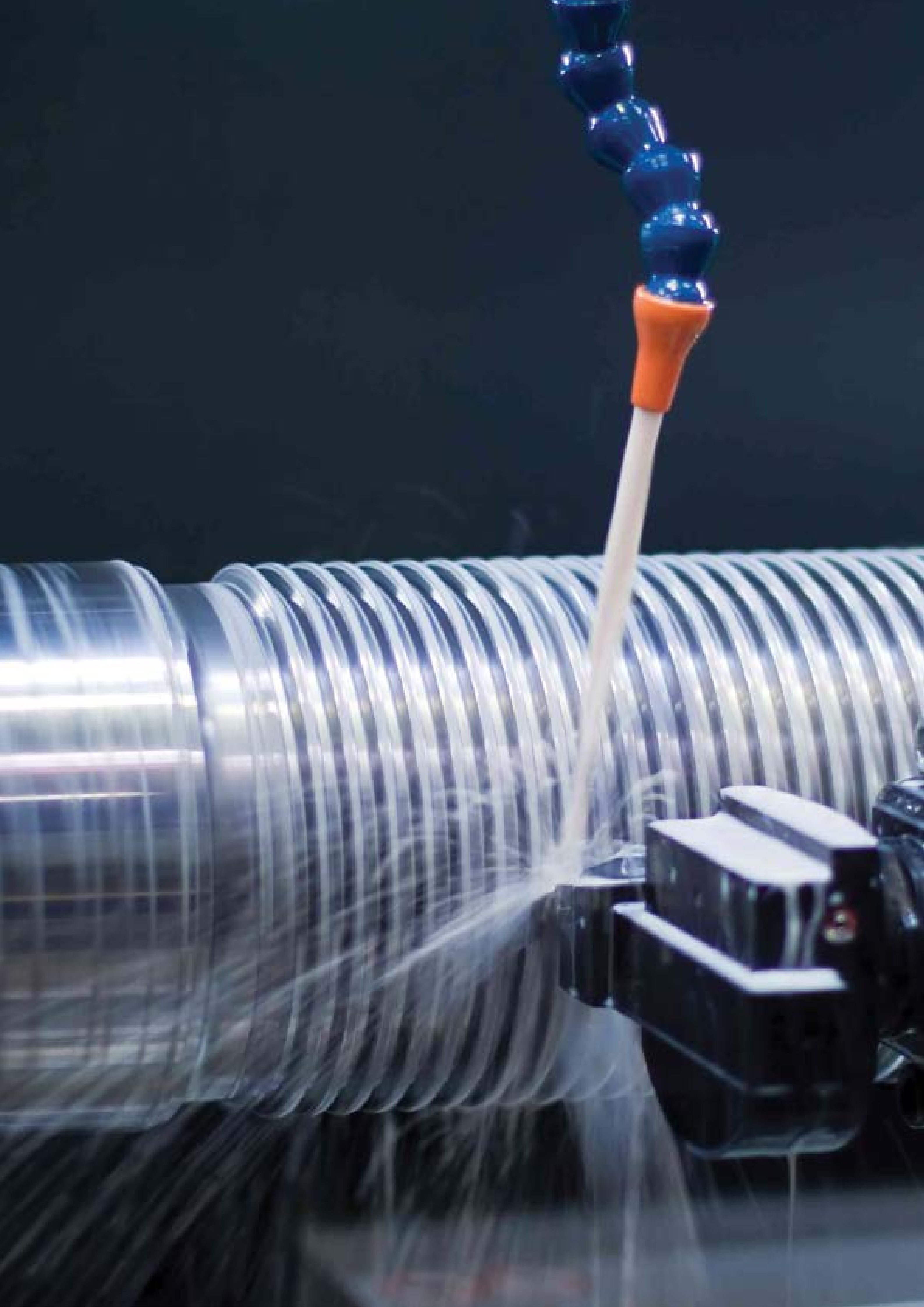
MANCHESTER AND LONDON INVESTMENT TRUST PLC

Annual Report & Financial Statements for the year ended 31 July 2020



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STRATEGIC REPORT

Financial summary

Total Return	Year to 31 July 2020	Year to 31 July 2019	Percentage increase
Total return (£'000)	**24,037**	15,900	51.18%
Return per Share	**74.74p**	58.75p	27.22%
Total revenue return per Share	**(5.47p)**	(3.17p)	72.56%
Dividend per Share	**14.00p**	14.00p	0.00%

Capital	As at 31 July 2020	As at 31 July 2019	Percentage increase
Net assets attributable to equity Shareholders[(i)] (£'000)	**225,933**	166,981	35.30%
Net asset value ("NAV") per Share	**625.23p**	568.66p	9.95%
NAV total return[(ii)†]	**12.84%**	9.80%	
Benchmark performance – total return basis[(iii)]	**(19.60%)**	0.98%	
Share price	**630.00p**	538.00p	17.10%
Share price premium/(discount) to NAV[†]	**0.76%**	(5.39%)	

[(i)] NAV as at 31 July 2020 includes a net £39,894,000 increase in respect of new Shares issued in the year (2019: £24,604,000 increase).

[(ii)] Total return including dividends reinvested, as sourced from Bloomberg.

[(iii)] The Company's benchmark is the MSCI UK Investable Market Index ("MXGBIM" or the "benchmark"), as sourced from Bloomberg.

Ongoing Charges	Year to 31 July 2020	Year to 31 July 2019
Ongoing charges as a percentage of average net assets*†	**0.77%**	0.83%

* Based on total expenses, excluding finance costs and certain non-recurring items for the year and average monthly NAV.

** Ongoing charges is based on a base fee of £940,000 and a Risk & Valuation fee of £59,000 and excludes the variable fees of £470,000 (2019: £352,000) in accordance with AIC guidelines.

† See Glossary on pages 83 and 84.

STRATEGIC REPORT continued

Chairman's statement

Results for the year ended 31 July 2020

The portfolio remains focused on larger capitalisation, intellectual property rich companies listed in developed markets which are investing for growth.

Manchester and London Investment Trust plc (the "Company")'s portfolio performance for the financial year under review has led to a NAV total return per Share of 12.8%* (2019: 9.8%*). The outperformance of the Company against our benchmark for the three years to 31 July 2020 on a total return basis now stands at 68.5%* (2019: 50.2%*).

At the year end, the Shares traded at 0.8% premium to their NAV per Share, compared to a discount of 5.4% in 2019.

Dividend

The Directors are proposing a final ordinary dividend of 7.0 pence per Share for the financial year 2020. Accordingly, on a per Share basis, the dividends proposed or paid out in respect of the 2020 financial year total 14.0 pence, including the 7.0 pence interim dividend paid in May 2020. These dividends represent a yield of 2.2% on the Share price as at the year-end (2019: 2.6%).

Board appointment and Annual General Meeting

The Board is delighted with the appointment of Sir James Waterlow as a Director of the Company on 17 August 2020. Our forty-eighth Annual General Meeting ("AGM") will be held on Monday, 2 November 2020 at 12.00 noon at 12a Princes Gate Mews, London, SW7 2PS. Please do read further details on restrictions on attendance at this year's AGM, which are contained within the AGM notice.

David Harris
Chairman

29 September 2020

* Source: Bloomberg. See Glossary on pages 83 and 84.

Manager's review

Portfolio management

The portfolio delivered a 32.4%* outperformance against the benchmark driven by our sector positioning. This was despite a 7.6% increase in the value of Sterling against the US Dollar which acts as a headwind against performance.

The Total Return of the portfolio broken down by sector holdings in local currency (separating costs and foreign exchange) is shown below:

Total return of underlying sector holdings in local currency (excluding costs and foreign exchange)	2020
Information Technology	**7.2%**
Communication Services	**5.0%**
Consumer Discretionary	**7.6%**
Other investments (including funds, ETFs and beta hedges)	**2.5%**
Foreign exchange, costs & carry	**(9.6%)**
Total NAV per Share return	**12.8%**

Total return of underlying sector holdings in local currency (excluding costs and foreign exchange)	2019
Technology investments	6.4%
Consumer investments	0.7%
Healthcare investments	(0.4%)
Other (including costs, carry and foreign exchange)	3.1%
Total NAV per Share return	9.8%

Source: Bloomberg.

Information Technology

The Information Technology sector delivered 56.3% of the NAV total return per Share.

Microsoft Corporation accounted for over half of this sector's return. Other material positive performers included Adobe Inc, Salesforce.com Inc, Nvidia Corp, Mastercard Inc and Visa Inc.

Paypal Holdings Inc was the only material negative contributor (due to the timing of the disposal).

The portfolio's weighting to this sector at the year end was 38.1% of the net assets (2019: 49.6%).

Communication Services

The Communication Services sector delivered roughly 39.3% of the NAV total return per share.

Material positive contributors included Alphabet Inc, Facebook Inc and Tencent Holdings Ltd.

The Walt Disney Co was the only material negative contributor (we sold this in March due to perceived greater COVID-19 risks).

The portfolio's weighting to this sector at year end was 33.4% of the net assets (2019: 37.0%).

STRATEGIC REPORT continued

Consumer Discretionary
The Consumer Discretionary sector delivered 59.4% of the NAV total return per share.

The material positive contributors in this sector were Alibaba Group Holding Ltd and Amazon.com Inc.

The only material negative contributor was Expedia Group Inc.

The portfolio's weighting to this sector at year end was 29.8% of the net assets (2019: 33.1%).

Other (including funds, ETFs and beta hedges)
Other holdings delivered 19.6% of the NAV total return per Share.

We employed various sector and thematic index hedges during the year in an attempt to combat market volatility. Most of these market hedges were removed (at a profit) during the Q1 market fall.

Of the long fund and ETF holdings in this segment, the material positive contributors were the Morgan Stanley US SAAS Basket and Polar Capital Technology Trust Plc.

The portfolio's weighting to this sector at year end was 5.9% of the net assets (2019: -8.2%).

Professional negligence liability risks
M & L Capital Management Limited ("MLCM"), the Manager of the Company, allocates additional own funds against professional liability risks and hence it no longer requires professional liability insurance.

M&L Capital Management Limited
Manager

29 September 2020

*Source: Bloomberg. See Glossary on pages 83 and 84.

Equity exposures and portfolio sector analysis

Equity exposures (longs)

As at 31 July 2020

Company	Sector*	Valuation £'000	% of net assets
Amazon.com Inc.	Consumer Discretionary	45,031	19.93
Microsoft Corporation**	Information Technology	34,028	15.06
Alibaba Group Holding Ltd**	Information Technology	30,356	13.44
Alphabet Inc.**	Communication services	29,797	13.19
Facebook Inc.**	Communication services	21,912	9.70
Tencent Holdings Ltd **	Information Technology	17,573	7.78
salesforce.com, inc.**	Information Technology	16,972	7.51
Adobe Inc.**	Information Technology	13,200	5.84
Visa Inc.	Information Technology	12,241	5.42
Mastercard Incorporated	Information Technology	10,305	4.56
Netflix**	Communication services	8,193	3.63
Polar Capital Technology Trust plc	Fund	5,558	2.46
SAP SE**	Information Technology	4,198	1.86
Dassault Systèmes SA**	Information Technology	4,166	1.84
NetEase, Inc.	Communication services	4,120	1.82
China Software Basket**	CFD Basket	4,118	1.82
Invesco QQQ (Nasdaq 100) ETF	Index	1,923	0.85
US SaaS Basket**	CFD Basket	1,591	0.70
Hang Seng TECH Index**	Index	1,003	0.44
Total long positions		**266,285**	**117.85**
Short positions > 1%			
US Restaurants Basket**	CFD Basket	(911)	(0.40)
Total short position > 1%		**(911)**	**(0.40)**
Cash and other net assets and liabilities		(39,441)	(17.45)
Net assets		**225,933**	**100.00**

* GICS – Global Industry Classification Standard.

** Including equity swap exposures as detailed in note 13.

STRATEGIC REPORT continued

Portfolio sector analysis
As at 31 July 2020

Sector	% of net assets
Information Technology	63.3
Communication services	28.3
Consumer Discretionary	19.9
Fund	2.5
Index	1.3
CFD Basket	2.1
Cash and other net assets and liabilities	(17.4)
Net assets	**100.0**

Principal portfolio holdings

Amazon.com Inc. ("Amazon")
Amazon is the world's largest e-commerce platform and remains a disruptive force in the retail market. Amazon also provides other large scale content and services platforms to consumers and businesses such as Amazon Prime, Amazon Web Services and Amazon Logistics.

Alphabet Inc. ("Alphabet")
Alphabet is a global technology company with products and platforms across a wide range of tech verticals, including online advertising, cloud-based technology, autonomous vehicles, artificial intelligence and smart phones.

Microsoft Corporation ("Microsoft")
Microsoft is another global tech company and a leader in cloud-based technology, business software, operating systems and gaming.

Alibaba Group Holding Ltd ("Alibaba")
Alibaba is China's largest technology company with leading platforms in e-commerce, payments, media, entertainment and cloud computing.

Facebook Inc. ("Facebook")
Facebook is the largest global social media platform with over 2.7 billion monthly active users and has the second largest global online advertising revenue after Google.

Salesforce.com Inc. ("Salesforce")
Salesforce is the global leader in CRM software and a major enterprise cloud platform and software-as-a-service ("SAAS") provider.

Tencent Holdings Ltd ("Tencent")
Tencent is a Chinese internet company, with platforms in online gaming, social media, digital payments and digital entertainment. Through WeChat, Tencent has built one of Asia's leading SuperApps with over 1.1 billion monthly active users.

Visa Inc. ("Visa")
Visa is a financial services company and a key facilitator of electronic funds transfers throughout the world.

Adobe Inc. ("Adobe")
Adobe is a SAAS company that provides cloud-based creative, marketing and analytics tools to businesses, professionals and prosumers. Adobe is perhaps best known for Photoshop – imaging, design and photo-editing software.

Mastercard Inc. ("Mastercard")
Mastercard is a leader in global digital payments. Together, Mastercard and Visa account for a dominant share of card transactions in the US and EU.

STRATEGIC REPORT continued

Percentage of portfolio by holding at the year end*:	
Amazon.com Inc.	16.3%
Microsoft Corporation	13.5%
Alibaba Group Holding Ltd	13.5%
Alphabet Inc.	12.7%
Facebook Inc.	8.4%
Salesforce.com Inc.	7.2%
Tencent Holdings Ltd	6.8%
VISA Inc.	5.3%
Adobe Inc.	5.2%
Mastercard Inc.	4.4%

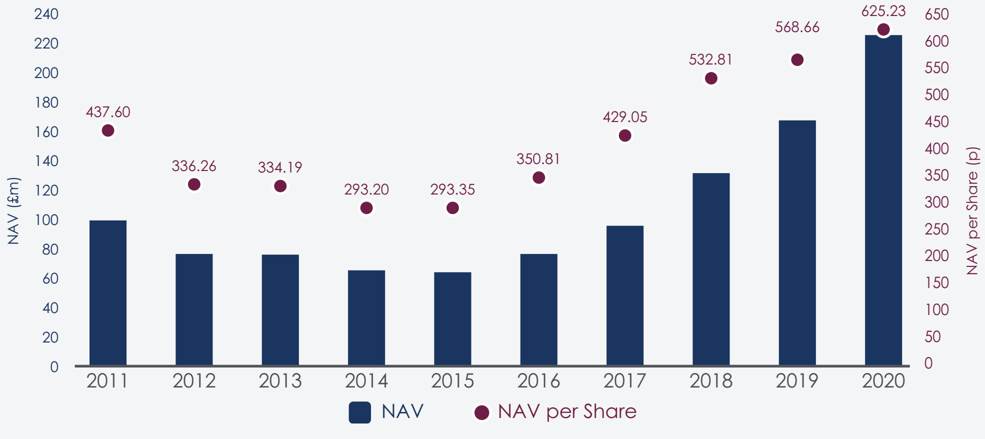
* Net of market value of options.

