	10,053	1,627	87,373

The notes on pages 61 to 74 form part of these accounts.

Cash Flow Statement

For the year ended
31 December 2018

	Year to 31 December 2018	Year to 31 December 2017
	£'000	£'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflow from investment income and interest	2,801	1,631
Cash outflow from management expenses	(389)	(417)
Receipts on disposal of non-current asset investments	60,258	22,778
Payments to acquire non-current asset investments	(90,875)	(44,895)
NET CASH OUTFLOW USED IN OPERATING ACTIVITIES	(28,205)	(20,903)
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from issue of new shares	26,992	24,622
Dividends paid	(1,286)	(615)
NET CASH INFLOW FROM FINANCING ACTIVITIES	25,706	24,007
(DECREASE)/INCREASE IN CASH	(2,499)	3,104
Cash and cash equivalents at beginning of year	4,507	1,403
(Decrease)/increase in cash	(2,499)	3,104
Cash and cash equivalents at end of year	2,008	4,507

The notes on pages 61 to 74 form part of these accounts.

Notes to the Financial Statements

1. Accounting Policies

Basis of Accounting

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

Under IFRS, the AIC Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in November 2014 and updated in February 2018 has no formal status, but the Company adheres to the guidance of the SORP.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements.

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 31.

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

a. Accounting Convention

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

b. Adoption of new and revised standards

In the current period the Company has adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

Receivables that were previously measured at amortised cost under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Therefore, such instruments continue to be measured at amortised cost under IFRS 9. The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. The Company has not designated any financial liabilities at fair value through profit or loss therefore this requirement has not had an impact on the Company. IFRS 9 requires the Company to record expected credit losses on all of its receivables, either on a 12 month or lifetime basis. As the Company has limited exposure to credit risk, this amendment has not had a material impact on the financial statements as the Company only holds receivables with no financing component that have maturities of 12 months or less. This requirement has not significantly changed the carrying amounts of the Company's financial assets under IFRS 9.

There has been no restatement in the comparative figures for the year ended 31 December 2017 as a result of adopting IFRS 9.

The adoption of IFRS 15 during the year had no impact on the Company.

1. Accounting Policies continued

c. Investments
Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment. After initial recognition, investments are measured at fair value through profit or loss. Gains or losses on investments measured at fair value through profit or loss are included in net profit or loss as a capital item and transaction costs on acquisition or disposal of investments are expensed. For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date. All purchases and sales of investments are recognised on the trade date, i.e. the date that the Company commits to purchase or sell an asset. Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment. Investments are held at fair value through profit or loss as they fail the contractual cash flows test under IFRS 9 so there is no change to comparative figures as investments were historically held at fair value through profit or loss under IAS 39.

Unquoted investments are measured at fair value, which is determined by the Directors in accordance with the International Private Equity and Venture Capital guidelines.

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

e. Capital Reserves
The Company is not precluded by its Articles from making any distribution of capital profits by way of dividend, but the Directors have no current plans to do so. Profits and losses on disposals of investments are taken to the other capital (gains on disposal) reserve. Revaluation movements are taken to the investment holding reserve via the capital column of the Statement of Comprehensive Income.

f. Investment Management Fees, Finance Costs and Other Costs
Performance-related fees are charged to other capital reserves (gains on disposal) via the capital column of the Statement of Comprehensive Income. Other costs are normally charged to revenue, unless there is a compelling reason to charge to capital. Tax relief in respect of costs allocated to capital is credited to capital via the capital column of the Statement of Comprehensive Income on the marginal basis.

g. Taxation
Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the year end date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply at their respective period of realisation, provided they are enacted or substantively enacted at the year end date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity.

h. Foreign currency

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each year end date, monetary items and non-monetary assets and liabilities, which are fair valued and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Statement of Comprehensive Income and allocated to capital if of a capital nature or to revenue if of a revenue nature. Exchange differences allocated to capital are taken to gains on disposal or investment holding losses, as appropriate.

i. Cash and cash equivalents

Cash and Cash Equivalents in the Cash Flow Statement comprise cash held at bank.

j. Dividends payable to equity shareholders

Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they are paid, or have been approved by shareholders in the case of a final dividend.

k. Judgements, estimations and assumptions

The directors have reviewed matters requiring estimation and/or judgement. The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenue and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. There are no judgements or estimates that have had a significant effect on amounts recognised in the financial statements.

