Schroder UK Public Private Trust plc (formerly Woodford Patient Capital Trust plc)

Report and Accounts

For the year ended
31 December 2019

Investment objective

The investment objective of Schroder UK Public Private Trust PLC (SUPP or the Company) is to achieve long-term capital growth through investing in a diversified portfolio with a focus on UK companies, both quoted and unquoted.

Current Investment policy*

Asset allocation and risk diversification

The Company invests in a diversified portfolio with a focus on UK companies (either incorporated in the UK or traded on a UK exchange), both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.

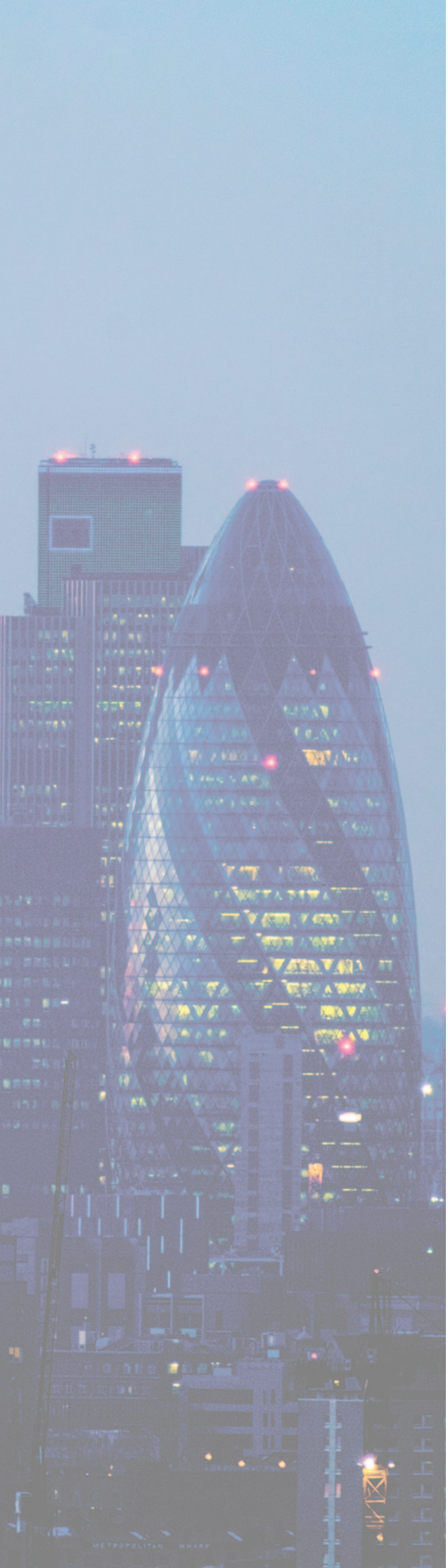
The Company invests in:

– early-stage companies, which are likely to include both quoted and unquoted companies; and

– mid- and large-capitalisation quoted, mature companies.

The actual portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, the performance of the underlying investee companies and the maturity of the portfolio. The Company's portfolio will typically consist of 40-80 holdings. The Company may become a significant shareholder in any of the underlying portfolio companies. The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and is not structured on the basis of sector weightings. The Company's portfolio is diversified across a number of sectors and, while there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

* The board is proposing to make a number of minor changes to the investment policy and restrictions to reflect the strategy that Schroders will deploy in managing the portfolio. Further details can be found on pages 70 and 71.



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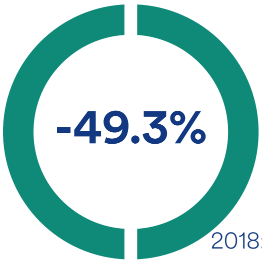
Strategic Report

Financial Highlights

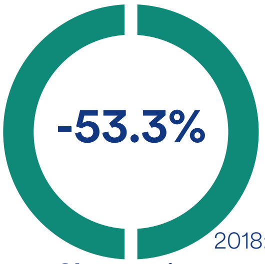
Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority, and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 77 together with supporting calculations where appropriate.

Returns for the year ended 31 December 2019



2018: +6.9%

Net Asset Value (NAV) per share



2018: -2.8%

Share price

Other financial information

	31 December 2019	31 December 2018	% Change
Shareholders' funds (£'000)	449,429	807,200	-44.3
Shares in issue	908,639,238	827,000,000	+9.9
NAV per share (pence)*	49.46	97.61	-49.3
Share price (pence)	38.35	82.10	-53.3
Share price discount to NAV per share (%)*	22.5	15.9	
Gearing (%)*	24.6	18.6	

	Year ended 31 December 2019	Year ended 31 December 2018	% Change
Net revenue loss after taxation (£'000)	(5,956)	(3,847)	-54.8
Revenue loss per share (pence)	(0.67)	(0.47)	-42.6
Ongoing Charges (%)*	0.43	0.17	

Long-Term Performance Record

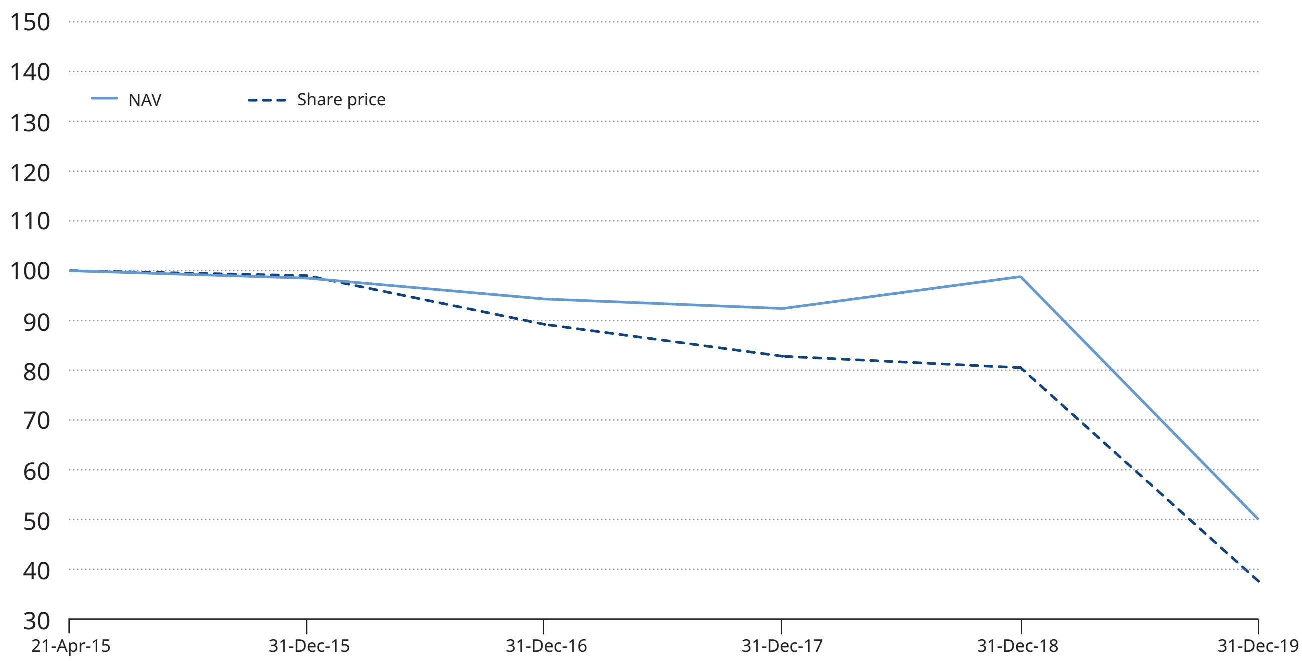
Definitions of terms and performance measures are provided on page 77