Investment record of the last ten years

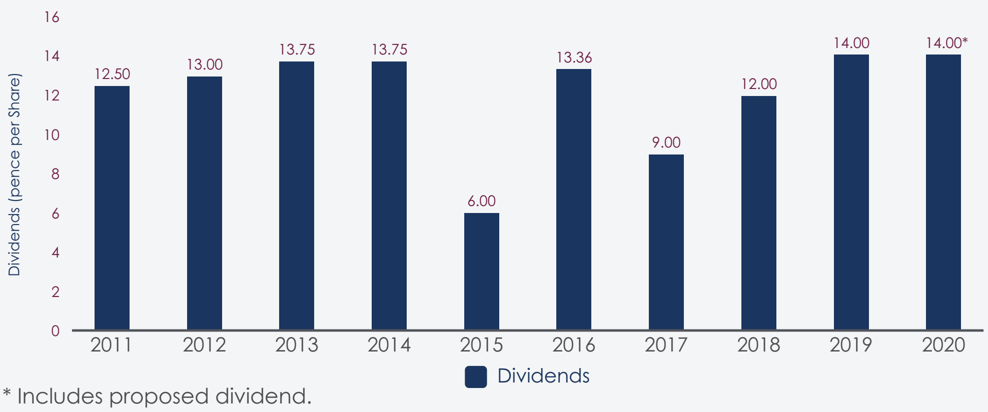
Year ended	Total return (£'000)	Return per Share* (p)	Dividend per Share (p)	Net assets (£'000)	NAV per Share* (p)
31 July 2011	15,691	69.87	12.50	98,267	437.60
31 July 2012	(19,945)	(88.81)	13.00	75,515	336.26
31 July 2013	2,522	11.23	13.75	75,050	334.19
31 July 2014	(6,295)	(28.08)	13.75	64,361	293.20
31 July 2015	2,483	11.47	6.00	63,074	293.35
31 July 2016	13,424	62.50	13.36	75,546	350.81
31 July 2017	20,055	92.43	9.00	94,661	429.05
31 July 2018	26,792	115.27	12.00	130,388	532.81
31 July 2019	15,900	58.75	14.00	166,981	568.66
31 July 2020	**24,037**	**74.74**	**14.00**	**225,933**	**625.23**

* Basic and fully diluted.

NAV and NAV per Share to 31 July



Dividends to 31 July



* Includes proposed dividend.

STRATEGIC REPORT continued

Business model

The Company is an investment company as defined by Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010.

The Company is also governed by the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (the "FCA") and is listed on the Premium Segment of the Main Market of the London Stock Exchange.

A review of investment activities for the year ended 31 July 2020 is detailed in the Manager's review on pages 5 and 6.

Investment objective

The investment objective of the Company is to achieve capital appreciation together with a reasonable level of income.

Investment policy

Asset allocation

The Company's investment objective is sought to be achieved through a policy of actively investing in a diversified portfolio, comprising UK and overseas equities and fixed-interest securities. The Company seeks to invest in companies whose shares are admitted to trading on a regulated market. However, it may invest in a small number of equities and fixed-interest securities of companies whose capital is not admitted to trading on a regulated market. Investment in overseas equities is utilised by the Company to increase the risk diversification of the Company's portfolio and to reduce dependence on the UK economy in addressing the growth and income elements of the Company's investment objective.

The Company may invest in derivatives, money market instruments, currency instruments, CFDs, futures, forwards and options for the purposes of (i) holding investments and (ii) hedging positions against movements in, for example, equity markets, currencies and interest rates.

There are no maximum exposure limits to any one particular classification of equity or fixed-interest security. The Company's investments are not limited to any one industry sector and its current investment portfolio is spread across a range of sectors. The Company has no specific criteria regarding market capitalisation or credit ratings in respect of investee companies.

Risk diversification

The Company intends to maintain a relatively focused portfolio, seeking capital growth by investing in approximately 20 to 40 securities. The Company will not invest more than 15% of the gross assets of the Company at the time of investment in any one security. However, the Company may invest up to 50% of the gross assets of the Company at the time of investment in an investment company subsidiary, subject always to other restrictions set out in this investment policy and the Listing Rules.

The Company intends to be fully invested whenever possible. However, during periods in which changes in economic conditions or other factors so warrant, the Manager may reduce the Company's exposure to one or more asset classes and increase the Company's position in cash and/or money market instruments.

Gearing

The Company may borrow to gear the Company's returns when the Manager believes it is in Shareholders' interests to do so. The Company's investment policy and the Articles of Association permit the Company to incur borrowing up to a sum equal to two times the adjusted total of capital and reserves. Any change to the Company's borrowing policy will only be made with the approval of Shareholders by special resolution.

The effect of gearing may be achieved without borrowing by investing in a range of different types of investments including derivatives. The Company will not enter into any investments which have the effect of increasing the Company's net gearing beyond the above limit.

General

In addition to the above, the Company will observe the investment restrictions imposed from time to time by the Listing Rules which are applicable to investment companies with shares listed on the Official List of the FCA under Chapter 15.

In line with the Listing Rules, the Company will manage and invest its assets in accordance with the Company's investment policy. Any material changes in the principal investment policies and restrictions (as set out above) of the Company will only be made with the approval of Shareholders by ordinary resolution.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the remedial actions to be taken by the Board and the Manager by an announcement issued through a regulatory information service approved by the FCA.

Dividend policy

The Company may declare dividends as justified by funds available for distribution. The Company will not retain in respect of any accounting period an amount which is greater than 15% of net revenue in that period.

The dividend payments are split in order to better reflect the sources of the Company's income. Recurring income from dividends on underlying holdings is paid out as ordinary dividends.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 62 and in the Statement of Changes in Equity on page 63.

For the year ended 31 July 2020, the net revenue return attributable to Shareholders was negative £1,759,000 (2019: negative £857,000) and the net capital return attributable to Shareholders was £25,796,000 (2019: £16,757,000). Total Shareholders' funds increased by 35% to £225,933,000 (2019: £166,981,000).

STRATEGIC REPORT continued

The dividends paid/proposed by the Board for 2019 and 2020 are set out below:

	Year ended 31 July 2020 (pence per Share)	Year ended 31 July 2019 (pence per Share)
Interim dividend	**7.00**	6.00
Proposed final dividend	**7.00**	8.00
	14.00	14.00

Subject to the approval of Shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 6 November 2020 to Shareholders on the register at the close of business on 16 October 2020. The ex-dividend date will be 15 October 2020.

Further details of the dividends paid in respect of the years ended 31 July 2020 and 31 July 2019 are set out in note 7 on page 73.

Principal risks and uncertainties

The Board considers that the following are the principal risks and uncertainties facing the Company. The actions taken to manage each of these are set out below. If one or more of these risks materialised, it could potentially have a significant impact upon the Company's ability to achieve its investment objective. These risks are formalised within the risk matrix maintained by the Company's Manager.

Risk	How the risk is managed
Investment Performance Risk The performance of the Company may not be in line with its investment objectives.	Investment performance is monitored and reviewed daily by MLCM as AIFM through: • Intra-day portfolio statistics; and • Daily Risk, Liquidity & Volatility reports. The metrics and statistics within these reports may be used (in combination with other factors) to help inform investment decisions. The AIFM also provides the Board with monthly performance updates, key portfolio stats (including performance attribution, valuation metrics, VaR and liquidity analysis) and performance charts of top portfolio holdings. It should be noted that none of the above steps guarantee that Company performance will meet its stated objectives.

Risk	How the risk is managed
Key Man Risk and Reputational Risk The Company may be unable to fulfil its investment objectives following the departure of key staff at the Manager.	The Manager has a remuneration policy that incentivises key staff to take a long-term view as variable rewards are spread over a five-year period. MLCM also has documented policies and procedures, including a business continuity plan, to ensure continuity of operations in the unlikely event of a departure. MLCM has a comprehensive compliance framework to ensure strict adherence to relevant governance rules and requirements.
Fund Valuation Risk The Company's valuation is not accurately represented to investors.	NAVs are produced independently by the Administrator, based on the Company's valuation policy. Valuation is overseen and reviewed by the AIFM's valuation committee which reconciles and checks NAV reports prior to publication. It should be noted that the vast majority of the portfolio consists of quoted equities, whose prices are provided by independent market sources; hence material input into the valuation process is rarely required from the valuation committee.
Third-Party Service Providers Failure of outsourced service providers in performing their contractual duties.	All outsourced relationships are subject to an extensive dual-directional due diligence process and to ongoing monitoring. Where possible, the Company appoints a diversified pool of outsourced providers to ensure continuity of operations should a service provider fail. The cyber security of third-party service providers is a key risk that is monitored on an ongoing basis. The safe custody of the Company's assets may be compromised through control failures by the Depositary or Custodian, including cyber security incidents. To mitigate this risk, the AIFM receives monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian.

STRATEGIC REPORT continued

Risk	How the risk is managed
Regulatory Risk A breach of regulatory rules/ other legislation resulting in the Company not meeting its objectives or investors' loss.	The AIFM adopts a series of pre-trade and post-trade controls to minimise breaches. MLCM uses a fully integrated order management system, electronic execution system, portfolio management system and risk system developed by Bloomberg. These systems include automated compliance checks, both pre- and post-execution, in addition to manual checks by the investment team. The AIFM undertakes ongoing compliance monitoring of the portfolio through a system of daily reporting. Furthermore, there is additional oversight from the Depositary, which ensures that there are three distinct layers of independent monitoring.
Fiduciary Risk The Company may not be managed to the agreed guidelines.	The Company has a clear documented investment policy and risk profile. A strong system and monitoring culture, with an independent second-line function, provide oversight on a daily basis and more formally through various monthly governance committees.
Fraud Risk Fraudulent actions may cause harm to the Company's investment activities and objectives.	The AIFM has extensive fraud prevention controls and adopts a zero tolerance approach towards fraudulent behaviour and breaches of protocol surrounding fraud prevention. The transfer of cash or securities involve the use of dual authorisation and two-factor authentication to ensure fraud prevention, such that only authorised personnel are able to access the core systems and submit transfers. The second line of defence has access to core systems to ensure complete oversight of all transactions.

In addition to the above, the Board considers the following to be the principal financial risks associated with investing in the Company: market risk, interest rate risk, liquidity risk, currency rate risk and credit and counterparty risk. An explanation of these risks and how they are managed along with the Company's capital management policies are contained in note 16 of the Financial Statements on pages 78 to 81.

The Board, through the Audit Committee, has undertaken a robust assessment and review of all the risks stated above and in note 16 of the Financial Statements, together with a review of any emerging or new risks which may have arisen during the year, including those that would threaten the Company's business model, future performance, solvency or liquidity. Whilst reviewing the principal risks and uncertainties, the Board was cognisant of the risks posed by the COVID-19 pandemic.

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the systems of internal financial control during the year ended 31 July 2020, as set out on pages 34 to 36. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Year-end gearing

At the year end, gross long equity exposure represented 117.86% (2019: 125.98%) of net assets.

Key performance indicators

The Board considers the most important key performance indicator to be the comparison with its benchmark index. This is referred to in the Financial Summary on page 3.

Other key measures by which the Board judges the success of the Company are the Share price, the NAV per Share and the ongoing charges measure.

Total net assets at 31 July 2020 amounted to £225,933,000 compared with £166,981,000 at 31 July 2019, an increase of 35%, whilst the fully diluted NAV per Share increased to 625.23p from 568.66p.

Net revenue return after taxation for the year was a negative £1,759,000 (2019: negative £857,000).

The quoted Share price during the period under review has ranged from a discount of 13.2% to a premium of 6.1%.

Ongoing charges, which are set out on page 3, are a measure of the total expenses (including those charged to capital) expressed as a percentage of the average net assets over the year. The Board regularly reviews the ongoing charges measure and monitors Company expenses.

Future development

The Board and the Manager do not currently foresee any material changes to the business of the Company in the near future. As the majority of the Company's equity investments are denominated in US Dollar, any currency volatility caused by Brexit as well as the US elections may have an impact (either positive or negative) on the Company's NAV per Share, which is denominated in Sterling.

STRATEGIC REPORT continued

Management arrangements

Under the terms of the management agreement, MLCM manages the Company's portfolio in accordance with the investment policy determined by the Board. The management agreement has a termination period of three months. In line with the management agreement, the Manager receives a variable portfolio management fee. Details of the fee arrangements and the fees paid to the Manager during the year are disclosed in note 3 to the Financial Statements.

The Manager is authorised and regulated by the FCA.

M&M Investment Company Plc ("MMIC"), which is controlled by Mr Mark Sheppard who forms part of the Manager's investment management team, is the controlling Shareholder of the Company. Further details regarding this are set out in the Directors' Report on pages 24 and 25.

Alternative Investment Fund Managers Directive (the "AIFMD")

The Company permanently exceeded the sub-threshold limit under the AIFMD in 2017 and MLCM was appointed as the Company's AIFM with effect from 17 January 2018. Following their appointment as the AIFM, MLCM receives an annual risk management and valuation fee of £59,000 to undertake its duties as the AIFM in addition to the portfolio management fees set out above.

The AIFMD requires certain information to be made available to investors before they invest and requires that material changes to this information be disclosed in the Annual Report.

Remuneration

In the year to 31 July 2020, the total remuneration paid to the employees of the Manager was £429,000 (2019: £402,000), payable to an average employee number throughout the year of four (2019: three).

The management of MLCM is undertaken by Mr Mark Sheppard and Mr Richard Morgan, to whom a combined total of £347,000 (2019: £284,000) was paid by the Manager during the year.

The remuneration policy of the Manager is to pay fixed annual salaries, with non-guaranteed bonuses, dependent upon performance only. These bonuses are generally paid in the Company's Shares, released over a three-year period.

Leverage

Leverage is defined in the Glossary on page 83.

The leverage policy has been approved by the Company and the AIFM. The policy limits the leverage ratio that can be deployed by the Company at any one time to 275% (gross method) and 250% (commitment method). This includes any gearing created by its investment policy. This is a maximum figure as required by regulation and not necessarily the amount of leverage that is actually used. The leverage ratio as at 31 July 2020 measured by the gross method was 187.9% and that measured by the commitment method was 100.8%.