The critical judgement, estimates and assumptions that have a significant risk of causing a material adjustment to the Company's NAV relate to the valuation of the Company's unquoted (Level 3) investment in Phoenix SG, which is 6.9% of the Company's NAV.

The Level 3 holding is valued in line with accounting policy as disclosed in Note 1(c). Under the accounting policy, the reported NAV methodology has been adopted in valuing the Level 3 investment. As the Company has judged that it is appropriate to use the reported NAV in valuing the unquoted investment, the Company does not have any other key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the Company's NAV within the next financial year.

1. Accounting Policies continued

Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted investments are reasonable and robust, because of the inherent uncertainty of the valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of revaluation of the unquoted investments fair value within the next year.

If the fair value of the Level 3 investment changed by 10% (£700,954), the impact on the Company's NAV would be 0.7%.

2. Income

	Year to 31 December 2018	Year to 31 December 2017
	£'000	£'000
Income from investments:		
Franked dividends from listed or quoted investments	2,956	1,683
Other income:		
Interest on deposits	3	–
Total income	2,959	1,683

3. Investment Management Fees and Other Expenses

			2018			2017
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fees						
monthly	–	–	–	–	–	–
performance	–	–	–	–	–	–
Administration fees	139	–	139	111	–	111
Depository/custodian fees	66	–	66	60	–	60
Registrar's fees	32	–	32	24	–	24
Directors' fees	81	–	81	81	–	81
Auditors' fees	33	–	33	31	–	31
Printing	13	–	13	14	–	14
Miscellaneous expenses	93	–	93	55	–	55
Total expenses	457	–	457	376	–	376

All expenses include any relevant irrecoverable VAT. The amounts excluding VAT paid or accrued for the audit of the Company are £26,800 *(2017: £25,250)*.

4. Directors' Fees

The fees paid or accrued were £81,250 *(2017: £81,250)*. There were no other emoluments. Full details of the fees of each director are given in the Directors' Remuneration Report.

5. Transaction Charges

	Year to 31 December 2018	Year to 31 December 2017
	£'000	£'000
Transaction costs on purchases of investments	39	132
Transaction costs on sales of investments	12	11
Total transaction costs included in gains or losses on investments at fair value through profit or loss	51	143

6. Taxation

a. Analysis of tax charge in the year:

			Year to 31 December 2018			Year to 31 December 2017
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporation tax	–	–	–	–	–	–
Overseas tax	–	–	–	–	–	–
Tax charge in respect of the current year	–	–	–	–	–	–

b. Factors affecting total tax charge for the year:

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

	Year ended 31 December 2018	Year to 31 December 2017
	£'000	£'000
Total (loss)/profit before tax	(12,083)	11,928
Theoretical tax at UK corporation tax rate of 19.0% (2017: 19.25%)	(2,296)	2,296
Effects of:		
Capital losses/(profits) that are not taxable	2,771	(2,045)
UK dividends which are not taxable	(561)	(324)
Increase in excess tax losses	86	73
Total tax charge for the year	–	–

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

6. Taxation continued

Deferred Tax

The Company has tax losses of £9,635,000 (*2017: £9,182,000*) in respect of management expenses, equivalent to a potential tax saving of £1,638,000 at the prospective tax rate of 17% *(2017: £1,560,950 at 17%*) and tax losses of £1,491,000 *(2017: £1,490,706)* in respect of loan interest, equivalent to a potential tax saving of £253,000 at the prospective tax rate of 17% *(2017: £253,420 at 17%*).