At 31 December	21 April 2015 (launch date)	2015	2016	2017	2018	2019
Shareholders' funds (£'000)	790,640	805,264	771,093	755,295	807,200	449,429
NAV per share (pence)	98.83	97.37	93.24	91.33	97.61	49.46
Share price (pence)	102.00	101.00	91.00	84.45	82.10	38.35
Share price premium/(discount) to NAV per share (%)	3.2	3.7	(2.4)	(7.5)	(15.9)	(22.5)
(Net cash)/gearing (%)	–	(1.5)	9.7	19.8	18.6	24.6

For the year ended 31 December	2015[1]	2016	2017	2018	2019
Net revenue return/(loss) after taxation (£'000)	1,538	(711)	(3,441)	(3,847)	(5,956)
Revenue return/(loss) per share (pence)	0.25	(0.09)	(0.42)	(0.47)	(0.67)
Dividend per share (pence)	0.16	–	–	–	–
Ongoing Charges (%)	0.1	0.2	0.2	0.2	0.4

[1]Represents the period from 21 April 2015 (launch date) to 31 December 2015.

NAV per share and share price total return for the period from 21 April 2015 (launch date) to 31 December 2019



Source: Morningstar/Thomson Reuters. Rebased to 100 at 21 April 2015.

Chairman's Statement

Performance

The year to 31 December 2019 was disappointing for investors. The net asset value fell 49.3% from 97.61p to 49.46p during the year and the share price fell 53.3%, from 82.10p to 38.35p. World economies are currently being severely disrupted by the COVID-19 pandemic and this may create opportunities for some of the many healthcare companies in the portfolio but will also put pressure on other aspects of their activity, such as fundraising.

The board has followed the guidance issued on 21 March 2020 by the Financial Conduct Authority (FCA) and on 23 March 2020 by the Financial Reporting Council (FRC) that public companies should delay the announcement of their results in order to give themselves more time to ensure the challenges caused by the COVID-19 virus are fully reflected in their reporting.

In light of the above, while the Company had intended to announce its audited annual results for the year ended 31 December 2019 in early April 2020, the Company has deferred the publication of its audited annual results to today.

The board has been encouraged by the appointment of Schroder Investment Management Limited (Schroders) as Portfolio Manager since December. The team at Schroders, backed by its deep resource in both private and public investments, is well placed to maximise value in the portfolio, notwithstanding the continued uncertainty of the LF (formerly Woodford) Equity Income Fund assets sale, and the wider market uncertainty of the COVID-19 pandemic. In the future, Schroders will use its dedicated teams to rebalance the portfolio towards what they believe is a more sustainable risk/reward profile.

A more detailed comment on performance and investment policy may be found in the Portfolio Manager's Review.

Gearing

The Company's borrowings have continued to be an area of focus during the year. In December 2019, coinciding with the appointment of Schroders, the board announced that the revolving credit facility with The Northern Trust Company had been extended until 15 January 2021. The current level of gearing stands at £107.0 million.

The commitment under the facility was reduced to £112.9 million, in-line with the amount drawn under the facility at that time and consistent with the Company's intention to reduce borrowings. In addition, the borrowing base, which limits borrowings to an amount based on the value of both the quoted and unquoted holdings, was removed, providing the Company with greater flexibility while it seeks to reduce gearing. The annual interest rate remains unchanged at LIBOR + 1.5 per cent.

The Company will work with Schroders to reduce the level of borrowings, although the board would like to reiterate that it is important that Schroders is provided with time to achieve this objective while protecting shareholder value.

Investment Policy

When Schroders was appointed in December 2019, the board indicated that the portfolio would continue to be managed in accordance with the Company's existing investment objective and investment policy in all material respects.

It is expected that over time, Schroders will seek to increase the overall liquidity of the portfolio and the level of diversification within it. However, in light of the composition of the existing policy Schroders is restricted from: (i) raising capital though disposals as a result of the requirement to have a minimum of 40 holdings; and (ii) making further investments into existing assets, as a result of the current restriction that no more than 80% of the Company's assets may be held in unquoted holdings, measured at the time of investment.

The board is therefore proposing to make a number of minor changes to the investment policy and restrictions to reflect the strategy that Schroders will deploy in managing the portfolio and to provide the necessary flexibility in the short term with regards to the minimum number of holdings and the mix of private and public assets. The full details of the proposed changes are set out on pages 70 and 71 of the annual report and a resolution seeking shareholder approval to these amendments will be put to shareholders at the forthcoming Annual General Meeting (AGM).

Valuation Frequency

I indicated in my Interim Statement that the board was considering moving from daily to periodic NAV reporting, bringing the Company more in line with peers. Following Schroders' appointment we have taken soundings from a numbers of investors, and on 26 March the board announced that the Company will move to a quarterly NAV reporting schedule.

This will enable the Company to undertake a review of the portfolio at the time of each NAV publication, which will be announced following each quarter end, and will provide a more representative valuation for investors. The first NAV to be published under the new reporting regime will be the 31 March 2020 NAV which is expected to be published before the end of June 2020. We will review every year whether a quarterly NAV reporting cycle remains appropriate.

The board also provided an update on the nature of information that will be released to the market under the new quarterly valuation cycle. In addition to announcements arising from developments within portfolio companies that have a material impact on the NAV, the board will make announcements relating to new private investments, realisations of any nature in private investments (including partial realisations), and material updates from private companies in the portfolio.

The board believes this quarterly NAV reporting cycle will provide shareholders with a clear framework for the release of information on the portfolio. This is in line with trusts with

Chairman's Statement

similar assets, and we would encourage all investors to sign up to receiving these updates each quarter, as they are released. This can be done on the Company's website, www.schroders.com/publicprivatetrust.

Discount management

At the last AGM, the Company was given the authority to purchase up to 14.99% of its issued share capital. We propose that share buyback authorities be renewed at the forthcoming AGM and that any shares so purchased be cancelled or held in treasury for potential reissue. Although the Company is restricted in the amount of capital it could put to use for these purposes for the immediate future, share buybacks remain an important tool and the board will look to consider buy backs once it is in a position to do so.

Board composition and Chair succession

The composition of the board has materially changed since the start of 2019. The board would like to thank Dame Louise Makin, Steven Harris, Carolan Dobson and Alan Hodson for their contributions to the Company. Stephen Cohen, Jane Tufnell and Raymond Abbott all joined the board and their elections will be proposed at the AGM.

Our new board members bring significant skills and specific investment trust experience to the deliberations of the board.

In view of these board changes, the challenges of the portfolio and the transition to Schroders, it is not thought to be beneficial to investors to make further changes at this stage and, therefore, I have agreed to continue to serve as Chairman for a time to support the transition to Schroders. In line with the board's agreed succession plans, and subject to shareholders' continued support at the forthcoming AGM, I will be retiring at the 2021 AGM.