Risk profile

The risk profile of the Company as measured through the Synthetic Risk Reward Indicator ("SRRI") score, is currently at 6 on a scale of 1 to 7 as at 31 July 2020. This score is calculated on the Company's five-year annualised NAV volatility. Liquidity, counterparty and currency risks are not captured on the scale. The Manager will periodically disclose the current risk profile of the Company to investors. The Company will make this disclosure on its website at the same time as it makes its Annual Report and Financial Statements available to investors or more frequently at its discretion.

Liquidity arrangements

The Company currently holds no assets that are subject to special arrangements arising from their illiquid nature. If applicable, the Company would disclose the percentage of its assets subject to such arrangements on its website at the same time as it makes its Annual Report and Financial Statements available to investors, or more frequently at its discretion.

Continuing appointment of the Manager

The Board keeps the performance of MLCM, in its capacity as the Company's Manager, under continual review. It has noted the good long-term performance record and commitment, quality and continuity of the team employed by the Manager. As a result, the Board concluded that it is in the best interests of the Shareholders as a whole that the appointment of the Manager on the agreed terms should continue.

Human rights, employee, social and community issues

The Board consists entirely of non-executive Directors. The Company has no employees and day-to-day management of the business is delegated to the Manager and other service providers. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no human rights or community policies. In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly. Further details of the Environmental, Social and Governance policy can be found in the Statement of Corporate Governance on pages 36 and 37. Details of the Company's Board composition and related diversity considerations can be found in the Statement of Corporate Governance on page 32.

Gender diversity

At 31 July 2020 and throughout the majority of the year under review, the Board comprised three male Directors. Following Sir James Waterlow's appointment on 17 August 2020 and to the date of this report, the Board comprised of four male Directors. As stated in the Statement of Corporate Governance, the appointment of any new Director is made on the basis of merit. The appointment process of Sir James Waterlow is explained in more detail on page 30.

Approval

This Strategic Report has been approved by the Board and signed on its behalf by:

David Harris
Chairman

29 September 2020


SELF DRIVING
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DIRECTORS

All the Directors are non-executive. Mr Harris, Sir James Waterlow and Mr Wright are independent of the Company's Manager.

David Harris
Mr Harris was appointed to the Board on 29 May 2009 following the acquisition of OSP Limited (formerly Osprey Smaller Companies Income Fund Limited). He is a non-executive director of The Character Group Plc and BMO Managed Portfolio Trust Plc. He is also the chief executive of InvaTrust Limited. Mr Harris was previously a non-executive director of Aseana Properties Limited, Chelverton UK Dividend Trust Plc and Chelverton Small Companies ZDP Plc.

Mr Harris is the Chairman of the Board and a member of the Audit Committee.

Brett Miller
Mr Miller was appointed to the Board on 30 August 2013. He presently also serves as a director of the following publicly listed companies: KKV Secure Loan Fund Limited, RDL Realisation and Secured Income Fund Plc. In addition he is a director of a number of unlisted and/or private companies. Mr Miller is also a director of M&L Capital Management Global Fund ICAV. He graduated from the University of the Witwatersrand (South Africa) with a bachelors degree majoring in law and economics and additionally holds a law degree from the London School of Economics. He qualified as a solicitor and practised until 1997. Mr Miller is head of compliance, governance and risk oversight, holds the SMF16 and SMF17 roles under the Senior Managers and Certification Regime and also sits on the risk management committee of MLCM, the Company's Manager.

Mr Miller is not a member of the Audit Committee.

Sir James Waterlow
Sir James Waterlow was appointed to the Board on 17 August 2020. He has specialised in investment trusts for nearly thirty years, for the past eleven as a partner on the Investment Funds team at N+1 Singer. During his career he has advised approximately thirty investment trust boards and worked on a significant number of transactions, raising over £5 billion for new and existing funds.

Sir James Waterlow is a member of the Audit Committee.

Daniel Wright
Mr Wright was appointed to the Board on 29 October 2018. He is the executive chairman of Accrol Group Holdings Plc and held a board role at Accrol Group Holdings Limited, prior to its IPO, from July 2014 to June 2016. He is a director of SolasCure Limited. Mr Wright was previously the founder partner, chief operating officer and head of portfolio at NorthEdge Capital and Chairman of Vision Support Services Group Limited, a private company that he founded and grew to become Europe's leading distributor of textiles to the hospitality sector. He has also held previous roles at Cable Partners LLC, Deutsche Morgan Grenfell Private Equity and The Royal Bank of Scotland. Mr Wright qualified as a chartered accountant with Arthur Andersen in 1996.

Mr Wright is the chairman of the Audit Committee and the Senior Independent Director.

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements for the year ended 31 July 2020.

Directors

The current Directors of the Company are listed on page 22. All served throughout the year under review with the exception of Sir James Waterlow, who was appointed as a Director on 17 August 2020.

Details about the election and re-election of the Directors are given in the Statement of Corporate Governance on page 32.

Share capital

At 31 July 2020, the Company's issued Share capital comprised 36,135,738 Shares of 25 pence each, of which none were held in Treasury.

At general meetings of the Company, Shareholders are entitled to one vote on a show of hands and on a poll, to one vote for every Share held. Shares held in Treasury do not carry voting rights.

In circumstances where Chapter 11 of the Listing Rules would require a proposed transaction to be approved by Shareholders, the controlling Shareholder (see pages 24 and 25 for further details) shall not vote its Shares on that resolution. In addition, any Director of the Company appointed by MMIC, the controlling Shareholder, shall not vote on any matter where conflicted and the Directors will act independently from MMIC and have due regard to their fiduciary duties.

Issue of Shares

At the Annual General Meeting held on 14 January 2020, Shareholders approved the Board's proposal to authorise the Company to allot Shares up to an aggregate nominal amount of £2,446,994. In addition, the Directors were authorised to issue Shares up to an aggregate nominal value of £734,098 on a non-pre-emptive basis. This authority is due to expire at the Company's forthcoming AGM on 2 November 2020.

In addition to this authority, at the General Meeting held on 16 July 2020, Shareholders approved the Board's proposal to authorise the Company to allot further Shares up to an aggregate nominal amount of £2,275,000 on a non-pre-emptive basis. This authority expired on 30 July 2020, being 10 business days from the passing of the resolution.

During the period, MMIC subscribed to Shares on six occasions. The details of all subscriptions by and allotments to MMIC during the period are listed below.

Date of subscription	Number of Shares	Price paid per Share (pence)	Market price on date of subscription (pence)	Date of admission to trading
25 September 2019	807,573	535.00	530.00	1 October 2019
4 December 2019	781,985	547.10	522.00	10 December 2019
17 December 2019	1,500,000	550.10	524.00	23 December 2019
8 January 2020	157,250	580.50	550.00	14 January 2020
12 February 2020	1,250,000	609.50	587.00	18 February 2020
22 July 2020	1,747,000	646.50	654.00	28 July 2020

DIRECTORS' REPORT continued

At the placing on 22 July 2020, a further 60,000 Shares were subscribed for by Winterflood Securities Limited and 468,000 Shares by Singer Nominees Limited, both for a price of 646.5 pence per Share. These Shares were admitted to trading on the same date as the Shares allotted to MMIC, being 28 July 2020. All Share issues detailed above were made at a price equal to the latest reported NAV as at the day of the issue.

As at the date of this report, the total voting rights were 36,135,738.

Purchase of Shares

At the Annual General Meeting held on 14 January 2020, Shareholders approved the Board's proposal to authorise the Company to acquire up to 14.99% of its issued Share capital (excluding Treasury Shares) amounting to 3,769,238 Shares. This authority is due to expire at the Company's forthcoming AGM on 2 November 2020.

The Company did not purchase any of its own Shares during the year or since the year end.

Sale of Shares from Treasury

At the Annual General Meeting held on 14 January 2020, Shareholders approved the Board's proposal to authorise the Company to waive pre-emption rights in respect of Treasury Shares up to an aggregate amount of £734,098 and to permit the allotment or sale of Shares from Treasury at a discount to NAV. This authority is due to expire at the Company's forthcoming AGM on 2 November 2020.

No Shares were held in Treasury and no Shares were sold from Treasury during the year. As at the date of this report, no Shares are held in Treasury.

Substantial shareholdings

The Company has been informed of the following notifiable interests in the Company's Share capital carrying voting rights as at 31 July 2020:

	Number of Shares held	% of total voting rights
M&M Investment Company Plc	19,010,919	52.61

The Company has not been informed of any notifiable interests in the Company's Share capital between 31 July 2020 and the date of this report.

Controlling Shareholder

MMIC, which is controlled by Mr Mark Sheppard who forms part of the investment management team at MLCM, is the controlling Shareholder of the Company.

The Company has in place a continuing written and legally binding relationship agreement with MMIC and its associates, ensuring compliance with the independence provisions set out in Listing Rule 6.5.4R. Since entering the relationship agreement, the Company has fully complied with the independence provisions included within this agreement and, so far as the Company is aware, the independence provisions included in this agreement have also been complied with during the period under review by the controlling Shareholder and its associates. The relationship agreement is available on the Company's website.

Under the shareholder relationship agreement between the Company and MMIC, the Controlling Shareholder can appoint non-executive Directors to the Board, as long as the majority of these appointments are deemed to be independent from MMIC and the appointment of all Directors are not to the detriment of the Shareholders as a whole.

As at the date of this report, MMIC holds 51.56% of the issued Share capital of the Company.

Information about securities carrying voting rights

The following information is disclosed in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the FCA's Disclosure Guidance and Transparency Rules.

- The Company's capital structure and voting rights are summarised on pages 23 and 24.
- Details of the substantial Shareholders of the Company are set out on page 24.
- An amendment to the Company's Articles of Association and the giving of powers to issue or buy back the Company's Shares requires an appropriate resolution to be passed by Shareholders. Proposals to grant powers to the Board to issue and buy back Shares are set out in the Notice of the Annual General Meeting.
- There are no restrictions concerning the transfer of securities in the Company; no restrictions on voting rights (with the exception of those disclosed on page 23); no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid (however, refer to the paragraph regarding the Controlling Shareholder above for details on the relationship agreement).

Dividends

Details of the interim dividend paid by the Company during the year and the final dividend recommended by the Board are set out in the Strategic Report on page 4.

Events after the reporting period

Events since the end of the reporting period are detailed in note 19 on page 82.

Financial risk management

The principal financial risks and the Company's policies for managing these risks are set out in note 16 to the Financial Statements.

Corporate Governance

The Statement of Corporate Governance on pages 29 to 38 forms part of the Directors' Report.

DIRECTORS' REPORT continued

Going concern

The Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements. After making enquiries, and considering the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Directors have considered the liquidity of the portfolio and the Company's ability to meet obligations as they fall due for a period of at least 12 months from the date that these Financial Statements were approved. In making this assessment, the Directors have considered any likely impact of the current COVID-19 pandemic on the Company, its operations and the investment portfolio.

Cashflow projections have been reviewed and provide evidence that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the dividend policy.

Viability statement

The Directors have assessed the prospects of the Company over a five-year period. The Directors consider five years to be a reasonable time horizon to consider the continuing viability of the Company, however they also consider viability for the longer-term foreseeable future.

In their assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties as set out in the Strategic Report on pages 14 to 17 and in particular, have considered the potential impact of a significant fall in global equity markets on the value of the Company's investment portfolio overall. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments mainly comprise readily realisable securities which could be sold to meet funding requirements if necessary. On that basis, the Board considers that five years is an appropriate time period to assess continuing viability of the Company.

In forming their assessment of viability, the Directors have also considered:

- internal processes for monitoring costs;
- expected levels of investment income;
- the performance of the Manager;
- portfolio risk profile;
- liquidity risk;
- gearing limits;
- counterparty exposure; and
- financial controls and procedures operated by the Company.

The Board has reviewed the influence of the COVID-19 pandemic on its service providers and is satisfied with the ongoing services provided to the Company.

Based upon these considerations, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period.

Greenhouse gas emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying portfolio. As the Company's energy consumption falls under the minimum 40,000 kWh reporting threshold set by the Streamlined Energy and Carbon Reporting framework, the Company is exempt from making energy consumption disclosures.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under:

i. Listing Rule 9.8.4(7) in relation to Shares issued by the Company is set out on pages 23 and 24; and

ii. Listing Rule 9.8.4(14) regarding the Controlling Shareholder is set out pages 24 and 25.

The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

Auditor information

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held at 12a Princes Gate Mews, London, SW7 2PS on Monday, 2 November 2020 at 12.00 noon.

A separate notice convening the Annual General Meeting has been distributed to Shareholders, which includes an explanation of the items of business to be considered at the meeting and, in the light of the COVID-19 pandemic, also contains details on restrictions on attendance. This notice can also be found on the Company's website.

By order of the Board

Link Company Matters Limited
Company Secretary

29 September 2020

Date
Time
Job
Customer
Status
Scale

STATEMENT OF CORPORATE GOVERNANCE

Statement of Corporate Governance

This corporate governance statement forms part of the Directors' Report.

Introduction

The Board is accountable to Shareholders for the governance of the Company's affairs and is committed to maintaining high standards of corporate governance and the principles of good governance as set out in the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council in July 2018, a copy of which can be found at www.frc.org.uk.

Statement of compliance with the UK Code

Pursuant to the Listing Rules of the FCA, the Company is required to provide Shareholders with a statement on how the main and supporting principles set out in the UK Code have been applied and whether the Company has complied with the provisions of the UK Code. The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company as an investment trust.

The Board has reviewed the principles and provisions of the UK Code and considers that it has complied throughout the year, except as disclosed below:

- the Company's Articles of Association require that one-third of the Directors eligible to retire by rotation retire from office at each annual general meeting of the Company. However, in line with the UK Code, the Company has adopted the policy of all Directors standing for re-election annually;
- in light of the responsibilities retained by the Board and the Audit Committee and the responsibilities delegated to the Company's third party service providers, including the Manager, the Company has not appointed a chief executive officer;
- whereas Mr Harris, the Chairman of the Board, has been in post for more than nine years from the date of his first appointment, the other Directors consider that his long association with the Company over the years does not compromise his independence and his judgement, and that his experience continues to be of great benefit to the Board and the Company;
- during the year under review and up to 1 September 2020, the Chairman of the Board was a member of the Audit Committee. This was deemed appropriate as, before Sir James Waterlow's appointment on 17 August 2020, only the Chairman and Mr Wright were considered independent and could therefore be members of the Audit Committee. Following Sir James Waterlow's appointment, Mr Harris ceased to be a member of the Audit Committee with effect from 1 September 2020;
- given the structure and size of the Company, the Board does not consider it necessary to appoint separate management engagement, remuneration or nomination committees, and the roles and responsibilities normally reserved for these committees are matters for the full Board; and
- the Company does not have an internal audit function as all of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board. However, the need for an internal audit function is reviewed by the Audit Committee annually.

STATEMENT OF CORPORATE GOVERNANCE continued

Board of Directors

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and the investment policy. The Directors have overall responsibility for review of the Company's investment activity and performance and the control and supervision of the Manager and other service providers of the Company.