These amounts are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those expenses and they will be recoverable only to the extent that the Company has sufficient future taxable revenue.

7. Ordinary Dividends

	Year to 31 December 2018	Year to 31 December 2017
	£'000	£'000
Dividends reflected in the financial statements:		
Interim dividend for the period to 31 December 2016 at 2.00p per share	–	615
Final dividend for the year ended 31 December 2017 at 2.75p per share	1,286	–
Dividends not reflected in the financial statements:		
Final dividend for the year to 31 December 2018 of 4.0p per share	2,398	–

8. Earnings Per Share

Earnings per share are based on the loss of £12,083,000 *(2017: profit £11,928,000)* attributable to the weighted average of 50,131,873 *(35,585,776)* ordinary shares of 25p in issue during the year.

Supplementary information is provided as follows: revenue earnings per share are based on the revenue profit of £2,502,000 *(2017: £1,307,000)*; capital earnings per share are based on the net capital loss of £14,585,000 *(2017: £10,621,000)*, attributable to the weighted average of 50,131,873 *(2017: 35,585,776)* ordinary voting shares of 25p.

9. Investments held at Fair Value Through Profit or Loss

At 31 December	2018	2017
	£'000	£'000
UK listed securities	84,922	71,574
Securities traded on AIM	6,687	11,013
Unquoted securities	7,010	–
Total non-current investments held at fair value through profit or loss	98,619	82,587
Movements during the year:		
Opening balance of investments, at cost	71,700	47,738
Additions, at cost	90,875	44,895
Disposals – proceeds received or receivable	(60,258)	(22,778)
– less realised profits	1,520	1,845
– at cost	(58,739)	(20,933)
Cost of investments held at fair value through profit or loss at 31 December	103,837	71,700
Revaluation of investments to market value:		
Opening balance	10,887	2,111
(Decrease)/increase in unrealised appreciation debited/credited to investment holding reserve	(16,105)	8,776
Balance at 31 December	(5,218)	10,887
Market value of non-current investments held at fair value through profit or loss at 31 December	98,619	82,587

The Company's unquoted investment represents investments in Phoenix SG Limited (Phoenix SG). The fair value of the investment in Phoenix SG includes its shares in Stanley Gibbons Group Plc (Stanley Gibbons) and some other assets related to Stanley Gibbons.

Phoenix SG direct investments in Stanley Gibbons Group Plc include the following;

Quoted equity shares in Stanley Gibbons, trading on the Alternative Investment Market branch of the London Stock Exchange (the "Equity Investment"). Phoenix SG holds 58.1 percent holding in the total equity of Stanley Gibbons;

A loan agreement with Stanley Gibbons for a principal amount of £10.0 million over a term of 5 years (the "Debt Investment"). The loan will accrue interest at a rate of 5.0 percent compounding annually and will be repaid in full at maturity. The loan structure also gives Phoenix SG a first charge over the assets and brands of Stanley Gibbons.

The rights to any receivables resulting from a claim of £23.5 million over the assets of Stanley Gibbons (Guernsey) Ltd ("SGG") (the "Receivables Investment"). SGG is a subsidiary of Stanley Gibbons which is currently in administration; and

Receivables resulting from the sale of the stamp inventory which Phoenix SG purchased from the administrator of SGG (the "Inventory Investment").

The total fair value attributable to the Company's investments in Phoenix SG as of 31 December 2018 is £7.0 million. The Company held 24.8% of the share capital of Phoenix SG.

10. Share Capital

At 31 December		2018	2017
Allotted, called up and fully paid	Number	55,418,716	42,471,503
Ordinary shares of 25p	£'000	13,855	10,618

The Company did not purchase any of its own shares during the year ended 31 December 2018 or the year ended 31 December 2017. No shares were cancelled during either year.