The board has formed a Nominations Committee to be chaired by Jane Tufnell, and the Committee will lead the selection process for my successor. The board believes that it is important for appropriate new skills to be brought to the board and will continue to look to refresh one director every two to three years. All directors will continue to be subject to re-election each year at the AGM and will not serve for a period over nine years.

Outlook

I would like to reiterate our thanks to shareholders for their continued patience and understanding as we move ahead with Schroders. We believe that their appointment is a major step forwards and we remain focused on maximising value and restoring confidence in the Company and its portfolio.

Challenges remain. The continuing delays in the sale of the assets from the LF Equity Income Fund, whilst an entirely separate entity from the Company will, nevertheless, continue to cause disruption to a number of investee companies. This, together with the current general market conditions created by the outbreak of the COVID-19 pandemic, may impact the private equity market and may further affect our ability to pay down the gearing within the timeframe that the board would like.

Schroders have provided an update on the portfolio in their report which reflects the current environment. The possible impact from COVID-19 on the Company's NAV per share after the balance sheet date has been recorded as a post-balance sheet event in Note 23 to the Accounts on page 69.

AGM

The AGM will be held at 10.30 a.m. on Friday, 5 June 2020 at Schroders' offices at 1 London Wall Place, London EC2Y 5AU. In light of the rapidly evolving situation and recent government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM.

The formalities of the meeting, as required by the Companies Act 2006 and the Company's Articles of Association, will still take place. The safety and security of our shareholders, service providers, officers and guests is of paramount importance to us. While the Government's "Stay at Home Measures" are in force public gatherings of more than two people are prohibited.

Shareholders are therefore asked not to attend the AGM in person but instead to vote by proxy. We also ask shareholders to follow the current advice of the Government and Public Health England, noting the current guidance on travel and the limits on numbers at public gatherings.

All shareholders should vote by proxy. Proxy votes can be submitted electronically through the registrar's portal. Details are included with the proxy forms and on the Company's webpages.

In the event that shareholders have a question for the board, please email (amcompanysecretary@schroders.com), and we will arrange for a response to be provided to you.

Web Conference – Update from Schroders

Please join managers, Ben Wicks and Tim Creed, for a webconference in which they will introduce Schroders as Portfolio Manager and outline their thoughts on the future direction of the portfolio. The presentation will be followed by a live Q&A session.

The webconference will take place 14 May 2020 at 10:00 am. Register for the event at http://www.schroders.com/publicprivatetrust/updates.

Last year was exceptionally challenging, but I am proud of the work we have all done in the last 12 months and wish to thank all my colleagues as well as the Company's many service providers. With the appointment of Schroders, the portfolio should now have the time, the care and the stability it needs to survive and prosper.

Susan Searle
Chairman

30 April 2020

Review of 2019

Woodford Investment Management (Woodford) resigned as Portfolio Manager of the Company on 13 December 2019. Schroders were appointed the same day. Thus, the 2019 performance was in effect the responsibility of Woodford rather than Schroders. Woodford are not able to complete a Manager's Review section for this Annual Report and Schroders had no involvement prior to 13 December 2019, so the Directors are providing their own short summary of key events. Most of these are already covered in the Half-Yearly Report which was published on 30 September 2019. The most significant events for the Company are set out below.

In March 2019, the Company purchased further positions in five existing holdings in Atom Bank, Carrick Therapeutics, Cell Medica, RateSetter and Spin Memory for £73 million from the Woodford Equity Income Fund (WEIF). This was funded through the issue of 81.6 million new shares at the then prevailing NAV. This transaction had taken almost a year to negotiate and given the discount the shares were trading at, at the time the transaction was agreed, namely -13%, the net effect to shareholders was regarded by the board and by advisers as beneficial.

Woodford, as Portfolio Manager, had begun the year with high levels of optimism (gearing was 18.6%) about the likely 2019 performance for the Company's holdings including the expectation that it would be possible for some of these companies to IPO or to achieve a trade sale. This would have helped finance the ongoing funding requirements that investee companies were facing and to which the Portfolio Manager had in some cases legally committed the Company.

However, many factors came together to undo this outlook. The IPOs and trade sales did not transpire. There was ongoing deterioration in the performance and liquidity of Woodford's open-ended funds which were facing increasing redemption demands and consequent downward pressure on the value of its holdings. Several holdings in the open-ended funds were also held by the Company.

On 3 June 2019, Link Fund Solutions Limited (LFS), as AIFM, announced the suspension of dealing in the Woodford open-ended funds and later that month the board instructed the Portfolio Manager to seek to reduce gearing by the end of 2019, which the Portfolio Manager indicated was eminently achievable. This was done to reduce risk in the Company and to seek to enable funding commitments to be met. However, the absence of any mooted IPO's or trade sales rendered the Portfolio Manager unable to reduce gearing in the second half of 2019.

As set out on pages 29 and 30 the board initiated a process to identify a new Portfolio Manager in July 2019 following the crisis in Woodford and the deterioration in performance. The board also initiated direct discussions with the lender in August 2019 to renegotiate the terms of the loan agreement as a number of the covenant terms had become onerous. This was a lengthy process which was subsequently successfully taken on by Schroders as the new Portfolio Manager culminating in the signing of a new agreement on 13 December 2019.

There were significant extra costs incurred by the Company during the year. Legal costs associated with the transaction in March 2019, the Portfolio Manager search and transfer, debt renegotiation and advice to the board were much higher than usual. In addition, the board appointed FTI Consulting (FTI) to advise and help with press and public relations during a period when there was coverage of Woodford's problems in the media almost every day and a deluge of enquiries. Finally, the board engaged its broker to provide a much higher level of service than in normal circumstances in order to advise on the multiple RNS' issued, the Portfolio Manager search and to advise the board generally. All three service providers were invaluable during this very difficult period, especially in the second half of 2019, when 16 board meetings proved necessary, plus multiple meetings of the board sub-group responsible for the search for a new Portfolio Manager. FTI were invaluable in helping to correct misapprehensions that had arisen in the press and helping to reinforce the clear difference between WEIF, which had faced redemptions it was unable to meet, and the closed-ended Company, whose shares were actively traded.

Performance

This was clearly very disappointing with the NAV falling by 49.3% from 97.61p to 49.46p. The top 5 contributors to this negative return were as follows:

Benevolent AI: -7.67% – the company has made good progress via collaborations with AstraZeneca and Novartis, a new funding round took place at a lower level, albeit the funding was provided by Temasek who should prove a strong future cornerstone investor.

Industrial Heat: -7.44% – mainly as a result of technology development delays.

Autolus Therapeutics: -4.45% – as a result of a more sceptical background for listed biotech companies and then delays in constructing a technical facility.

Kuur Therapeutics (previously called Cell Medica): -3.29% – as a result of a lower valuation for new funds.

Rutherford Health (previously called Proton Partners): -3.07% – as a result of delays in the ramp-up of new centres.

Portfolio Activity

The major **sales** were as follows -

Oxford Sciences Innovation plc – £41.4m – sold, at a small premium (1.5%) to the then valuation.

Autolus Therapeutics – £32.1m – sold given its liquidity.

Ultrahaptics – £19.0m – sold profitably to a London private equity fund.

Sensyne Health – £17.9m – sold given its liquidity.

Prothena – £17.5m – sold given its liquidity.