The Board consists of four non-executive Directors, three of whom are considered to be independent of the Company's Manager. The Board seeks to ensure that it has an appropriate balance of skills and experience and considers that, collectively, the Directors have an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company.

Following the year end, the Board determined that it would be appropriate to appoint an additional Director to complement the existing skills and experience of the other Directors. Following a shortlisting process led by the independent Directors, Sir James Waterlow was appointed as an independent non-executive Director of the Company with effect from 17 August 2020. No executive search firm or open advertising was used in connection with the appointment as the Board was satisfied that the short list of candidates put together by the independent Directors provided sufficiently diverse and qualified candidates with appropriate experience to bring to the Board.

The terms and conditions of appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection from the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

The Board has ensured that all Directors continually update the skills and knowledge required to fulfil their role both on the Board and the Audit Committee. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that established Board procedures and applicable rules and regulations are complied with.

Chairman and Senior Independent Director

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate and facilitates constructive board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. The Chairman, David Harris, is deemed by his fellow independent Board members to be independent and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company.

Mr Wright is the Senior Independent Director of the Company. He acts as a sounding board for the Chairman, meets with major Shareholders as appropriate, provides a channel for any Shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors. In the event of a period of stress, the Senior Independent Director would work with the Chairman, the other Directors, and/or Shareholders to resolve any issues.

The role and responsibilities of the Chairman and the Senior Independent Director are clearly defined and set out in writing, copies of which are available on the Company's website.

Independence of the Directors

As part of its annual evaluation, the Board reviewed the independence status of each Director and the Board as a whole. In the Board's opinion, Mr Harris, Sir James Waterlow and Mr Wright are considered to be independent of the Manager in both character and judgement that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

The Board has considered the fact that Mr Harris has served on the Board for more than nine years. However, the Board supports the view that length of tenure is not necessarily an issue. In fact, such a maximum tenure often produces an inexperienced board, unfamiliar with the effects of previous events, such as recessions or pandemics, and their effect on company performance. The contribution of the Director and their ability to assert both experience and authority is considered to be more important. Continuity, stability and experience of both the Company and investment markets add significantly to the strength of the Board and therefore no limit on the length of service of any of the Company's Directors, including the Chairman, has been imposed.

As set out on page 22, Mr Miller is head of governance and risk oversight, holds the SMF16 and SMF17 roles under the Senior Managers and Certification Regime and sits on the risk management committee at MLCM, the Company's Manager. Therefore, Mr Miller is not deemed to be independent of the Manager. Due to his non-independent status, Mr Miller abstains from discussions about the continuing appointment of the Manager.

Following completion of the evaluation process, the Board is of the opinion that Mr Miller continues to provide effective contributions to the performance of the Board and is committed to his role. As regards his effectiveness, Mr Miller's biographical details set out on page 22 demonstrate the experience he brings to the Board, which is complementary to that of the other Directors.

None of the Directors or any persons connected with them had a material interest in the transactions and arrangements of, or the agreement with, the Manager during the year.

Performance evaluation

The Board has established a questionnaire-based process for the annual evaluation of the performance of the Board, the Audit Committee and the individual Directors, led by the Chairman. The Chairman acts on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board, as appropriate. In addition, the other Directors, led by the Senior Independent Director, also carry out a performance evaluation of the Chairman. This evaluation process is carried out annually.

Following such evaluation and with a view to complement the skills and experience of the current Directors, the Board appointed Sir James Waterlow as a new Director with effect from 17 August 2020. In the light of these changes, the Board is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company, offering a balance of independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The performance of each of the Directors continues to be effective and demonstrates commitment to the role and having considered the Directors' other time commitments and directorships. The Board is satisfied that each Director has the capacity to be fully engaged with the Company's business.

STATEMENT OF CORPORATE GOVERNANCE continued

The Board does not consider the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted. However, the option of doing so will be regularly reviewed.

Diversity

The Board regularly reviews its composition and effectiveness with the objective of ensuring that it has an appropriate balance of skills and experience required to meet the future opportunities and challenges facing the Company.

The Company is committed to ensuring that any vacancies arising on the Board are filled by the most qualified candidates. The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on the basis of merit, the following objectives for the appointment of Directors have been established:

- all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential Directors should include diverse candidates of appropriate merit.

Election/re-election of Directors

The Board does not have a specific policy on tenure. Under the Company's Articles of Association and in accordance with the UK Code, Directors are subject to election by Shareholders at the first annual general meeting after their appointment. Thereafter, at each annual general meeting, any Director who has not stood for re-election at either of the two preceding annual general meetings shall retire and be subject to re-election. In addition, one-third of the Directors eligible to retire by rotation shall retire from office at each annual general meeting.

Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's annual general meetings. This is in line with the recommendations of the UK Code.

The Board has considered the re-election of Mr Harris, Mr Miller and Mr Wright and recommends their re-election on the basis of their skills, knowledge and continued contribution. In accordance with the above, following his appointment as a Director post year end, Sir James Waterlow will be standing for election at the forthcoming Annual General Meeting.

Induction of new Directors

A procedure for the induction of new Directors has been established, including the provision of an induction pack containing relevant information about the Company, its processes and procedures. New appointees will have the opportunity of meeting with the Chairman and relevant persons at the Manager.

Indemnity provisions

The Board has formalised arrangements under which Directors, in the furtherance of their duties, may take independent professional advice. Under the Company's Articles of Association, the Directors are provided, subject to UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. Apart from this, there were no third party indemnity provisions over the course of the year or since the year end.

Board responsibilities and relationship with the Manager

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs and that the Company meets its obligations to Shareholders. Strategic issues and all operational matters of a material nature are determined by the Board and, in order to enable them to discharge their responsibilities, Directors have full and timely access to relevant information. Board responsibilities include:

- changes to the Company's objective and investment policy;
- approval of annual and half-yearly reports and financial statements, circulars and other Shareholder communications;
- appointment and removal of Directors;
- changes to the Company's service providers; and
- use of gearing and derivative instruments for investment purposes.

The Board meets regularly and at each meeting reviews investment performance and financial results and monitors compliance with the Company's objectives.

The Board and Committee agendas are shaped to ensure that discussion is focused on the Company's strategic priorities, principal activities, reviews of significant issues and key elements of the portfolio.

At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Company Secretary. The Company Secretary, Administrator and Manager regularly provide financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

The Company's day-to-day functions have been subcontracted to a number of service providers, each engaged under separate legal agreements. The management of the Company's assets has been delegated to MLCM, which has discretion to manage the assets in accordance with the Company's investment policy.

At each Board meeting, a representative from the Manager is in attendance to present verbal and written reports covering the Company's activities, portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings.

Meetings

The Directors meet at regular Board meetings, at least once every quarter, with additional meetings arranged as necessary. The number of scheduled Board and Committee meetings held during the year ended 31 July 2020 and the attendance of the individual Directors is shown below:

	Board Meetings	Audit Committee
Number of meetings during the year	4	3
David Harris	4	3
Brett Miller*	4	–
Daniel Wright	4	3
Sir James Waterlow**	–	–

* Mr Miller is not a member of the Audit Committee.
** Sir James Waterlow was appointed as a Director on 17 August 2020.

STATEMENT OF CORPORATE GOVERNANCE continued

A number of additional, ad hoc Board meetings were held during the year.

Committees

The Board is assisted in its operations by the Audit Committee, the terms of reference for which are available on the Company's website.

Audit Committee

The Audit Committee comprises Mr Wright and Sir James Waterlow (since his appointment as Director on 17 August 2020) and is chaired by Mr Wright. For the duration of the year under review and up to 1 September 2020, Mr Harris was also a member of the Committee. Mr Wright, a qualified chartered accountant, is deemed to have recent and relevant financial experience and the Committee as a whole has competence relevant to the investment trust sector.

A Report from the Audit Committee is set out on pages 39 to 41.

Conflicts of interest

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. Directors must request authorisation from the Board as soon as they become aware of the possibility of an interest that conflicts or might possibly conflict with the interests of the Company (a "situational conflict"). The Company's Articles of Association authorise the Board to approve such situations, where deemed appropriate.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include: whether the situational conflict could prevent the Director from properly performing his duties; whether it has, or could have, any impact on the Company; and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision, the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

Internal control review

The Board is responsible for risk management and ensuring that the Company has in place an effective system of internal financial controls designed to ensure the maintenance of proper accounting records and the safeguarding of the Company's assets. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board recognises its responsibility for regular review of all aspects of internal financial control.

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. This process is subject to regular review by the Board and is in accordance with the FRC Guidance on Risk Management, Internal Control and Related Finance and Business Reporting. The process was fully in place throughout the year and up to the date of approval of the Financial Statements. The principal risks facing the Company and the actions taken to manage these are detailed on pages 14 to 17.

The Board has established a series of parameters which are designed to limit the inherent risk in managing a portfolio of investments and the Board receives regular reports from the Manager and Administrator, which are reviewed in detail.

Internal control assessment process

The Board has contractually delegated responsibility for management of the investment portfolio, risk management and the provision of accounting services to external service providers. This is after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation insofar as they relate to the affairs of the Company.

The key procedures which have been established to provide effective internal control, are as follows:

- Investment management and risk management are provided by MLCM. The Manager also maintains the Company's risk matrix. The Board is responsible for setting the overall investment strategy, monitors the activity of the Manager and reviews the risk matrix regularly at Board meetings. The Manager provides reports at these meetings, which cover investment performance and compliance matters.
- Custody and safekeeping of assets is undertaken by Morgan Stanley & Co. International plc and JP Morgan Chase & Co.
- The duties of investment management and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- Link Company Matters Limited provides company secretarial services to the Company.
- Fund administration services are provided to the Company by its Administrator, Link Alternative Fund Administrators Limited.
- The Directors of the Company clearly define the duties and responsibilities of the service providers and advisers in terms of their contracts. The appointment of service providers and advisers is conducted by the Board after consideration of the standing and reputation of the parties involved. The Directors regularly monitor their ongoing performance and contractual arrangements.
- For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market prices at the close of business at the end of the reporting period. The Administrator produces valuation reports independently for the Board based on the Company's valuation policy.
- Liquidity risk is minimised by investing in a portfolio of quoted companies that are readily realisable. The Manager reports to the Board monthly on the liquidity profile of the Company.

STATEMENT OF CORPORATE GOVERNANCE continued

- The Board reviews in detail the financial information produced by the Administrator and the Manager on a regular basis.

The Board has carried out a review of the effectiveness of the risk management and internal control systems and how those systems operated throughout the year. The Directors confirm that no significant failings or weaknesses were identified.

Company Culture

The Company's defined purpose is to deliver its investment objective. The Directors agree that establishing and maintaining a healthy corporate culture among the Board and in its interaction with the Manager and Shareholders will support the delivery on its purpose, values and strategy. The culture of the Board promotes a desire for good governance, mindful of the interests of the Company's stakeholders. The Board believes that, as an investment trust with no employees, this is best achieved by working in partnership with the Manager.

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance such as those relating to Diversity, Directors' conflicts of interest and Directors' dealings in the Company's Shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board through Board meetings and in particular during the annual evaluation process which is undertaken by each Director (for more information see the performance evaluation section on pages 31 and 32).

The Board seeks to ensure the alignment of its purpose, values and strategy with its culture through ongoing dialogue and engagement with its service providers, principally the Manager. The culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as a whole during the annual review of the performance and continuing appointment of all service providers.

Environmental, social and governance policy

As an investment trust, the Company has adopted the environmental, social and governance policy ("ESG") of its Manager. This ESG policy can be found at the Manager's website at www.mlcapman.com/esg.

In addition, the Company's ethical policy is focused on ensuring that the Company's resources are properly managed and invested within the guidelines approved by the Board.

The Company's Manager ensures that investments are made in companies that it considers to be well managed and subject to appropriate corporate governance. A well-managed company is considered to be one which complies with all the relevant legislation and which meets the environmental, social, community and ethical requirements of the country in which it operates. It is important to recognise that local laws and requirements of some markets do not necessarily equate with those of developed countries.

The Manager performs extensive investment analysis, assessing both the risk and the return of targeted investments for the Company. The depth of its research provides comprehensive insights into the many factors that affect the value of an investment, which also include environmental, social and governance issues. This analysis is monitored by the Manager and reported to the Board.

The Company's ultimate objective is to maximise investment return for its Shareholders. Accordingly, the Board and the Manager will seek to favour companies that pursue best practice in governance.

ESG in practice

Some examples of the Company's ESG policy in practice are set out below:

- The Company is committed to caring for the environment and ensuring that its carbon footprint is minimised. One of the main policies to achieve this is the encouragement of the use of electronic communication with Shareholders, in order to save paper, printing consumables and energy.
- The portfolio holds no exposure to mining or oil and gas exploration companies.
- The Manager's team only own cars which are electric vehicles.
- The Manager's team travel to work on public transport and maximises its use of public transport.

Exercise of voting powers

The Board has agreed that a formal policy regarding voting in investee companies is not required. It has given the Manager discretionary voting powers to vote how it deems appropriate whilst maintaining a primary focus on financial returns. The Manager utilised the votes of the Company on four different occasions during the year (2019: thee).

Stakeholder Engagement

Background

The Directors have a duty (under section 172 of the Companies Act 2006) to promote the success of the Company for the benefit of Shareholders as a whole. In doing so, the Company must have regard to other broader matters including the likely long-term consequences of any decision, and on the need to foster the Company's relationships with its employees, suppliers, customers and others and to have regard to their interests, the impact of the Company on the community and the environment, and the desirability of maintaining a reputation for high standards of business conduct.

Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Chairman ensures that the Board as a whole has a clear understanding of the views of Shareholders by receiving regular updates from the Manager.

During the year under review, the Board considered which parties should be considered as stakeholders of the Company and concluded that, as the Company is an externally managed investment trust and does not have any employees or customers in the traditional sense, the Company primarily owed a duty of care to its Shareholders. Furthermore, as a Company with a majority Shareholder, safeguarding the interests of minority Shareholders was considered of particular importance. Due to the Company's relatively small size, the Board considered the impact on parties other than its Shareholders to be minimal and in line with the FRC Guidance in relation to section 172(1) statements, this statement focuses on stakeholders that are considered key to the Company's business, and therefore does not cover every stakeholder in the Company. The section below discusses the actions taken by the Company to ensure that the interests of the Shareholders are taken into account.

STATEMENT OF CORPORATE GOVERNANCE continued

The Board is committed to maintaining open channels of communication and to engage with Shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of Shareholders. These include:

- **Annual General Meeting** – Whilst the Company welcomes and encourages attendance and participation from Shareholders at AGMs and General Meetings, in view of specific restrictions this year in relation to COVID-19, attendance at the 2020 AGM will not be possible. Under normal circumstances, Shareholders have the opportunity to meet the Chairman, the Directors and the Manager and to address questions to them directly. There is typically a presentation on the Company's performance and the future, which this year will be made available on the Company's website ahead of the AGM and no presentation will be held during the meeting.