No shares were held in Treasury or sold from Treasury during the year ended 31 December 2018 or the year ended 31 December 2017.

Placings

A placing and intermediary offer was completed on 2 July 2018 under the terms of the placing programme that had been established by a prospectus dated 5 September 2017. This raised £9,241,000, net of commission but before professional and other fees, for the issue of 4,302,420 new shares. The price at which shares can be issued under this prospectus is the NAV per share at the time of issue plus a premium of 1.25%.

Block listings

The Company had established on 16 October 2017 a block listing facility for up to 8,160,700 new shares to meet market demand arising from time-to-time. Under this facility a total of 5,779,088 new shares were issued during the period 1 January – 5 June 2018, raising £11,904,000, net of commission.

A new block listing facility for up to 9,650,118 new shares was established on 6 June 2018. Under this facility a total of 2,865,705 new shares were issued during the period 6 June – 31 December 2018, raising £5,979,000, net of commission.

At 31 December 2018, the Company had 55,418,716 *(2017: 42,471,503)* shares in issue. The number of voting shares at 31 December 2018 was 55,418,716 *(2017: 42,471,503)*.

11. Total Equity

Total Equity includes, in addition to Share Capital, the following reserves:

Capital Redemption Reserve. When any shares are redeemed or cancelled, a transfer of realised profit must be made to this reserve in order to maintain the level of capital that is not distributable.

Share Premium Account. When shares are issued at a premium to their nominal value, the "capital profit" arising on their allotment must be held in a Share Premium Account, which is not distributable in the ordinary course and may be utilised only in certain limited circumstances.

Capital profits arising from the Company's investment transactions are held as Capital Reserves, subdivided between Gains on Disposal for profits arising upon sales of investments and Investment Holding gains/losses for portfolio revaluations. The movements on this account are analysed in note 12 below.

The Company's Revenue Reserves are the net profits that have arisen from the Company's revenue income in the form of dividends and interest, less operating expenses and dividends paid out to the Company's shareholders.

12. Capital Reserves

	31 December 2018	31 December 2017
	£'000	£'000
Investment holding gains/(losses)		
Opening balance	10,887	2,111
Revaluation of investments	(16,105)	8,776
Balance of investment holding (losses)/ gains at 31 December	(5,218)	10,887
Other capital reserves		
Opening balance	10,053	8,208
Net gains on realisation of investments	1,520	1,615
Capital distributions received	–	230
Total gains of other capital reserves	1,520	1,845
Balance of other capital reserves at 31 December	11,573	10,053
Total capital reserve at 31 December	6,355	20,940

13. Net Assets Per Ordinary Share

The figure for net assets per ordinary share is based on £100,996,000 *(2017: £87,372,561)* divided by 55,418,716 *(2017: 42,471,503)* voting ordinary shares in issue at 31 December 2018.

14. Reconciliation of Profit before Finance Costs and Tax to Net Outflow used in Operating Activities

	Year to 31 December 2018	Year to 31 December 2017
	£'000	£'000
(Loss)/profit before finance costs and tax	(12,083)	11,928
Increase in non-current investments	(16,032)	(32,738)
Increase in other receivables	(108)	(100)
Increase in other payables	18	7
Net cash outflow used in operating activities	(28,205)	(20,903)

15. Related Party Transactions

Details of the management, administration and secretarial contracts can be found in the Directors' Report. Mr Tatters is a director of the company and an employee of Phoenix. There were no transactions with directors other than disclosed in the Directors' Remuneration Report. Fees payable to Phoenix are shown in note 3.

Other payables include accruals of administration fees of £11,800 *(2017: £9,825)*.

15. Related Party Transactions continued

No provision has been made for a performance fee at 31 December 2018 *(2017: £nil)*. Any performance fee would be payable in shares after the end of the performance fee period, but the amount that would have to be payable is provided in the accounts as an equivalent value of money. All figures include any appropriate VAT.