All of the above were completed in order to raise cash to finance funding requirements and to seek to manage gearing.

The major **purchases** were as follows -

Atom Bank – £44.4m – as part of the transaction with WEIF referred to above and then a further funding commitment, alongside other shareholders, Toscafund and BBVL.

Review of 2019

Rutherford (previous called Proton Partners) – £35m – acquired as a primary issue, linked to the Woodford commitment entered into at the time of IPO.

Benevolent AI – £15m – as part of a previously committed funding.

RateSetter – £14.3m – as part of the transaction with WEIF.

Spin Memory (previously called Spin Transfer Tech) – £13.2m – as part of the transaction with WEIF.

Henceforth, Schroders, as Portfolio Manager, will naturally be reporting to shareholders in the Half-Yearly and Annual Reports on both portfolio activity and performance. They will also be producing quarterly NAV reports with a portfolio update of top ten holdings and commentary on activity and performance.

Portfolio Manager's Review

Market background

2019 was a year of significant volatility and change for the Company and its portfolio. The portfolio experienced a meaningful decline in value, leading to the renegotiation of the Company's lending facility and a change of Portfolio Manager. A review of 2019 can be found on pages 6 and 7 of the Annual Report.

Concerns over the spread of coronavirus and its potential impact on global growth have dominated financial markets recently, with public equity markets falling sharply.

COVID-19 has started to negatively impact the real economy globally and has the potential to cause more economic disruption. The main cause-effect relationship between the virus and the economy is that, due to the rapid exponential spread of the virus, governments are forced to enact decisive countermeasures to slow down transmission, so health systems are able to cope with the situation. It is these countermeasures, including travel restrictions and partial lock-downs, as well as changing consumer behaviour targeted at social distancing, which can lead to economic disruption. Any disruption is likely to be temporary. Either countermeasures are successful, or seasonal weather changes might have a positive impact, or treatments and vaccines will be available at some point in time or the virus will run its course.

For existing investments, the impact varies mainly by region and industry, the specific business model of a company and its financing situation. The portfolio has a high proportion of healthcare companies, which is a key strength at this point in time. This includes a number of companies in the Trust that are actively working on COVID-19. As well as providing an overview of the top 10 portfolio companies, we have provided an update on the impact of the situation, where relevant, in the next section.

We have taken on this portfolio because we believe it contains many attractive holdings and are confident that our experience and resources will afford us the opportunity to re-position the portfolio toward creating long-term value for shareholders.

Top 10 portfolio holdings

Atom Bank (14.4% of the portfolio)

Atom Bank is the UK's first bank built exclusively for mobile. It is redefining what a bank should be, making things easier, more transparent and better value in a world of finance. Currently the bank offers savings accounts, mortgages and business loans. During 2019 Atom has been investing into its infrastructure and technology platform. The Company was awarded a £10m Banking Competition and Remedies grant to drive competition in lending to SMEs, and also successfully completed its second mortgage securitisation of over £500m. This followed the successful £50m fundraising round completed earlier in the year with participation from BBVA, Toscafund, Perscitus LLP, alongside SUPP.

In early March, Atom invoked full contingency and moved swiftly to complete implementation of homeworking for all roles by the end of the month. Throughout, it has maintained strong customer service levels while responding to Government initiatives in support both of mortgage customers and SMEs. Strongly capitalised and highly solvent Atom plans to launch new savings products in Q2 and to continue lending to the real economy throughout 2020 and beyond.

Rutherford Health (14.4% of the portfolio)

Rutherford operates three innovative cancer treatment centres in Newport (South Wales), Northumberland and Thames Valley, with a fourth centre in Liverpool recently handed over for commissioning of equipment. The service offering is extensive and covers: imaging, chemotherapy, immunotherapy, radiotherapy and high energy proton therapy. Over 300 patients have been treated across all services including 100 patients treated with high energy proton beam therapy. In 2019, the company listed on the NEX Growth Exchange raising £20m on listing and a further £70m through the year.

Rutherford Health has partnered with the NHS to provide cancer care to patients in times in which many NHS healthcare facilities are burdened with a high number of COVID-19 patients. Cancer patients receiving chemo-, radio- or proton beam therapy are particularly vulnerable to COVID-19 infections due to their weakened immune system and Rutherford outpatient facilities focused on cancer care only ensure a safe and prioritised treatment.

Oxford Nanopore (13.3% of the portfolio)

Oxford Nanopore has developed a new generation of DNA sequencers, which uniquely scale from small portable formats to ultra-high throughput. They are unique in combining this scalability with real-time data streaming and the ability to sequence very long fragments of DNA / RNA, which provides very rich biological data. The Company now has customers in about 100 countries, using its technology for a range of scientific research including pathogen analysis, cancer research, agriculture, human genetics and environmental research. During the year Oxford Nanopore raised £109.5m in investment from new and existing investors from the US, Europe and Asia/Pacific. This brings total primary investment into the company to £481m.

Portfolio Manager's Review

Oxford Nanopore is providing support on the frontline of the coronavirus outbreak through their MinION sequencers, which allow rapid and decentralized genome sequencing, enabling an improved surveillance of the coronavirus outbreak and better understanding of the disease and its development, including potential mutations. Oxford Nanopore has partnered with global public health scientists and public health authorities in more than 30 countries, with another 40+ countries preparing to use MinION sequencers.

BenevolentAI (6.0% of the portfolio)

BenevolentAI creates and applies artificial intelligence (AI) and machine learning to transform the way medicines are discovered and developed. Benevolent integrates its technology into every step of the drug discovery process from hypothesis generation to late-stage clinical development. The Benevolent Platform® is used by scientists and technologists to find new ways to treat disease, improve the efficacy and lower the development time and costs of new treatments. During 2019, as well as advancing its internal R&D pipeline, the company announced collaborations with AstraZeneca and Novartis, and a $90m investment from Temasek, a Singapore-headquartered investment company.

Benevolent AI has been providing important insight in the global effort to combat the COVID-19 outbreak. In February 2020, Benevolent published two papers in *The Lancet* outlining how its proprietary knowledge graph, queried by a suite of AI algorithms, enabled the rapid identification of a potential therapeutic candidate for COVID-19. Its scientists re-examined the affinity and selectivity of all the drugs in its knowledge graph to identify already approved drugs with both anti-viral and anti-inflammatory properties. Its research suggests that Baricitinib, an already approved drug for rheumatoid arthritis, could be used to inhibit both viral entry into cells and the human inflammatory response strongly associated with the terminal phase of COVID-19 infection. It could also be used in combination with the directly acting antivirals currently being used in the COVID-19 outbreak. A leading example of how AI is being applied to accelerate the drug discovery process.

Immunocore (4.3% of the portfolio)

Immunocore is a pioneering T cell receptor biotechnology company, working to develop and commercialise a new generation of transformative medicines to address unmet needs. The Company's most advanced programmes are in oncology and it has a rich pipeline of programmes in infectious and autoimmune diseases. Its lead programme, Tebentafusp (IMCgp100), has entered pivotal clinical studies as a treatment for patients with metastatic uveal melanoma. During the year, two additional programmes entered the clinic and one was approved by the US FDA.