- **Shareholder meetings** – Unlike trading companies, Shareholders in investment companies often meet with the manager rather than with members of the board. Throughout the period, the Manager contacted Shareholders and private client investment managers who have holdings in the Company. These contacts and any subsequent meetings are reported to the Directors. After each meeting, contact with the Chairman is offered to Shareholders should any of their concerns remain unrectified in the meeting with the Manager.

  Feedback from meetings between the Manager and Shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so.

- **Publications** – The Annual Report and Half-Year results are made available on the Company's website and are circulated to those Shareholders requesting hard copies. These reports provide Shareholders with a clear understanding of the Company's portfolio and financial position. Feedback and/or questions the Company receives from Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable. The information contained in the reports is supplemented by regular NAV announcements and a monthly factsheet available on the Company's website.

- **Shareholder concerns** – Any issues of concern can be addressed to the Board by any Shareholder by emailing the Company Secretary at mlitcosec@linkgroup.co.uk. The Manager can be contacted regarding any matters within the scope of its role at IR@mlcapman.com. The Senior Independent Director and other members of the Board are also available to Shareholders if they have concerns that have not been addressed through the normal channels.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective. The Board recognises the importance of engaging with its core stakeholders, and of taking account of their interests when making decisions. Should the Shareholders of the Company wish to contact the Chair of the Company, they can do so by contacting the registered office of the Company.

REPORT FROM THE AUDIT COMMITTEE

I am pleased to present the Audit Committee (the "Committee") report for the year ended 31 July 2020. During the year under review, the Committee comprised David Harris and myself. Following his appointment as Director on 17 August 2020, Sir James Waterlow also became a member of the Committee.

Role of the Audit Committee

The primary responsibilities of the Committee are to:

- monitor the integrity of the financial statements of the Company and review the financial reporting process and the accounting policies;
- keep under review the effectiveness of the Company's internal control environment and risk management systems;
- make recommendations to the Board in relation to the re-appointment or removal of the external Auditor and its remuneration and to approve its terms of engagement; and
- oversee the relationship with the external Auditor, which includes reviewing the effectiveness of the audit process, developing and implementing a policy on the supply of non-audit services by the Auditor and reviewing and monitoring the Auditor's independence and objectivity.

The Committee has direct access to the Auditor, who is also invited to attend the Committee meeting at which the Annual Report and Financial Statements are reviewed.

Matters considered in the year

The Committee met three times during the financial year. Details of the composition of the Committee, attendance and how its performance evaluation has been conducted are detailed in the Statement of Corporate Governance on pages 29 to 38.

The Committee has:

- reviewed the internal controls and risk management systems of the Company and those of its third party service providers;
- reviewed and, where appropriate, updated the Company's principal risks and uncertainties;
- agreed the audit plan with the Auditor, including the principal areas of focus, and agreed the audit fee;
- received and discussed with the Auditor its report on the results of the audit; and
- reviewed the Company's half-yearly and annual financial statements and advised the Board accordingly.

The Audit Committee has reviewed and, where appropriate, updated the risk matrix. This is done on a six-monthly basis. During the year the Audit Committee reviewed the impact of the COVID-19 pandemic on the Company and the risks identified.

REPORT FROM THE AUDIT COMMITTEE continued

Significant issues

The significant issues considered by the Committee in relation to the Company's Annual Report and Financial Statements were:

- **Valuation of investments:** During the year, the Committee reviewed the valuation process for the Company's investments and the systems in place to ensure the accuracy of these valuations, their validity in light of liquidity and the criteria used by the Manager and the Company's Auditor when assessing whether valuations are appropriate.
- **Internal control systems:** The Committee reviewed the internal control systems by continually monitoring the services and controls of its third party service providers. There were no significant matters of concern identified in the Committee's review of the internal controls of its third party service providers.
- **Going concern and long-term viability:** The Committee assessed every six months that it remained appropriate to prepare the Company's Financial Statements on a going concern basis, and made its recommendations to the Board. The Board's conclusions are set out on page 26. The Committee also considered the longer-term viability statement within the Annual Report for the year ended 31 July 2020. This statement is set out on page 26.

Following consideration and detailed review of the above, the Committee was of the opinion that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary to assess the Company's position and performance, business model and strategy, and advised the Board accordingly.

Auditor

Deloitte LLP ("Deloitte") were appointed as the Company's Auditor on 28 November 2016, in relation to the audit for the year ended 31 July 2017. Their appointment was approved by Shareholders at the Annual General Meeting held on 27 November 2017.

Chris Hunter has been the audit partner for the Company since Deloitte's appointment.

In accordance with audit tender requirements, the Company, being a public interest entity, intends to carry out an audit tender during 2026 in respect of the 2027 audit.

Audit fees and non-audit services provided by the Auditor

The Committee reviewed and approved the audit plan and fees presented by the Auditor and considered its report on the Financial Statements. Details of the audit fee for the year ended 31 July 2020 are set out in note 4 to the Financial Statements.

The Committee reviews the need for non-audit services and authorises such on a case-by-case basis, giving consideration to the cost effectiveness of the services and the independence and objectivity of the Auditor, and taking into account relevant UK law, regulation, ethical standards and other professional and regulatory requirements. Non-audit work may be given to the external Auditor unless there is a conflict of interest or someone else is considered to have more relevant experience. Any non-audit work to be carried out by the Auditor, including any special projects, must be approved by the Committee in advance. No non-audit services were provided by the Auditor during the year (2019: nil).

Independence and objectivity of the Auditor

As part of the review of the Auditor's independence and objectivity, Deloitte has confirmed that it is independent of the Company and has complied with relevant auditing and ethical standards. In evaluating Deloitte, the Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Committee, from direct observation and enquiry of the Manager, the Administrator and the Company Secretary, is satisfied that Deloitte is both independent and effective at carrying out its responsibilities. Deloitte's performance will continue to be reviewed annually taking into account all relevant governance guidance and best practice. Should the Auditor become aware of any situation that might potentially compromise its independence, the Committee expects the Auditor to bring that situation to its attention at the earliest opportunity.

Effectiveness of external audit

The Chairman of the Committee maintains regular contact with the Auditor and the Committee has considered the performance of the Auditor, the services provided by it during the year and reviewed its independence and objectivity.

The Committee also monitors and reviews the effectiveness of the external audit process for the Annual Report, including a detailed review of the audit plan and audit results report and discussion of these with the Auditor, and makes recommendations to the Board on the appointment/re-appointment, remuneration and terms of engagement of the Auditor. Any concerns regarding the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of the year ended 31 July 2020.

Re-appointment of the Auditor

In determining whether to recommend the re-appointment of the Auditor, the Committee takes into account their effectiveness, relevant knowledge and value added service together with value for money. On the basis of this assessment, the Committee recommended to the Board to propose the re-appointment of Deloitte as Auditor to the Company at the forthcoming Annual General Meeting.

Daniel Wright
Chairman of the Audit Committee

29 September 2020

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 in respect of the year ended 31 July 2020. An ordinary resolution for the approval of this Report will be put to Shareholders at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 50 to 59.

Annual statement from Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2020.

The Board reviewed the level of remuneration payable to each Director during the year. Each Director of the Company takes no part in discussions concerning their own remuneration.

Directors' fees throughout the period were £19,000 for the Chairman and £16,000 for the other Directors. During the year, a review of the Directors' fee levels in comparison to those of similar-sized investment trusts took place. Following this review, the Board agreed to increase the Chairman's fee to £28,000, the Audit Committee Chairman's fee to £25,000, the fee for other independent Directors to £22,000 and the fee for non-independent Directors to £20,000. These changes were effective from 1 September 2020. The fees were last increased in 2018.

The Directors' Remuneration Policy was put to Shareholders for approval at the 2017 Annual General Meeting. It being three years since it was last approved, the Remuneration Policy is being put to Shareholders for approval at the forthcoming AGM. The Board does not propose to make any changes to the existing remuneration policy. There will be no significant change in the way the remuneration policy is implemented during the course of the next financial year.

Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	Fees		Expenses**		Total	
	Year to 31 July 2020 £	Year to 31 July 2019 £	**Year to 31 July 2020 £**	Year to 31 July 2019 £	**Year to 31 July 2020 £**	Year to 31 July 2019 £
David Harris* (Chairman)	**19,000**	17,520	**58**	369	**19,058**	17,889
Brett Miller	**16,000**	16,000	**–**	–	**16,000**	16,000
Peter Stanley***	**–**	9,033	**–**	–	**–**	9,033
Daniel Wright	**16,000**	12,218	**1,554**	–	**17,554**	12,218
	51,000	54,771	**1,612**	369	**52,612**	55,140

* The emoluments payable to Mr Harris are invoiced and paid to InvaTrust Consultancy Limited and are subject to value added tax ("VAT"). As at 31 July 2020 £4,750 was outstanding.

** Travel expenses incurred in relation to attendance at Board and Committee meetings of the Company.

*** Resigned 15 January 2019

Company performance

The Company's benchmark is the MXGBIM. The graph below shows the Company's long-term total return performance (Share price return plus dividends paid) compared with the MXGBIM since 31 July 2002.

Source: Bloomberg.

Relative importance of spend on pay

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

	2020 £'000	2019 £'000	% Change
Dividends payable to Shareholders in respect of the financial year	**4,900**	4,051	21
Management fee	**941**	704	33
Total remuneration paid to Directors	**51***	55*	(7)

* Excludes VAT of £4,000 (2019: £3,000).

DIRECTORS' REMUNERATION REPORT continued

Directors' interests (audited)

There is no requirement under the Company's Articles of Association for Directors to hold Shares in the Company.

The interests of the current Directors and their connected persons in the voting rights of the Company are set out below:

	As at 31 July 2020 No. of Shares	As at 31 July 2019 No. of Shares
David Harris (Chairman)	**12,000**	12,000
Brett Miller	**1,400***	1,000
Daniel Wright	**43,192****	34,462**
Sir James Waterlow	**–**	–

* This includes 400 Shares of which the beneficial interests are held by Mr Miller's family members.

** This includes 30,546 Shares (2019: 21,816 Shares) of which the beneficial interests are held by Mr Wright's family members.

At the date of his appointment and up to the date of this report, Sir James Waterlow held 5,000 Shares in the Company. There have been no other changes to Directors' Share interests between 31 July 2020 and the date of this Report.

Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 31 July 2019 was approved at the Annual General Meeting held on 14 January 2020. The Directors' Remuneration Policy was last approved by Shareholders at the Annual General Meeting held on 27 November 2017. The votes cast were as follows:

Directors' remuneration report (AGM 2020)

	Number of votes	% of votes cast
For	18,892,436	99.97
Against	6,490	0.03
At Chairman's discretion	–	–
Total votes cast	18,900,916	100.00
Number of votes withheld	1,990	–

Directors' remuneration policy (AGM 2017)

	Number of votes	% of votes cast
For	422,829	93.97
Against	1,513	0.34
At Chairman's discretion	25,609	5.69
Total votes cast	449,951	100.00
Number of votes withheld	4,475	–

Approval

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

David Harris
Chairman

29 September 2020

REMUNERATION POLICY

A resolution to approve this Remuneration Policy, which was last approved at the AGM of the Company on 27 November 2017, will be proposed at the forthcoming AGM. The policy provisions set out below will apply until they are next put to Shareholders for approval, which must be at intervals of not more than three years, or the Remuneration Policy is varied, in which event, Shareholder approval for the new Remuneration Policy will be sought.

The Board reviews and sets the level of remuneration payable to each Director annually.

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Board's policy that the remuneration of Directors should be set at a level that is commensurate with the duties and responsibilities of the role. Remuneration levels elsewhere in the investment trust industry and all other relevant information are taken in account when considering Directors' fees. The Board considers that the current policy to remunerate the Directors by way of fixed fees is appropriate to the Company's present circumstances and there are no plans to introduce any alternative remuneration schemes.

Directors are not eligible for bonuses, pension benefits, Share options, long-term incentive schemes or other benefits. It is the Board's policy that Directors do not have service contracts but are provided with letters of appointment as a non-executive Director.

Future pay

Component	Director	Rate at 1 August 2020	Rate at 1 September 2020	Purpose of Remuneration
Annual fee	Chairman	£19,000	£28,000	Commitment as Chairman[1]
Annual fee	Chairman of the Audit Committee	£16,000	£25,000	Commitment as Audit Committee Chairman[1]
Annual fee	Independent Director	£16,000	£22,000	Commitment as an independent non-executive Director[2]
Annual fee	Non-independent Director	£16,000	£20,000	Commitment as an non-independent non-executive Director[3]
Expenses	All Directors	N/A	N/A	Reimbursement of expenses incurred in the performance of duties as a Director

[1] The Company's policy is for the Chairman and the Audit Committee Chairman to be paid higher fees than the other Directors to reflect the more onerous roles.

[2] The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum.

[3] The Company's policy is to apply a discount to the fee paid to a non-independent Director.

Fees for any new Director appointed will be on the above basis. Fees payable in respect of subsequent periods will be determined by the Board following an annual review.

Any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board. There are no performance conditions attaching to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors. Under the Directors' letters of appointment, there is a notice period of six months and no compensation is payable to a Director on loss of office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Company's Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law, they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare Financial Statements on a 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 to enable them to ensure that the Financial Statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and ensuring that the Annual Report includes information required by the Listing Rules and Disclosure Guidance and Transparency Rules of the FCA.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS continued

The Financial Statements are published on the Company's website, **www.mlcapman.com/manchester-london-investment-trust-plc**, which is maintained on behalf of the Company by the Manager. The Manager has agreed to maintain, host, manage and operate the Company's website and to ensure that it is accurate and up-to-date and operated in accordance with applicable law. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

i. the Financial Statements, prepared in accordance with the IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

ii. the Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

On behalf of the Board

David Harris
Chairman

29 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

1. Opinion

In our opinion the Financial Statements of Manchester and London Investment Trust plc (the "Company"):

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its return for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Changes in Equity;
- the Statement of Financial Position;
- the Statement of Cash Flows; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. 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 Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation and ownership of investments, including derivatives.
Materiality	The materiality that we used in the current year was £2.2m which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach in the current year.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in note 1 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements.

We considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the Financial Statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the Financial Statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 14-16 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 26 that they have carried out a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 26 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.

Viability means the ability of the company to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS continued

We are also required to report whether the Directors' statement relating to the prospects of the company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation and ownership of investments, including derivatives

Key audit matter description	The investments of the Company, including derivatives, have a carrying value of £142.3m as at 31 July 2020 (2019: £134.4m), this being 63% of the Company's net assets (2019: 80% of net assets). See the accounting policy in note 1 of the Financial Statements and also notes 9 and 13 of the Financial Statements. The valuation of investments has also been identified as a significant issue by the Audit Committee in their Report at page 40. Equity investments are valued at the closing bid price at the year end. Derivatives, which comprise listed options and Contracts for Differences, are valued using the latest trade price of the underlying investment. There is a risk that investments within the portfolio, including derivatives, may not be valued correctly or may not represent the property of the Company. We have considered that there is a potential risk of fraud in this area due to the importance of the investment portfolio to the Company (being the principal indicator of its performance) and due to it being the main driver of the fee payable to the Manager of the Company.