The Company holds 24.8% of the issued share capital of Phoenix SG, a company established by Phoenix and in which other clients of Phoenix hold shares. Phoenix does not earn fees from any agreement between itself and Phoenix SG.

16. Financial Assets/Liabilities

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

Financial assets

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

At 31 December			2018			2017
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current investments at fair value through profit or loss:						60
£ sterling equities	–	98,619	98,619	–	82,587	82,587
	–	98,619	98,619	–	82,587	82,587
Cash at bank:						
Floating rate – £ sterling	–	2,008	2,008	–	4,507	4,507
Current assets:						
Receivables	–	459	459	–	351	351
	–	101,086	101,086	–	87,445	87,445

Cash at bank comprises £2,008,000 *(2017: £4,506,798)* held by the Company's Depository, BNP Paribas.

Financial liabilities

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

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

17. Financial Instruments – Risk Analysis

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report. Issues associated with portfolio distribution and concentration risk are discussed in the Investment Policy section of the Strategic Report. This note, which is incorporated in accordance with accounting standard IFRS7, examines in greater detail the identification, measurement and management of risks potentially affecting the value of financial instruments and how those risks potentially affect the performance and financial position of the Company. The risks concerned are categorised as follows:

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

Each is considered in turn below:

A (i) Currency Risk

The portfolio as at 31 December 2018 was invested entirely in sterling securities and there was no currency risk arising from the possibility of a fall in the value of sterling impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 31 December 2018 or 31 December 2017 and no sensitivity analysis is presented for this risk.

A (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 31 December 2018 or 31 December 2017.

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

The Company had no borrowings at 31 December 2018 or 31 December 2017.

A (iii) Other Price Risk

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

B Liquidity Risk

Liquidity Risk is considered to be small, because the portfolio is mostly invested in readily realisable securities. As a consequence, cash flow risks are also considered to be small. The Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, the majority of the portfolio could be realised within 7 days.

C Credit Risk

The Company invests in quoted equities and fixed interest securities. The Company's investments are held by BNP ("the Depository"), which is a large international bank with a high reputation. The Company's normal practice is to remain fully invested at most times and not to hold very large quantities of cash. At 31 December 2018, cash at bank comprised £2,008,000 (*2017: £4,506,798*) held by the Depository.

17. Financial Instruments – Risk Analysis continued

Credit Risk arising on transactions with brokers relates to transactions awaiting settlement. This risk is considered to be very low because transactions are almost always undertaken on a delivery versus payment basis with member firms of the London Stock Exchange.

D Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pursuing investment policies commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders (within the statutory limits applying to investment trusts), return capital to shareholders, issue new shares, or sell assets.

18. Fair Value Hierarchy

Under IFRS13 investment companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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

At 31 December	2018	2017
	£'000	£'000
Level 1	91,609	82,587
Level 2	–	–
Level 3	7,010	–

There were no transfers between levels during the year.

The movements in the level 3 investments during the year is shown below:

	2018	2017
Opening valuation	–	–
Additions during the year	5,578	–
Unrealised gains	1,432	–
Closing valuation	7,010	–

The value of the Company's level 3 holding has been valued based on a proportionate share of the NAV of Phoenix SG, after discussion with the Investment Manager concerning that NAV.

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

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

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

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

- *IFRS 16 Leases (effective date 1 January 2019).*

It is not expected that the adoption of IFRS 16 will have any significant impact on the Company.

20. Post Balance Sheet Events:

Shares issued under the Company's Blocklisting

Since 31 December 2018 the Company has made further issues from its block listing facility of 4,428,598 new Ordinary shares.