Autolus (3.7% of the portfolio)

Autolus Therapeutics is at the forefront of a revolutionary immuno-oncology treatment that is offering new hope to patients suffering from cancers. In 2019, Autolus continued to demonstrate good proof of concept data for its "chimeric antigen receptor T cell therapy" (CAR-T) platform in several of its key clinical programmes. At the American Society of Haematology (ASH) conference in December, the company provided additional compelling patient data for its clinical programme.

During 2019, Autolus did experience one setback – a five month construction-related delay to its new semi-automated UK manufacturing facility in Stevenage. This negatively impacted progress of its clinical trials. However, as of September, the facility became operational and is now delivering clinical products for patients in both Europe and the US. Autolus' proprietary ability to produce products in a semi-automated closed system is a major milestone that should offer a distinct competitive advantage relative to competitors, in terms of both efficiency and quality control.

Autolus' manufacturing facility has continued to operate uninterrupted despite the outbreak of COVID-19, which is a major achievement for the firm given how critical this supply is to key therapeutic programmes for the year ahead.

Inivata (3.2% of the portfolio)

Inivata is a leader in liquid biopsy, a transformative approach that identifies tiny amounts of cancer DNA in the blood of patients with cancer. The Company's technology is based on pioneering research from the Cancer Research UK Cambridge Institute, at the University of Cambridge and is reinforced by multiple high calibre publications. Its lead product, InVisionFirst®-Lung, is commercially available and helps clinicians to make informed treatment decisions for patients with Lung cancer. Further products in development help to manage patients with early stage cancer. The Company has a CLIA certified, CAP accredited laboratory in Research Triangle Park, NC and laboratories in Cambridge, UK.

Inivata is actively engaging with thoracic oncology experts on how they are modifying their patient care practices and adapting to the current COVID-19 crisis. Inivata has also engaged mobile blood draw services to enable patients to have blood drawn and their cancer profiled via the InVisionFirst test without needing to visit a healthcare facility.

Carrick Therapeutics (3.1% of the portfolio)

Carrick Therapeutics is a biopharmaceutical company focusing on targeting key pathways in cancer progression and adaptive resistance. During 2019 Carrick hired a new CEO to transition the company and drive the next growth phase. For their lead asset, targeting a receptor on cancer cell, Carrick Therapeutics completed a phase 1a dose escalation and safety study with positive results and started enrolling the phase 1b trial.

Carrick is actively managing the COVID-19 situation to ensure the safety of clinical trial patients, their continued access to study therapy and high data quality. The company is providing a nurse-led dispensing service with direct-to-home delivery to trial patients.

Mission Therapeutics (2.8% of the portfolio)

Mission Therapeutics has built a leading platform for the discovery and development of first-in-class, small molecule drugs that selectively target deubiquitylating enzymes (DUBs) – an emerging drug class that is attracting significant commercial interest in the area of protein homeostasis. The company focuses on treatment of kidney disease, fibrosis, rare mitochondrial diseases, and neurodegenerative. Mission Therapeutics has a major collaboration with AbbVie in the Alzheimer's Disease and Parkinson's Disease area.

It has been shown in the literature that a Mission asset could potentially enhance autophagy and reduce replication of MERS-CoV up to 28,000-fold. Mission has approached selected pharma companies to develop compounds to reduce replication of the related virus SARS-CoV-2.

Evofem Biosciences (2.8% of the portfolio)

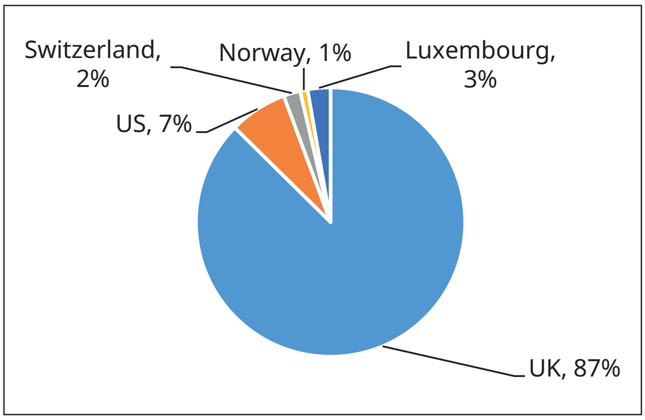
Evofem Biosciences is a clinical-stage biopharmaceutical company that is focused on non-hormonal contraceptive products and products for the prevention of sexually transmitted infections. The company's primary candidate, Phexxi, is currently undergoing review by the U.S. Food and Drugs Agency (FDA), and if approved will be directly marketed to consumers by the company during the latter half of 2020 and early 2021. Evofem Biosciences is listed on the US Nasdaq exchange.

Evofem is not directly affected by COVID-19, with its main product awaiting FDA approval at the time of writing. However, generalised social lockdowns will make commercialisation and further product trials more difficult until the situation returns to normal.

Portfolio Manager's Review

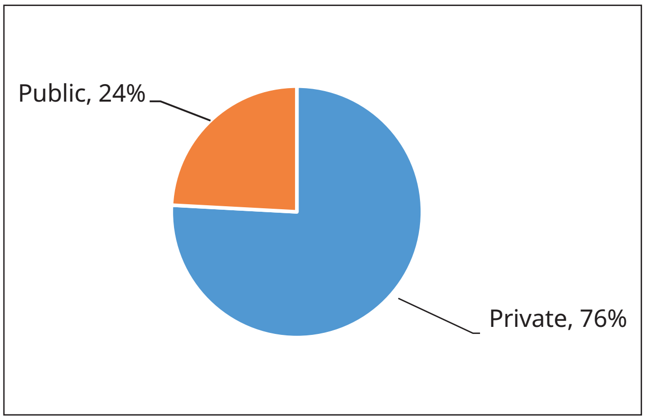
The following charts provide an overview of the Company's positioning as at 31 December 2019. One important note, looking at the chart that illustrates the portfolio's sector positioning, is that the portfolio has a high proportion of healthcare companies, as mentioned earlier. Over the long term, we expect to provide a more diversified portfolio by sector.

Portfolio By Geography



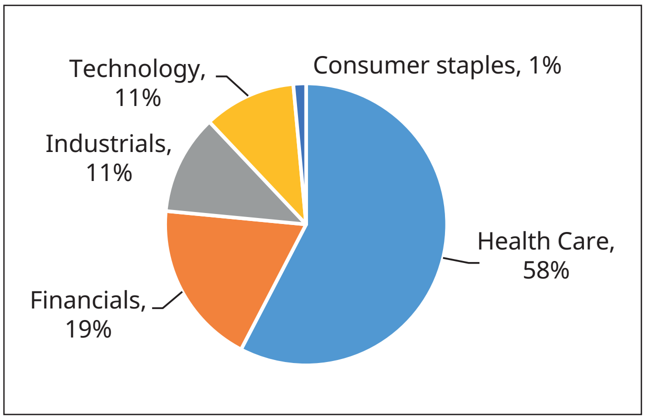
Source: LFS, as at 31 December 2019. Geographic split based on market listing for quoted companies and by country of domicile for unquoted companies.