How the scope of our audit responded to the key audit matter	We performed the following procedures to address the risk identified: • obtained an understanding of controls in place over the ownership and valuation of investments, including a review of relevant service providers' internal controls assurance reports; • agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the custodians JP Morgan and Morgan Stanley, as well as the Company's depository, Indos Financial Ltd; • agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source; • recalculated the value of 100% of listed options and contracts for differences using the bid prices of the underlying securities published by an independent pricing source; and • reviewed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk.
Key observations	Based on the work performed we concluded that the valuation and ownership of investments, including derivatives, is appropriate.

6. Our application of materiality

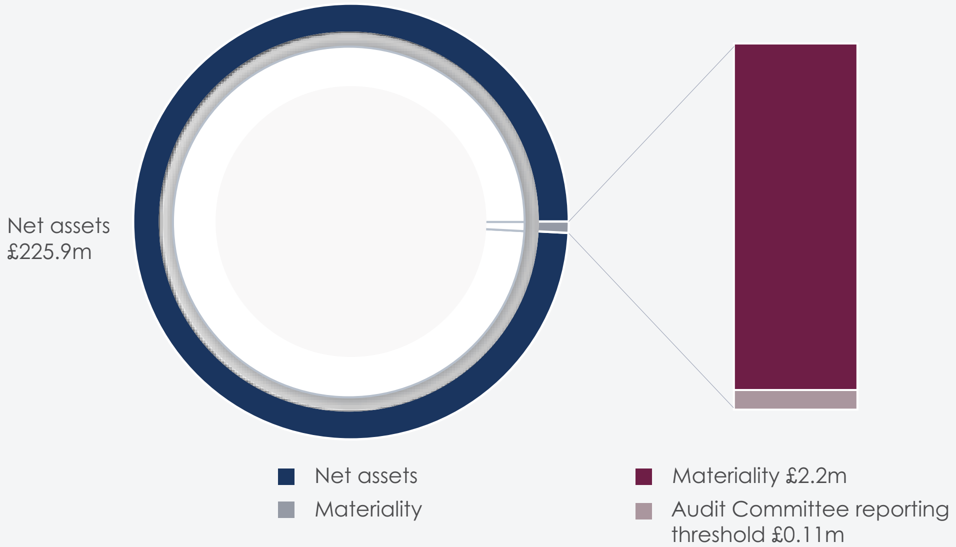
6.1. Materiality

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 both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£2.2m (2019: £1.6m)
Basis for determining materiality	1% of net assets (2019: 1% of net assets)
Rationale for the benchmark applied	We have used net assets as our materiality benchmark as we consider it to be the most relevant indicator of the Company's performance for the users of the Financial Statements, as well as being a key driver of shareholder value.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS continued



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Performance materiality was set at 60% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- The fact that the Company is currently operating in a volatile and uncertain economic environment due to the impact of the COVID-19 pandemic, which also results in operational challenges such as the need for the Company's key service providers to work remotely. It is this factor which led to the 10% reduction in performance materiality compared with the previous year;
- The Company's straightforward structure and operating model;
- The continuity in place within the business from the previous year (with both management and the administrator);
- The lack of additional accounting policies coming into effect in the current year which would require significant judgement; and
- Our experience in previous audits, with there not being history of control deficiencies or uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £110,000 (2019: £80,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We note that the accounting and administration for the Company has been outsourced to Link Alternative Fund Administrators Limited. As part of our audit, we obtained an understanding of relevant controls in place at Link via a review of the service organisation's controls assurance reports. We have not tested the operating effectiveness of the relevant controls and as such, have not relied on these controls.

8. Other information

We have nothing to report in respect of these matters.

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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair*, balanced and understandable – 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 position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS continued

- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' 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.

9. Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, 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.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

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

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies and key performance indicators;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation and ownership of investments, including derivatives. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and Investment Trust Tax Regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of investments, including derivatives, as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS continued

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Board of Directors on 28 November 2016 to audit the Financial Statements for the year ending 31 July 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 July 2017 to 31 July 2020.

14.2. Consistency of the audit report with the additional report to the Audit Committee

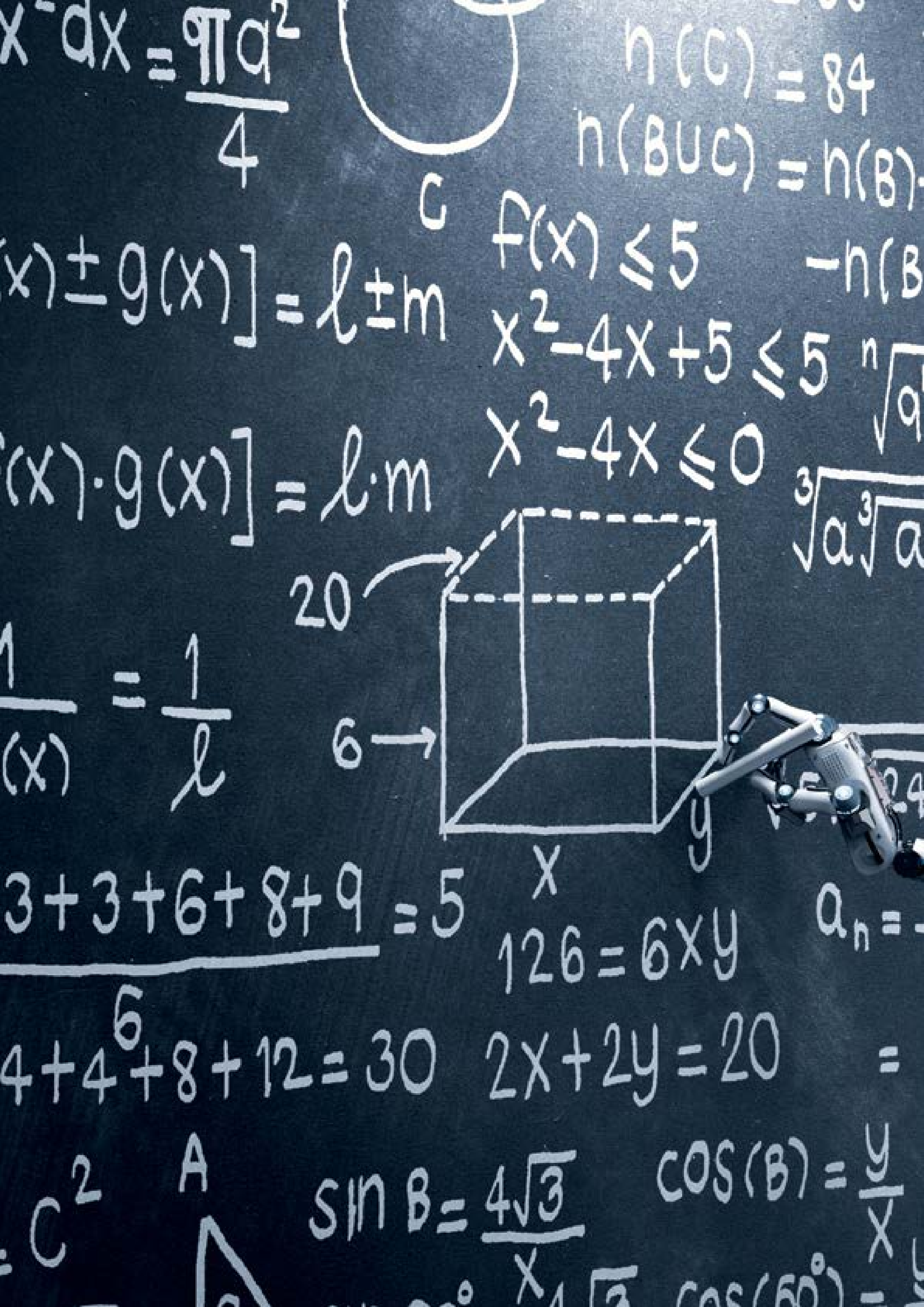
Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

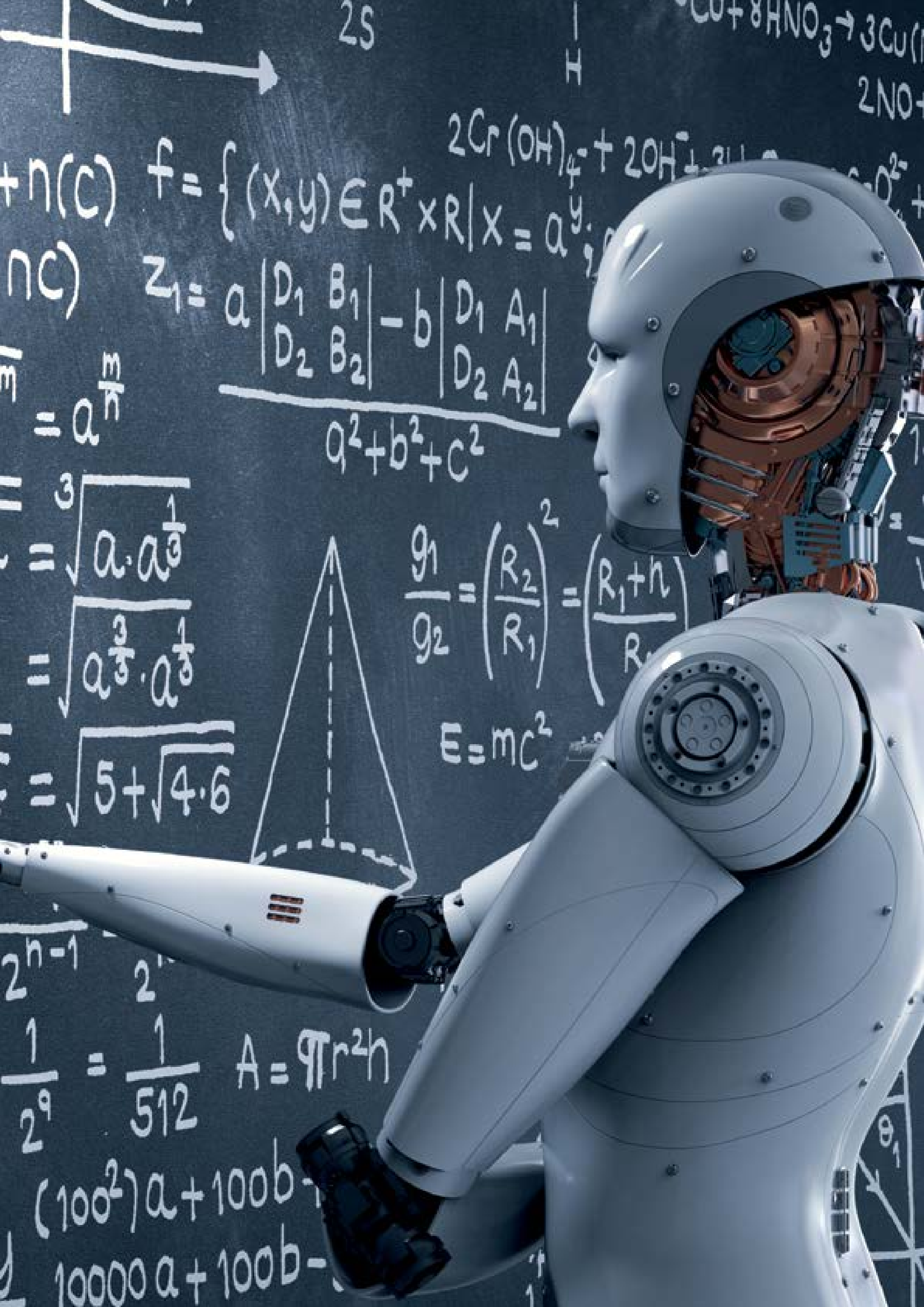
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other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

Chris Hunter CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

29 September 2020



n(C) = 84
f(x) ≤ 5
x²−4x+5 ≤ 5
x²−4x ≤ 0
20
6
x
y
126 = 6xy
2x+2y = 20
4+4+8+12 = 30
A
sin B = 4√3 / x



$E = mc^2$
$= \frac{1}{512}$
$q^2+b^2+c^2$

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2020

		2020			2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains							
Gains on investments at fair value through profit or loss	9	**(285)**	**27,368**	**27,083**	–	17,777	17,777
Investment income	2	**647**	**–**	**647**	749	–	749
Gross return		**362**	**27,368**	**27,730**	749	17,777	18,526
Expenses							
Management fee	3	**(1,470)**	**–**	**(1,470)**	(1,115)	–	(1,115)
Other operating expenses	4	**(555)**	**–**	**(555)**	(406)	–	(406)
Total expenses		**(2,025)**	**–**	**(2,025)**	(1,521)	–	(1,521)
Return before finance costs and tax		**(1,663)**	**27,368**	**25,705**	(772)	17,777	17,005
Finance costs	5	**(37)**	**(1,572)**	**(1,609)**	(37)	(1,020)	(1,057)
Return on ordinary activities before tax		**(1,700)**	**25,796**	**24,096**	(809)	16,757	15,948
Taxation	6	**(59)**	**–**	**(59)**	(48)	–	(48)
Return on ordinary activities after tax		**(1,759)**	**25,796**	**24,037**	(857)	16,757	15,900
Return per Share		**pence**	**pence**	**pence**	pence	pence	pence
Basic and fully diluted	8	**(5.47)**	**80.21**	**74.74**	(3.17)	61.92	58.75

The total column of this statement is the Income Statement of the Company prepared in accordance with IFRS, as adopted by the European Union. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the AIC ("AIC SORP").

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

There is no other comprehensive income, and therefore the return for the year after tax is also the total comprehensive income.

The notes on pages 66 to 82 form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2020

	Notes	Share capital £'000	Share premium £'000	Capital reserve* £'000	Retained earnings** £'000	Total £'000
Balance at 1 August 2019		**7,341**	**68,987**	**73,365**	**17,288**	**166,981**
Changes in equity for 2020						
Total comprehensive income/(loss)		**–**	**–**	**25,796**	**(1,759)**	**24,037**
Dividends paid	7	**–**	**–**	**–**	**(4,979)**	**(4,979)**
Shares issued	14	**1,693**	**38,201**	**–**	**–**	**39,894**
Balance at 31 July 2020		**9,034**	**107,188**	**99,161**	**10,550**	**225,933**
Balance at 1 August 2018		6,118	45,606	56,608	22,056	130,388
Changes in equity for 2019						
Total comprehensive income/(loss)		–	–	16,757	(857)	15,900
Dividends paid	7	–	–	–	(3,911)	(3,911)
Shares issued	14	1,223	23,381	–	–	24,604
Balance at 31 July 2019		7,341	68,987	73,365	17,288	166,981

* Within the balance of the capital reserve, £7,138,000 relates to realised gains (2019: £13,335,000) and is distributable by way of a dividend. The remaining £92,023,000 relates to unrealised gains and losses on financial instruments (2019: £60,030,000) and is non-distributable.