As at 23 April 2019 the Company had 59,947,314 shares in issue and the number of voting shares is 59,947,314. Ordinary shares issued since 31 December 2018 are as detailed below:

Date	Number Issued	Issue price (£)
04/01/2019	69,658	1.8510
07/01/2019	200,400	1.8718
08/01/2019	50,000	1.9037
09/01/2019	110,000	1.9280
15/01/2019	75,000	1.9627
16/01/2019	42,769	1.9664
05/02/2019	60,000	2.0177
07/02/2019	725,677	2.0461
13/02/2019	50,000	2.0149
15/02/2019	50,000	2.0074
20/02/2019	50,000	2.0232
25/02/2019	75,000	2.0319
26/02/2019	27,945	2.0281
05/03/2019	188,945	2.0677
11/03/2019	70,000	2.0413
12/03/2019	50,000	2.0437
14/03/2019	50,000	2.0581
15/03/2019	126,675	2.0681
18/03/2019	89,553	2.0898
20/03/2019	1,425,652	2.1043
26/03/2019	116,495	2.0417
27/03/2019	48,000	2.0503
01/04/2019	50,000	2.0555
03/04/2019	100,000	2.0463
08/04/2019	75,000	2.0570
10/04/2019	71,016	2.0432
11/04/2019	168,434	2.0541
15/04/2019	185,047	2.0992
23/04/2019	100,000	2.1167

General Meeting

On 9 April 2019 a General Meeting of the Company was held to seek shareholder approval to allot Ordinary Shares on a non pre-emptive basis in connection with a potential share issuance programme up to a maximum of 57 million Ordinary Shares in aggregate, such authority to expire on 15 July 2020, being 15 months from the passing of the resolution. The proposed resolutions were duly passed at the General Meeting.

Glossary

AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or AGM	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Alternative Performance Measures ('APMs')	See definitions on pages 77 and 78.
Articles	The Company's Articles of Association issued on 11 July 2012.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, *inter alia*, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders
Existing Investment Policy	The investment policy adopted on 28 January 2016 and followed since that date.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets
Investment Manager or Phoenix	Phoenix Asset Management Partners Limited.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.

Leverage	An alternative word for "Gearing". Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which investments can be sold at short notice.
Net assets	An investment company's assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ordinary Shares	The Company's ordinary shares in issue.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Revised Investment Policy	The new Investment Policy that is proposed to be adopted at the AGM in 2018.
Secretary or Administrator	PraxisIFM Fund Services (UK) Limited.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Tracking error	A measure, expressed as a percentage, of how closely a portfolio follows an index over a period of time.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Value at Risk	A statistical technique used to measure and quantify the level of financial risk within a portfolio over a specific time frame.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Alternative Performance Measures ('APMs')

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

		Page	As at 31 December 2018
Investments	a	57	98,619
Cash and cash equivalents	b	57	2,008
Loan	c	n/a	–
Total	d=a+b+c		100,627
Gearing	c÷d		nil

Ongoing charges figure

A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets. This is calculated by expressing the regular expenses of the year as a percentage of the average net assets during the year.

		Page	As at 31 December 2018
			£'000
Average NAV	a	n/a	103,401
Annualised expenses	b	n/a	457
Ongoing charges figure	b÷a		0.44%

Premium

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

		Page	As at 31 December 2018
NAV per Ordinary Share	a	11	182.24
Share price	b	11	183.00
Premium	(b÷a)-1		0.42%

Total return

A measure of performance that includes both income and capital returns. This may take into account capital gains, reinvestment of dividends, interests and other realised variables over a given period of time.

Year end 30 June 2018		Page	NAV	Share price
Opening at 1 January 2018	a	11	205.72	208.00
Closing at 31 December 2018	b	11	182.24	183.00
Dividend adjustment factor	c	n/a	1.0137	1.013
Adjusted closing (d = b x c)	d	n/a	184.74	185.33
Total return	(d÷a)-1		-10.3%	-10.9%

n/a = not applicable.