Split between public and private companies



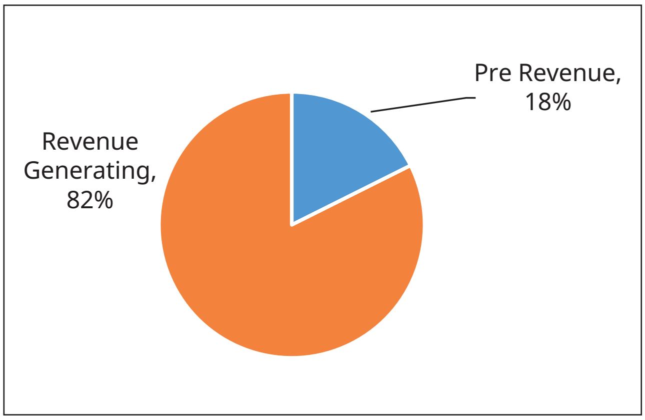
Source: LFS, as at 31 December 2019.

Portfolio By Sector



Source: LFS, as at 31 December 2019.

Revenue-generating vs pre-revenue



Source: LFS, as at 31 December 2019.

Portfolio Manager's Review

History

On 24 October 2019 the board announced Schroders' appointment as Portfolio Manager for the Company, which subsequently came into effect on 13 December 2019. We are proud to have the opportunity to use our extensive investment experience and resources to realign the portfolio and seek to deliver growth for the long-term benefit of the shareholders.

We believe that we are well-positioned to execute on the expectations outlined by the Board and have deployed significant resources in our initial due diligence and current monitoring of the portfolio companies. Already by the time of our appointment on December 13th, we had accomplished the work needed to gain a strong understanding of the portfolio, positioning us for a running start to manage the portfolio going forward.

Schroders' expertise

As we take the helm of the portfolio, we believe it is important for shareholders to understand why we believe we are suitable to manage the portfolio and how we intend to drive the Company's long-term value creation.

Schroders is a well-established UK based investment manager. The firm's £500.2 billion under management (as at 31 December 2019) and over 200 years serving our clients from our now 32 offices around the world has positioned us among the leaders in institutional investment management globally. In 2017, Schroders acquired Adveq Management (now known as Schroder Adveq), a global private equity firm with more than 115 professionals with a significant focus on investing in emerging companies and financing their technology development and commercial growth. Managing the Company's portfolio is, thus, an ideal match with the heritage, experience and ongoing commitment of Schroders and in particular Schroder Adveq.

Sustainable investment

As a firm we have long recognised both the importance of examining the impacts of social and environmental trends on the companies we invest in, and the role investors can play in helping to address those challenges. The investment team of the Company will proactively incorporate significant aspects of the UN SDGs (United Nations Sustainable Development Goals) into our investment strategy, as described later in the report.

Outlook

We will be focusing on two key objectives in 2020: ensuring that the key value-creating portfolio companies receive the appropriate level of financial and strategic support to maximize the Company's investment return and to seek proactively to pay down the debt obligations. We recognize that at times these two objectives may be conflicting, however the long-term success of the Company will serve as the guiding principle by which individual key decisions will be made.

Beyond these two objectives and over the next few years, we will seek to re-balance the exposure between private and public companies in a manner commensurate with the risks posed. In the private portion of the portfolio we will continue to focus on high growth, developing and innovative companies. This will likely entail reducing the average investment exposure per company and the maximum allowable investment cost to any one company to a level that will ensure the Company's ability to provide financial support to all of its portfolio companies. For the publicly-traded portion of the portfolio, we will sustain the focus on innovative growth companies but will seek to increase the exposure over time towards companies with good trading liquidity and proven business models.

Schroder Investment Management Limited

30 April 2020

Investment Portfolio as at 31 December 2019

Holding	Quoted/unquoted	Industry Sector	Fair value £'000	%
Atom Bank	Unquoted	Financials	80,866	14.4
Rutherford Health	Quoted	Health Care	80,811	14.4
Oxford Nanopore	Unquoted	Health Care	74,847	13.3
Benevolent AI	Unquoted	Technology	33,507	6.0
Immunocore	Unquoted	Health Care	24,032	4.3
Autolus Therapeutics	Quoted	Health Care	20,876	3.7
Inivata	Unquoted	Health Care	18,006	3.2
Carrick Therapeutics	Unquoted	Health Care	17,578	3.1
Mission Therapeutics	Unquoted	Health Care	15,648	2.8
Evofem Biosciences	Quoted	Health Care	15,563	2.8
Industrial Heat	Unquoted	Industrials	14,403	2.6
Kymab	Unquoted	Health Care	14,186	2.5
Ombu	Unquoted	Industrials	14,048	2.5
Seedrs	Unquoted	Financials	12,525	2.2
Mafic	Unquoted	Industrials	11,753	2.1
Reaction Engines	Unquoted	Industrials	11,547	2.1
Spin Memory	Unquoted	Technology	11,265	2.0
Federated Wireless	Unquoted	Technology	9,116	1.6
Kind Consumer	Unquoted	Consumer Staples	8,755	1.6
Genomics	Unquoted	Health Care	8,410	1.5
AMO Pharma	Unquoted	Health Care	7,953	1.4
ReNeuron Group	Quoted	Health Care	7,653	1.4
Lignia Wood	Unquoted	Industrials	7,608	1.4
RateSetter	Unquoted	Financials	6,709	1.2
Cequr	Unquoted	Health Care	5,549	1.0
IDEX Biometrics	Quoted	Technology	5,390	1.0
Kuur Therapeutics (previously Cell Medica)	Unquoted	Health Care	4,200	0.7
Psioxus	Unquoted	Health Care	2,671	0.5
Mereo BioPharma Group	Quoted	Health Care	2,668	0.5
American Financial Exchange	Unquoted	Financials	2,493	0.4
Econic	Unquoted	Industrials	2,100	0.4
Scifluor	Unquoted	Health Care	1,423	0.2
Bodle Technologies	Unquoted	Technology	1,184	0.2
Origin	Unquoted	Health Care	1,127	0.2
Nexeon	Unquoted	Industrials	1,022	0.2
Metaboards	Unquoted	Technology	1,000	0.2

Investment Portfolio as at 31 December 2019

Holding	Quoted/unquoted	Industry Sector	Fair value £'000	%
Novabiotics	Unquoted	Health Care	847	0.1
NetScientific	Quoted	Health Care	723	0.1
Yoyo Wallet	Unquoted	Technology	394	0.1
Xeros Technology	Quoted	Industrials	356	0.1
Tissue Regenix Group	Quoted	Health Care	243	–
RM2 International	Quoted	Industrials	56	–
Midatech Pharma	Quoted	Health Care	4	–
Drayson	Unquoted	Technology	–	–
Halosource	Unquoted	Industrials	–	–
Metalysis	Unquoted	Industrials	–	–
Oxsybio	Unquoted	Health Care	–	–
Precision Biopsy	Unquoted	Health Care	–	–
Sphere Medical	Unquoted	Health Care	–	–
Wath Investments	Unquoted	Industrials	–	–
Total investments[1]			**561,115**	**100.0**