** Fully distributable by way of a dividend.

The notes on pages 66 to 82 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 July 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investments at fair value through profit or loss	9	**137,333**	132,059
Current assets			
Unrealised derivative assets	13	**29,229**	8,887
Trade and other receivables	10	**18**	137
Cash and cash equivalents	11	**86,177**	32,880
		115,424	41,904
Current liabilities			
Unrealised derivative liabilities	13	**(24,278)**	(6,512)
Trade and other payables	12	**(2,546)**	(470)
		(26,824)	(6,982)
Net current assets		**88,600**	34,922
Net assets		**225,933**	166,981
Capital and reserves			
Share capital	14	**9,034**	7,341
Share premium		**107,188**	68,987
Capital reserve		**99,161**	73,365
Retained earnings		**10,550**	17,288
Total equity		**225,933**	166,981
Basic and fully diluted NAV per Share	15	**625.23**	568.66p

The Financial Statements on pages 62 to 82 were approved by the Board of Directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

David Harris
Chairman

Manchester and London Investment Trust Public Limited Company
Company Number: 01009550

The notes on pages 66 to 82 form part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 July 2020

	2020 £'000	2019 £'000
Cash flow from operating activities		
Return on operating activities before tax	**24,096**	15,948
Interest expense	**1,609**	1,057
Gains on investments held at fair value through profit or loss	**(30,119)**	(16,649)
Decrease/(increase) in receivables	**32**	(106)
Increase in payables	**192**	34
Derivative instruments cash flows	**(3,028)**	(2,334)
Tax paid	**(59)**	(48)
Net cash (used in)/generated from operating activities	**(7,277)**	(2,098)
Cash flow from investing activities		
Purchases of investments	**(38,134)**	(57,456)
Sales of investments	**65,630**	45,000
Net cash inflow/(outflow) from investing activities	**27,496**	(12,456)
Cash flow from financing activities		
Equity dividends paid	**(4,979)**	(3,911)
Issue of Shares	**39,894**	24,604
Interest paid	**(1,837)**	(1,117)
Net cash generated in financing activities	**33,078**	19,576
Net increase in cash and cash equivalents	**53,297**	5,022
Cash and cash equivalents at beginning of year	**32,880**	27,858
Cash and cash equivalents at end of year	**86,177**	32,880

The notes on pages 66 to 82 form part of these Financial Statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1. General information and accounting policies

Manchester and London Investment Trust plc is a public limited company incorporated in the UK and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The Financial Statements of the Company have been prepared in accordance with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the provisions of the Companies Act 2006. The annual Financial Statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

Basis of preparation

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

The Financial Statements are presented in Sterling, which is the Company's functional currency as the UK is the primary environment in which it operates, rounded to the nearest £'000, except where otherwise indicated.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain investments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Going concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, being a period of at least 12 months from the date these financial statements were approved. In making the assessment, the Directors have considered the likely impacts of the current COVID-19 pandemic on the Company, its operations and the investment portfolio.

The Directors noted that the cash balance exceeds any short term liabilities, the Company holds a portfolio of liquid listed investments and is able to meet the obligations of the Company as they fall due. The surplus cash enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed end fund, where assets are not required to be liquidated to meet day to day redemptions. The Directors have completed stress tests assessing the impact of changes in market value and income with associated cashflows. Whilst the economic future is uncertain, and it is possible the Company could experience further reductions in income and/or market value the Directors believe that this should not be to a level which would threaten the Company's ability to continue as a going concern.

1. General information and accounting policies continued

The Directors, the Manager and other service providers have put in place contingency plans to minimise disruption. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in companies listed in the UK and other recognised international exchanges.

Accounting developments

In the current year, the Company has applied amendments to IFRS, issued by the IASB. These include annual improvements to IFRS, legislative and regulatory amendments, changes in disclosure and presentation requirements.

The adoption of the changes to accounting standards has had no material impact on the current or prior years' financial statements. The Company held no leases during the current or prior years.

There are amendments to IFRS, legislation and regulatory requirements that will apply from 1 August 2020. These will not impact the financial statements other than requiring changes in disclosure and presentation amendments.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The areas requiring the greatest level of judgement and estimation in the preparation of the Financial Statements are: valuation of derivatives; accounting for revenue and expenses in relation to CFD; and setting the level of dividends paid and proposed in satisfaction of both the Company's long-term objective and its obligations to adhere to investment trust status rules under Section 1158 of the Corporation Tax Act 2010. The policies for these are set out in the notes to the Financial Statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

There were no significant accounting estimates or critical accounting judgements in the year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

1. General information and accounting policies continued

Investments

Investments are measured initially, and at subsequent reporting dates, at fair value, and derecognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe of the relevant market. For listed investments, this is deemed to be bid market prices or closing prices for Stock Exchange Electronic Trading Service – quotes and crosses ("SETSqx").

Changes in fair value of investments are recognised in the Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Statement of Comprehensive Income as capital items.

All investments for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy in note 9.

Financial instruments

The Company may use a variety of derivative instruments, including CFD, futures, forwards and options under master agreements with the Company's derivative counterparties to enable the Company to gain long and short exposure on individual securities.

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Listed options and futures contracts are recognised at fair value through profit or loss valued by reference to the underlying market value of the corresponding security, traded prices and/or third party information.

Notional dividend income arising on long positions is recognised in the Statement of Comprehensive Income as revenue. Interest expenses on long positions are allocated to capital.

Unrealised changes to the value of securities in relation to derivatives are recognised in the Statement of Comprehensive Income as capital items.

Foreign currency

Transactions denominated in foreign currencies are converted to Sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies at the year end are translated at the Statement of Financial Position date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is capital or revenue in nature.

Cash and cash equivalents

Cash comprises cash in hand, overdrafts and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

Trade receivables, trade payables and short-term borrowings

Trade receivables, trade payables and short-term borrowings are measured at amortised cost.

1. General information and accounting policies continued

Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with a transaction will flow to the Company and the revenue can be reliably measured.

Dividends from overseas companies are shown gross of any non-recoverable withholding taxes which are disclosed separately in the Statement of Comprehensive Income.

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

All other income is accounted for on a time-apportioned basis and recognised in the Statement of Comprehensive Income.

Expenses

All expenses are accounted for on an accruals basis and are charged to revenue. All other administrative expenses are charged through the revenue column in the Statement of Comprehensive Income.

Expenses incurred in issuing or the buy back of Shares to be held in Treasury are charged to the share premium account.

Finance costs

Finance costs are accounted for on an accruals basis.

Financing charged by the Prime Brokers on open long positions are allocated to capital, with other finance costs being allocated to revenue.

Taxation

The charge for taxation is based on the net revenue for the year and any deferred tax.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with recommendations of the AIC SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

No taxation liability arises on gains from sales of fixed asset investments by the Company by virtue of its investment trust status. However, the net revenue (excluding investment income) accruing to the Company is liable to corporation tax at prevailing rates.

Dividends payable to Shareholders

Dividends to Shareholders are recognised as a liability in the period in which they are approved and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Statement of Financial Position date have not been recognised as a liability of the Company at the Statement of Financial Position date.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

1. General information and accounting policies continued

Share capital
Nominal value of total Shares issued.

Shares held in Treasury
Consideration paid for the purchase of Shares held in Treasury.

Share premium
The Share premium account represents the accumulated premium paid for Shares issued in previous periods above their nominal value less issue expenses. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity;
- premium on the issue of Shares; and
- premium on the sales of Shares held in Treasury over the market value.

Capital reserve
The following are taken to capital reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of the investments held at the year end;
- cost of share buy backs;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Retained earnings
The revenue reserve represents accumulated profits and losses and any surplus profits. The surplus accumulated profits are distributable by way of dividends.

2. Income

	2020 £'000	2019 £'000
Dividends from listed investments	392	383
Interest	255	448
	647	831

3. Management fee

	2020 £'000	2019 £'000
Base fee	**941**	704
Variable fee	**470**	352
Risk management and valuation fee	**59**	59
	1,470	1,115

The Management Fee payable to the Manager is equal to 0.5% per annum of the Company's NAV (the "Base Fee"), calculated as at the last business day of each calendar month (the "Calculation Date"), and is paid monthly in arrears. An uplift of 0.25% of the NAV will be applied to the fee, should the performance of the Company over the 36-month period to the Calculation Date be above that of the Company's benchmark. Should the performance of the Company over the 36-month period to the Calculation Date be below that of the Company's benchmark, the fee will be reduced to the lower adjusted amount of 0.25% of the NAV. The Manager is also reimbursed any expenses incurred by it on behalf of the Company. In addition, a Risk Management and Valuation fee equating to £59,000 on an annualised basis is charged by the AIFM. The Manager is also reimbursed any expenses incurred by it on behalf of the Company.

The fee is not subject to Value Added Tax ("VAT"). Transactions with the Manager during the year are disclosed in note 17.

The management fee is chargeable to revenue.

4. Other operating expenses

	2020 £'000	2019 £'000
Directors' fees	**55**	58
Auditors' remuneration	**38**	35
Registrar fees	**31**	26
Depositary fees	**68**	51
Other expenses	**363**	236
	555	406
Fees payable to the Company's Auditor for the audit of the Company Financial Statements	**38**	35
	38	35

Other operating expenses include irrecoverable VAT where appropriate.

No non-audit services were provided by Deloitte LLP in the year to 31 July 2020.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

5. Finance costs

	2020 £'000	2019 £'000
Charged to revenue	37	37
Charged to capital	1,572	1,020
	1,609	1,057

6. Taxation

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Current tax:						
Overseas tax not recoverable	59	–	59	48	–	48
	59	–	59	48	–	48

The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Profit/(loss) before tax	(1,700)	25,796	24,096	(809)	16,757	15,948
Tax at the UK corporation tax rate of 19% (2019: 19%)	(323)	4,901	4,578	(154)	3,184	3,030
Tax effect of non-taxable dividends/ unrealised profits	–	–	–	(4)	–	(4)
Income not subject to UK corporation tax	–	–	–	(69)	–	(69)
Profits on investment appreciation not taxable	–	(4,901)	(4,901)	–	(3,378)	(3,378)
Unrelieved tax losses and other deductions arising in the year	323	–	323	227	194	421
Overseas tax not recoverable	59	–	59	48	–	48
Total tax charge	59	–	59	48	–	48

At 31 July 2020, there was an unrecognised deferred tax asset of £1,603,000 (2019: £807,000). This deferred tax asset relates to surplus management expenses. It is unlikely that the Company will generate sufficient taxable profits in the foreseeable future to recover these amounts and therefore the asset has not been recognised in the year, or in prior years.

As at 31 July 2020, the Company had unrelieved capital losses of £9,329,000 (2019: £10,349,000). There is therefore, a related unrecognised deferred tax asset of £1,772,000 (2019: £1,759,000). These capital losses can only be utilised to the extent that the Company does not qualify as an investment trust in the future and, as such, the asset has not been recognised.

7. Dividends

Amounts recognised as distributions to equity holders in the year:	**2020 £'000**	2019 £'000
Final ordinary dividend for the year ended 31 July 2019 of 8.0p (2018: 8.0p) per Share	**2,609**	2,209
Interim ordinary dividend for the year ended 31 July 2020 of 7.0p (2019: 6.0) per Share	**2,370**	1,702
	4,979	3,911

The Directors are proposing a final dividend of 7.0p for the financial year 2020. These proposed dividends have been excluded as a liability in these Financial Statements in accordance with IFRS.

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered.

	2020 £'000	2019 £'000
Interim ordinary dividend for the year ended 31 July 2020 of 7.0p (2019: 6.0p) per Share	**2,370**	1,702
Proposed final ordinary dividend for the year ended 31 July 2020 of 7.0p (2019: 8.0p) per Share	**2,530**	2,349
	4,900	4,051

8. Return per Share

	2020 Net Return £'000	**2020 Weighted Average Shares**	**2020 Total (p)**	2019 Net Return £'000	2019 Weighted Average Shares	2019 Total (p)
Basic and fully diluted return:						
Net revenue return after taxation	**(1,759)**	**32,160,449**	**(5.47)**	(857)	27,061,801	(3.17)
Net capital return after taxation	**25,796**	**32,160,449**	**80.21**	16,757	27,061,801	61.92
Total	**24,037**	**32,160,449**	**74.74**	15,900	27,061,801	58.75

Basic revenue, capital and total return per Share is based on the net revenue, capital and total return for the period and on the weighted average number of Shares in issue of 32,160,449 (2019: 27,061,801).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

9. Investments at fair value through profit or loss

	2020 £'000	2019 £'000
Investments		
Listed investments	**137,333**	132,023
Unlisted investments	**–**	36
	137,333	132,059

	Listed £'000	2020 Unlisted £'000	Total £'000	2019 Total £'000
Analysis of investment portfolio movements				
Opening cost at 1 August	**78,700**	**100**	**78,800**	57,133
Opening unrealised appreciation at 1 August	**53,323**	**(64)**	**53,259**	45,071
Opening fair value at 1 August	**132,023**	**36**	**132,059**	102,204
Movements in the year				
Purchases at cost	**40,238**	**100**	**40,338**	57,456
Sales proceeds	**(65,539)**	**(95)**	**(65,634)**	(45,000)
Realised profit on sales	**15,829**	**(105)**	**15,724**	9,211
Increase/(decrease) in unrealised appreciation	**14,782**	**64**	**14,846**	8,188
Closing fair value at 31 July	**137,333**	**–**	**137,333**	132,059
Closing cost at 31 July	**69,228**	**–**	**69,228**	78,800
Closing unrealised appreciation at 31 July	**68,105**	**–**	**68,105**	53,259
Closing fair value at 31 July	**137,333**	**–**	**137,333**	132,059

9. Investments at fair value through profit or loss continued

Fair value hierarchy

Financial assets of the Company are carried in the Statement of Financial Position at fair value. The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale. The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

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 assets as follows:

- Level 1 – valued using quoted prices unadjusted in an active market.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the year end, by their category in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 31 July 2020

	Level 1 £'000	**Level 2 £'000**	**Total £'000**
Equity investments	**137,333**	**–**	**137,333**
Derivatives – assets	**–**	**29,229**	**29,229**
Total	**137,333**	**29,229**	**166,562**

Financial assets at fair value through profit or loss at 31 July 2019

	Level 1 £'000	Level 2 £'000	Total £'000
Equity investments	132,023	–	132,023
Debentures	–	36	36
Derivatives – assets	–	8,887	8,887
Total	132,023	8,923	140,946

There have been no transfers during the year between Level 1 and 2 fair value measurements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

9. Investments at fair value through profit or loss continued

Financial liabilities at 31 July 2020

	Level 2 £'000	Total £'000
Derivatives – liabilities	**24,278**	**24,278**

Financial liabilities at 31 July 2019

	Level 2 £'000	Total £'000
Derivatives – liabilities	6,512	6,512

Transaction costs

During the year, the Company incurred transaction costs of £25,000 (2019: £212,000) on the purchase and disposal of investments.