Notice of Meeting

PraxisIFM Fund Services Limited
Company Secretary

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

24 April 2019

Notice is hereby given that the Annual General Meeting of Aurora Investment Trust plc will be held at 30 Finsbury Square, London EC2A 1AG on 10 June 2019, at 12.00 noon, for the following purposes:

To consider, and if thought fit to pass, the following resolutions, of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 and 15 will be proposed as special resolutions.

1. To receive and adopt the financial statements for the year ended 31 December 2018, with the reports of the directors and auditors thereon.
2. To re-elect Lord Flight as a director of the Company.
3. To re-elect The Honourable James Nelson as a director of the Company.
4. To re-elect Mr Martin as a director of the Company.
5. To re-elect Mr Stevenson as a director of the Company.
6. To elect Mr Tatters as a director of the Company.
7. To approve the continuation of the Company as an investment trust.
8. To re-appoint Grant Thornton UK LLP as auditors to the Company.
9. To authorise the directors to fix the auditors' remuneration.
10. To approve the Directors' Remuneration Implementation Report.
11. To approve an ordinary dividend of 4.0p per share in respect of the year ended 31 December 2018.
12. THAT, in substitution to any pre-existing authority that will have expired on the date hereof, but without prejudice to the exercise of such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 25p each in the capital of the Company ("Ordinary Shares") provided that:

a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the issued share capital of the Company at the date of passing this resolution;
b. the minimum price which may be paid for an Ordinary Share is 25p;
c. the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the Daily Official List of the UK Listing Authority for the 5 business days immediately preceding the day on which the Ordinary Share is purchased; and
d. unless varied, revoked or renewed the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2020 or, if earlier, on the expiry of 12 months from the passing of this resolution, save that the Company may at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary Shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

13. THAT in addition to any pre-existing power to allot or grant rights to subscribe for or convert any security into Ordinary Shares in the Company the directors be and are hereby generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Act, to exercise all powers of the Company to allot Ordinary Shares in the Company up to a maximum number of 20% of the issued share capital of the Company at the date of passing this resolution PROVIDED THAT this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever should first occur, save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot

relevant securities in pursuance of such an offer or enter into an agreement as if the authority conferred hereby had not expired.

14. THAT, subject to the passing of resolution 13, and in addition to all existing powers, the directors be and are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 13 or by way of a sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power:

a. shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months from the passing of this resolution, or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot equity securities (including by way of sale of treasury shares) as if such expiry had not occurred; and

b. shall be limited to the allotment of equity securities up to a maximum number of 20% of the issued share capital of the Company at the date of passing this resolution.

15. THAT the Company's Articles of Association be amended to increase the maximum permitted level of directors' remuneration from £150,000 per year to £200,000 per year.

Notes

1. Proxies

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

2. Form of Proxy

To appoint a proxy you may use the form of proxy which has been mailed to shareholders or can be downloaded from the Company's website at www.aurorainvestmenttrust.com. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar, Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 12.00 noon on 7 June 2019. Amended instructions must also be received by the Company's registrar by the deadline for receipt of forms of proxy. In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. Right to attend and vote

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at 6.00 p.m. on 7 June 2019 or, in the event of any adjournment, at 6.00 p.m. on the date which is two business days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Corporate members

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

5. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

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

6. Total number of shares and voting rights

As at 23 April 2019 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 59,947,314 Ordinary Shares, carrying one vote each. No shares were held in treasury. The total available voting rights in the Company as at that date are 59,947,314.

7. Documents

The Company's Articles of Association will be made available at the meeting and can be viewed at the Company's registered office at Mermaid House, 2 Puddle Dock, London EC4V 3DB.

8. Website

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

9. Joint Shareholders

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

10. CREST Shareholders

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

If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the start of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Chairman's Discretion

If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

12. Questions and Answers

Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless:

(i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
(ii) the answer had already been given on a website in the form of an answer to a question; or
(iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. Website Statements from Shareholders

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

(i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are laid before the meeting; or
(ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.
The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

14. Shareholder Resolutions

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

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

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

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

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 1 February 2019, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.