[1]**Total investments comprise:**

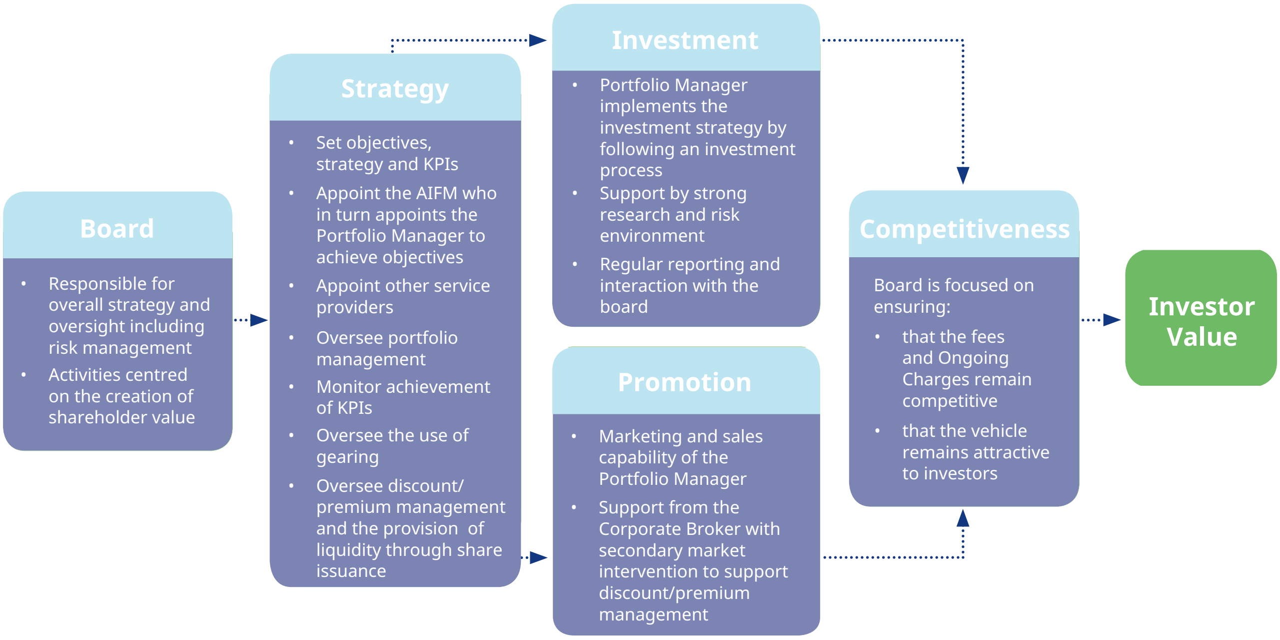
	£'000	%
Quoted on AIM	11,647	2.1
Listed on a recognised stock exchange overseas	41,829	7.4
Quoted on the NEX	80,811	14.4
Unquoted	426,828	76.1
Total	**561,115**	**100.0**

Additional details of unquoteds included in the top ten holdings

Holding	Proportion of capital, owned, or potentially owned %	Cost of the investment £'000	Fair value £'000	Turnover for the latest financial year £'000	Pre-tax profit for the latest financial year £'000	Net assets attributable £'000
Atom Bank	17%	75,165	80,866	37,966	(80,239)	212,704
Rutherford Health	26%	69,500	80,811	1,465	(21,518)	118,410
Oxford Nanopore	4%	57,749	74,847	32,521	(62,025)	142,893
Benevolent AI	6%	84,882	33,507	6,626	(33,022)	80,112
Immunocore	4%	35,289	24,032	23,654	(88,178)	56,582
Invivata	22%	21,428	18,006	128	(19,128)	16,523
Carrick Therapeutics	20%	16,997	17,578	0	(13,892)	(30,177)
Mission Therapeutics	14%	12,500	15,648	0	(19,333)	(65,963)

Strategic Review

The Strategic Review sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The board has appointed the AIFM. The board and the AIFM have agreed to appoint Schroders as Portfolio Manager, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. Their terms of the appointment are described more completely in the Directors' Report. The Portfolio Manager also promotes the Company using its sales and marketing teams. The board, the AIFM and Portfolio Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail below.

Investment

Investment philosophy and approach

The Portfolio Manager aims to identify private equity investments which demonstrate an optimal combination of fast growing, high quality companies with strong management teams and co-investors, and public companies with innovative business models, a focus on organic growth and high quality management. They aim to achieve this by leveraging Schroders' comprehensive equity research capabilities, private equity sourcing network, proven due diligence processes and experienced investment professionals.

The Portfolio Manager believes that the Company's hybrid public private investment approach is well placed to identify and invest in such companies irrespective of their ownership structure. In addition to their expertise in identifying leading businesses for the decades ahead, Schroders will seek to benefit from their access to the best opportunities, public and private, through the reputation and the relationships they have fostered over many years.

Schroders employs a collaborative, team-based approach, combining skill, experience and research resources across both public listed equity and private equity.

Private investments are managed by Schroders' specialist private equity team, Schroder Adveq. Schroder Adveq has over 20 years' experience successfully investing in companies, both directly via direct co-investment and through funds. They manage over £8 billion of assets under management across several specialist strategies. The private portion of the Company's portfolio is managed by Tim Creed, Schroder Adveq's Head of European Private Equity. Tim is a member of the firms Global Investment Committee and he is supported by a sizable team of private equity investment professionals that are committing a substantial amount of their time to the portfolio.

On the public equity side, Schroders is a UK market leader and will leverage stock selection expertise from across their public equities teams. Ben Wicks is responsible for the Company's public equity investments and draws on the wide experience of Schroders' public equity analysts and fund managers globally.

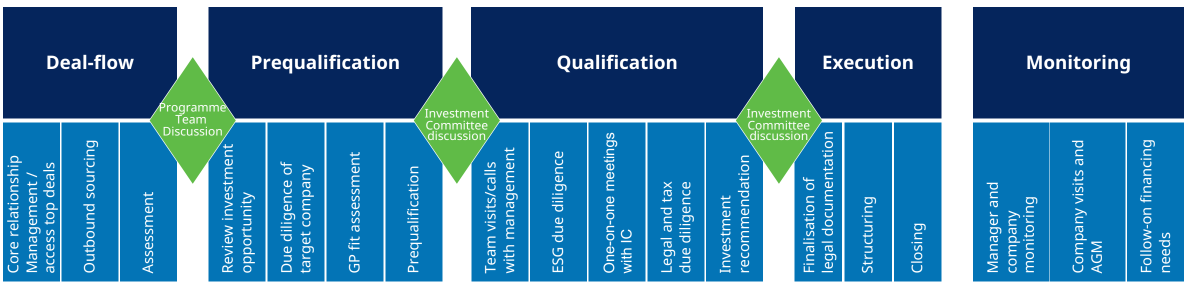
Investment process

Schroders' investment process combines the best of breed skills and experience that the firm has across both private and public equity. The Portfolio Manager believes that it is prudent to separate the investment process between private and public investments to reflect the clear differences in executing individual investments in the private versus public markets. However, portfolio construction and risk management are a joint effort between the private and public investment teams along with risk management to ensure a cohesive and robust portfolio.

Identifying attractive private equity investments through proactive deal sourcing is key to successful private equity investing. Therefore, the investment team spends considerable time on this activity by mining the firm's network of investment professionals and industry experts. Sourcing efforts are further enhanced by technology, including advanced proprietary tools, internal databases and third-party information services.

Each potential investment is logged in Schroder Adveq's IT system and systematically assessed with the findings presented in a standardized and structured form. The team can then decide collectively whether an investment opportunity is compelling enough to enter the pre-qualification stage and submitted to the Investment Committee for consideration. The Investment Committee consists of the portfolio managers (Tim Creed and Ben Wicks) and Lee Gardella (Schroder Adveq's Head of Investment Risk and Monitoring).