Analysis of capital gains and losses

	2020 £'000	2019 £'000
Gains on sales of investments	**15,724**	9,211
Investment holding gains	**14,846**	8,188
Realised losses on derivative instruments	**(20,424)**	(4,363)
Unrealised gains on derivative instruments	**19,973**	3,612
Realised (losses)/gains on currency balances and trade settlements	**(2,751)**	1,129
	27,368	17,777
Income cost in respect of contracts for difference	**(285)**	(82)
	27,083	17,695

10. Trade and other receivables

	2020 £'000	2019 £'000
Dividends receivable	**11**	19
Due from brokers	**4**	–
Prepayments	**3**	118
	18	137

11. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	**86,177**	32,880
	86,177	32,880

Details of what comprises cash and cash equivalents can be found in note 1.

12. Trade and other payables

	2020 £'000	2019 £'000
Due to Brokers	**2,204**	253
Accruals	**342**	217
	2,546	470

13. Derivatives

The Company may use a variety of derivative contracts, including equity swaps, futures, forwards and options under master agreements with the Company's derivative counterparties to enable it to gain long and short exposure on individual securities. Derivatives are valued by reference to the underlying market value of the corresponding security.

The net fair value of derivatives at 31 July 2020 was a positive £4,951,000 (2019: positive £2,375,000). The corresponding gross exposure on equity swaps as at 31 July 2020 was £128,951,000 (2019: £78,314,000). The total exposure of negative equity swaps was £24,448,000 (2019: £21,751,000). The net marked to market futures and options total value as at 31 July 2020 was negative £23,538,000 (2019: negative £4,491,000).

	2020 £'000	2019 £'000
Assets		
Unrealised derivative assets	**29,229**	8,887
Current liabilities		
Unrealised derivative liabilities	**24,278**	6,512

The above liabilities are secured against assets held with the Prime Brokers.

The levels of collateral as at 31 July 2020 were:

- Morgan Stanley & Co. International plc £116.9m (2019: £69.7m)
- JP Morgan Chase & Co. £111.1m (2019: £97.2m)

The assets listed above are covered by the terms and conditions described by the Prime Brokerage agreements between the Company and the respective Prime Brokers above.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

14. Share capital

Share capital	2020 Number ('000)	2020 £'000	2019 Number ('000)	2019 £'000
Shares of 25p each issued and fully paid				
Balance as at 1 August	**29,364**	**7,341**	24,472	6,118
Shares issued	**6,772**	**1,693**	4,892	1,223
Balance as at 31 July	**36,136**	**9,034**	29,364	7,341

During the year, the company issued 6,771,808 Shares of 25p each to the market (2019: 4,891,945) for a net consideration (after costs) of £39,938,000 (2019: £24,604,000), generating a Share Premium of £38,201,000 (2019: £23,381,000). This represented 23.0% of the Shares in issue as at 31 July 2019 (2019: this represented 20% of the Shares in issue as at 31 July 2018).

The Company did not buy or sell any of its Shares during the year.

15. NAV per Share

	NAV per Share		Net assets attributable	
	2020 (p)	2019 (p)	**2020 £'000**	2019 £'000
Shares: basic and fully diluted	**625.23**	568.66	**225,933**	166,981

The basic NAV per Share is based on net assets at the year end and 36,135,738 (2019: 29,363,930) Shares in issue, adjusted for any Shares held in Treasury.

16. Risks – investments, financial instruments and other risks

Investment objective and policy

The Company's investment objective and policy are detailed on pages 12 and 13.

The investing activities in pursuit of its investment objective involve certain inherent risks.

The Company's financial instruments can comprise:

- shares and debt securities held in accordance with the Company's investment objective and policy;
- derivative instruments for trading and investment purposes;
- cash, liquid resources and short-term debtors and creditors that arise from its operations; and
- current asset investments and trading.

Risks

The risks identified arising from the Company's financial instruments are market risk (which comprises market price risk and interest rate risk), liquidity risk and credit and counterparty risk. The Company may enter into derivative contracts to manage risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

These policies remained unchanged since the beginning of the accounting period.

16. Risks – Investments, financial instruments and other risks continued

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Company assesses the exposure to market risk when making each investment decision and these risks are monitored by the Manager on a regular basis and the Board at quarterly meetings with the Manager.

Details of the long equity exposures held at 31 July 2020 are shown on page 7.

If the price of these investments and equity swaps had increased by 5% at the reporting date with all other variables remaining constant, the capital return in the Statement of Comprehensive Income and the net assets attributable to equity holders of the Company would increase by £13,314,000.

A 5% decrease in share prices would have resulted in an equal and opposite effect of £13,314,000, on the basis that all other variables remain constant. This level of change is considered to be reasonable based on observation of current market conditions.

At the year end, the Company's direct equity exposure to market risk was as follows:

	Company	
	2020 £'000	2019 £'000
Equity long exposures		
Investments held in equity form	**137,333**	132,059
Long exposure held in equity swaps	**128,952**	78,314
	266,285	210,373

Interest rate risk

Interest rate risk arises from uncertainty over the interest rates charged by financial institutions. It represents the potential increased costs of financing for the Company. The Manager actively monitors interest rates and the Company's ability to meet its financing requirements throughout the year and reports to the Board.

Liquidity risk

Liquidity risk reflects the risk that the Company will have insufficient funds to meet its financial obligations as they fall due. The Directors have minimised liquidity risk by investing in a portfolio of quoted companies that are readily realisable.

The Company's uninvested funds are held almost entirely with the Prime Brokers or on interest-bearing deposits with UK banking institutions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

16. Risks – Investments, financial instruments and other risks continued

As at 31 July 2020, the financial liabilities comprised:

	Company	
	2020 £'000	2019 £'000
Unrealised derivative liabilities	**24,278**	6,512
Trade payables and accruals	**2,546**	470
	26,824	6,982

The above liabilities are stated at amortised cost or approximate fair value.

The Company manages liquidity risk through constant monitoring of the Company's gearing position to ensure the Company is able to satisfy any and all debts within the agreed credit terms.

Currency rate risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. If Sterling had strengthened by 5% against all other currencies at the reporting date, with all other variables remaining constant, the total return in the Statement of Comprehensive Income and the net assets attributable to equity holders of the Company would have decreased by £9,219,000. If the Sterling had weakened by 5% against all currencies, there would have been an equal and opposite effect. This level of change is considered to be reasonable based on observation of current market conditions.

The Company's material foreign currency exposures are laid out below.

	Sterling £'000	US Dollar £'000	Euro £'000	Chinese Renminbi £'000	Hong Kong Dollar £'000	Total £'000
Equity exposure	**5,558**	**131,775**	**–**	**–**	**–**	**137,333**
Derivative assets	**–**	**16,080**	**162**	**(127)**	**12,523**	**28,638**
Derivative liabilities	**–**	**(21,573)**	**(50)**	**–**	**(2,064)**	**(23,687)**
Cash*	**36,318**	**52,060**	**655**	**(13)**	**(2,843)**	**86,177**
Other net assets	**(335)**	**(2,193)**	**–**	**–**	**–**	**(2,528)**
	41,541	**176,149**	**767**	**(140)**	**7,616**	**225,933**

* Includes balances held in margin accounts relating to equity swaps.

The Company constantly monitors currency rate risk to ensure balances, wherever possible, are translated at rates favourable to the Company.

Credit and counterparty risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk as at 31 July 2020 was £115,424,000 (2019: £41,904,000). The calculation is based on the Company's credit risk exposure as at 31 July 2020 and this may not be representative for the whole year.

The Company's quoted investments are held on its behalf by the Prime Brokers. Bankruptcy or insolvency of the Prime Brokers may cause the Company's rights with respect to securities held by the Prime Brokers to be delayed. The Manager and the Board monitor the Company's risk and exposures.

16. Risks – Investments, financial instruments and other risks continued

Where the Manager makes an investment in a bond, corporate or otherwise, the credit worthiness of the issuer is taken into account so as to minimise the risk to the Company of default. The credit standing and other associated risks are reviewed by the Manager.

Investment transactions are carried out with a number of brokers where creditworthiness is reviewed by the Manager.

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality. The Manager reviews these on a continual basis with regular updates to the Board.

Capital management policies

The structure of the Company's capital is noted in the Statement of Changes in Equity and managed in accordance with the investment objective and policy set out in the Strategic Report.

The Company's capital management objectives are to maximise the return to Shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board, with the assistance of the Manager, monitors and reviews the capital on an ongoing basis.

The Company is subject to externally imposed capital requirements:

- as a public company, the Company is required to have a minimum Share capital of £50,000; and
- in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:
  - is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
  - is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

These requirements are unchanged since last year and the Company has complied with them at all times.

A sensitivity analysis has not been prepared for interest risk, as the Company is not materially exposed to interest rates.

17. Related party transactions

MLCM, a company controlled by Mr Mark Sheppard, is the Manager and AIFM of the Company. Mr Sheppard is also a director of MMIC, which is the controlling Shareholder of the Company.

The Manager receives a monthly management fee for these services which in the year under review amounted to a total of £1,470,000 (2019: £1,115,000) excluding VAT. The balance owing to the Manager as at 31 July 2020 was £148,000 (2019: £111,447). Also payable to the Manager during the year were expenses incurred on behalf of the Company of £Nil (2019: £8,000).

During the year, MMIC subscribed for a further 6,245,808 Shares of 25 pence each. Total consideration for the subscriptions amounted to £36,676,000. A detailed breakdown of the subscriptions can be found in the Directors' Report on pages 23 and 24.

Details relating to the Directors' emoluments are found in the Directors' Remuneration Report on page 42.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

For the year ended 31 July 2020

18. Ultimate control

The ultimate controlling Shareholder throughout the year and the previous year was MMIC, a company incorporated in the UK and registered in England and Wales. This company was controlled throughout the year and the previous year by Mr Mark Sheppard and his immediate family.

A copy of the financial statements of MMIC can be obtained from the Company's website: www.mlcapman.com/manchester-london-investment-trust-plc.

19. Post Statement of Financial Position events

There were no significant events since the end of the reporting period.

GLOSSARY

Active share

Active share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the comparative benchmark index. It is calculated by summing the absolute differences between benchmark and portfolio holdings' weights, then dividing by two (to eliminate double counting). An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index (when using leverage, maximum active share levels can exceed 100%).

Discount/premium

If the Share price is lower than the NAV per Share it is said to be trading at a discount. The size of the discount is calculated by subtracting the Share price from the NAV per Share and is usually expressed as a percentage of the NAV per Share. If the Share price is higher than the NAV per Share, this situation is called a premium.

Gearing

Gearing refers to the level of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the Shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents (including any outstanding trade or foreign exchange settlements) expressed as a percentage of Shareholders' funds.

Potential gearing is the Company's borrowings expressed as a percentage of Shareholders' funds.

Equity gearing is the Company's borrowings adjusted for cash and bonds expressed as a percentage of Shareholders' funds.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of Sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of Sterling cash balances and after certain hedging and netting positions are offset against each other.

GLOSSARY (continued)

Net asset value ("NAV")

The NAV is Shareholders' funds expressed as an amount per individual Share. Shareholders' funds are the total value of all the Company's assets, at a current market value, having deducted all liabilities and prior charges at their par value (or at their asset value). The total NAV per Share is calculated by dividing the NAV by the number of Shares in issue excluding Treasury Shares.

Prime Broker

Prime brokerage is the bundling of services by investment banks enabling the Company to borrow securities and cash in order to be able to invest on a netted basis and achieve an absolute return. The Prime Broker provides custody and a centralised securities clearing facility for the Company so the Company's collateral requirements are netted across all deals handled by the Prime Broker.

Ongoing charges ratio

As recommended by the AIC, ongoing charges are the Company's annualised expenses (excluding finance costs and certain non-recurring items) of £1,454,000 expressed as a percentage of the average monthly net assets of the Company during the year of 0.77%.

Total assets

Total assets include investments, cash, current assets and all other assets. An asset is an economic resource, being anything tangible or intangible that can be owned or controlled to produce value and to produce positive economic value. Assets represent the value of ownership that can be converted into cash. The total assets less all liabilities will be equivalent to total Shareholders' funds.

Total return

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the Share price or NAV. This is calculated by the movement in the NAV or Share price plus dividend income reinvested by the Company at the prevailing NAV or Share price.

NAV Total Return	**Page**	**31 July 2020**	31 July 2019	
Closing NAV per Share (p)	**3**	**625.23**	568.66	a
Total dividends paid in the year ended 31 July 2020 (2019) (p)		**15.00**	14.00	
Adjusted closing NAV (p)		**640.23**	582.66	
Opening NAV per Share (p)	**3**	**568.66**	532.81	b
NAV total return unadjusted (c=((a-b)/b)) (%)		**12.58**	6.73	c
NAV total return adjusted (%)*	**3/4**	**19.60**	9.80	

*Based on NAV price movements and dividends reinvested at the relevant cum dividend NAV value during the period. Where the dividend is invested and the NAV value falls this will further reduce the return or, if it rises, any increase will be greater. The source is Bloomberg who have calculated the return on an industry comparative basis.

SHAREHOLDER BENEFITS

The company previously owned two Centre Court debentures for The All England Lawn Tennis Ground Ltd ("AELTC"), which were the subject of an annual draw which Shareholders owning more than 2,500 Shares could win. As announced on 25 June 2020, after the AELTC cancelled the competition in 2020, the Manager consulted with a number of Shareholders as to whether it would be better to sell the Debentures and cease providing this Shareholder benefit. A majority of respondents agreed that the benefits were now potentially outweighed by the costs (including risk of cancellation and further waves of virus outbreaks) and therefore the Debentures were sold.

This Shareholder benefit will not be offered in future periods.

Proceeds from the sale were reinvested in the portfolio.

SHAREHOLDER INFORMATION

Frequency of NAV publication

The Company's NAV is released to the London Stock Exchange on a weekly basis and is also published in the Investment Companies sector of The Financial Times.

Sources of further information

Copies of the Company's annual and half-yearly reports, factsheets and further information on the Company can be obtained from its website: **www.mlcapman.com/manchester-london-investment-trust-plc.**

Key dates

Company's year end	31 July
Annual results announced	September
Annual General Meeting	November
Expected final dividend payment	November
Company's half-year end	31 January
Half-yearly results announced	March

Electronic communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's annual reports, half-yearly reports and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company. If you have not already elected to receive electronic communications from the Company and wish to do so, visit www.signalshares.com. To register, you will need your investor code, which can be found on your share certificate or your dividend confirmation statement.

Alternatively, you can contact Link's Customer Support Centre, which is available to answer any queries you have in relation to your shareholding:

By phone: call 0371 664 0300 (calls cost 12 pence per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Link is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

By email: shareholder.enquiries@linkgroup.co.uk

By post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

CORPORATE INFORMATION

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Brett Miller
Sir James Waterlow
Daniel Wright (Senior Independent Director)

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Country of Incorporation
Registered in England and Wales
Number: 01009550

Company website
www.mlcapman.com/manchester-london-investment-trust-plc

NOTES

Manchester and London
Investment Trust plc

Registered in England & Wales
Number: 01009550

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