Investment opportunities that enter the pre-qualification stage are assessed and vetted through a rigorous due diligence process. The diligence process includes an assessment of the company's positioning, technology differentiation, market opportunity, competitive landscape, management execution and depth, strength of the existing financing syndicate and prospective financing needs. This culminates with either an investment recommendation to the Investment Committee or a decline by the team. Investment projects brought to the Investment Committee for approval need unanimous approval by the Investment Committee to proceed to the legal and formal investment closing process. The complete private equity investment process is outlined in the diagram below.



Schroders selects public stocks for the Company based principally on ideas generated by their broad in-house research capability, but also by making selective use of their extensive network of contacts, and of sell-side research. The team looks for organic growth opportunities, with sustainable returns and high management quality, at a valuation that is supportive in the context of the liquidity and risk profile of a company. The portfolio managers at all times take a fundamental approach, seeking businesses that are they believe are set to deliver good returns for the long-term.

Furthermore, the portfolio managers have a keen focus on risk management, which forms an integral part of the investment process. The managers have a particular focus on the financing needs of the privately held companies, the liquidity profile of the publicly listed holdings, as well as stock and sector concentrations. The size of each holding will be determined on the basis of the portfolio managers' investment conviction alongside an assessment of the risks associated with it. Meanwhile, portfolio construction is supported by a robust system of risk controls, while proprietary risk tools help the portfolio manager and the board to understand the factors contributing to risk as well as to avoid unintended risk.

In order to add an extra layer of rigour to the investment process, the portfolio managers are held to account by an Oversight committee, which meets at least quarterly or on demand. This committee comprises the senior risk and investment professionals at Schroders on both the public and private equity sides of the business and exists to ensure accountability from the portfolio team with regard to risk control and the strategic direction of the portfolio at all times. The portfolio team is expected to provide the committee with explanations for current risk exposures, describe any future intended state and the pathway to transition, outline current and future liquidity status, as well as discuss portfolio holding rationales.

ESG

Schroders has long recognised both the importance of examining the impacts of social and environmental trends on the companies they invest in, and the role investors can play in helping to address those challenges. That philosophy is reflected in their management of the Company and plans to develop the portfolio.

Companies do not operate in a vacuum; their long term success is directly tied to their ability to adapt to social and environmental trends shaping their industries. For instance, companies' abilities to attract and retain talent, to build strong customer relationships or to adapt to changing regulations are vital to their competitiveness. All are complicated by workers' growing expectations that their employers' values match their own, the growing importance consumers attached to environmental features or product sustainability and the growing pressures governments face to reign back corporate excesses. The challenges vary from company to company and industry to industry, as do the features Schroders look for in companies, but the principles and the importance they attach to them are consistent. As the Portfolio Manager develops the portfolio in the future,

Strategic Review

those questions will be foremost in their mind as they seek out future leaders.

The same structural trends are also reshaping industries, driving growth in some markets and shrinking others, as capital moves to industries and technologies that will help solve social and environmental challenges.

The United Nations launched its Sustainable Development Goals (SDGs) in 2015, defining the biggest challenges facing global societies (see https://sustainabledevelopment.un.org for more). They comprise 17 discrete goals, each targeting distinct threats and underpinned by a comprehensive range of metrics to help policy makers quantify progress. They have galvanised the focus of policy makers, companies and many investors. The UN estimates that meeting the SDGs will require huge reallocation of capital; achieving the SDGs could open up $12 trillion of market opportunities (see https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/UN-SG-Roadmap-Financing-the-SDGs-July-2019.pdf for more).

While not all of the investments in the portfolio have SDGs embedded in their business models, many have. The focus on early stage innovative businesses, addressing some of the biggest challenges facing global societies, leaves a significant proportion of the portfolio aligned to those goals.

It is important to highlight that the portfolio managers have taken a conservative approach towards linking investments with SDG goals. A direct link is acknowledged only when companies' business models specifically target the challenges presented in one of the 169 sub-goals.

Furthermore, Schroders believes in taking a more proactive approach towards SDGs' adoption. The 17 objectives should foster self-reflection within portfolio companies and expedite the adoption of internal policies to ensure contribution to multiple goals. The portfolio managers believe that such an approach embodies the spirit of the SDGs, and goes beyond a pure asset allocation consideration, towards a real value added contribution. Therefore, Schroders likes to introduce companies to SDGs and help them throughout this process.

For reference, the respective detailed assessments for Rutherford and Atom Bank are presented below, as case studies of SDGs' attribution.

Business description:

Rutherford operates three cancer treatment centres in Newport (South Wales), Northumberland and Thames Valley, with a fourth centre in Liverpool recently handed over for commissioning of equipment.

All centres offer proton bean therapy, an advanced form of radiotherapy, with radiation treatment delivered by accelerated proton beams rather than x-rays. A proton beam only delivers very little radiation beyond the edge of the tumor being treated, minimizing side effects.

Strategic Review

SDG endorsement:
Rutherford is the first national provider of proton beam therapy, giving patients access to the most advanced form of cancer care within the UK.

Proton beam therapy is especially beneficial for children, the elderly and patients with a weak immune system as is the most tolerable form of cancer care and reduces the severity of mid- and long-term side-effects.

Therapies offered by Rutherford contribute to improving healthcare and reducing mortality from cancer, one of the most deadly diseases; by offering the most innovative therapies, Rutherford pioneers the improvement of the standard of care in the field.

Business description:
Atom Bank is the UK's first bank built exclusively for mobile. It is redefining what a bank should be, making things easier, transparent and better value in a world of finance.

Currently the bank offers savings accounts, mortgages and business loans, all delivered through an easy to use app. Atom Bank is fully regulated by FCA.

SDG endorsement:
Atom Bank's products will contribute to create a more efficient and transparent financial system. Increased transparency has a strong positive effect on people's trust. Atom Bank has a score of 4.7 out 5.0 on Trustpilot.

Access to loans and mortgages has positive repercussions on economic activity and growth. Atom Bank solutions will help in the transition to a world with universal access to banking, insurance and financial services.

Current Investment Restrictions*

The Company is subject to the following investment restrictions:

– investment in unquoted companies will be limited to 80 per cent of gross assets at the time of investment;

– the Company's portfolio shall be invested in a minimum of 40 holdings;

– the Company shall not invest more than 10 per cent of its NAV at the time of initial investment in an investee company save that the Portfolio Manager may make further investments into an investee company subject to an aggregate investment limit in any investee company of 20 per cent of NAV at the time of investment;

– the Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure, but such investment will be unleveraged and (other than in relation to investment in money market funds for the purposes of cash management) limited, in aggregate, to 10 per cent of NAV at the time of investment; and

– with respect to cash deposits, the Company shall not have exposure of more than 10 per cent of NAV, at the time of investment, to any one issuer.

*The board is proposing to make a number of minor changes to the investment policy and restrictions to reflect the strategy that Schroders will deploy in managing the portfolio. Further details can be found on pages 70 and 71.

Borrowing

The Company employs gearing of up to 20 per cent of NAV, calculated at the time of borrowing, for the purpose of capital flexibility, including for investment purposes.

The board oversees the level of gearing in the Company, and will review the position with the Portfolio Manager on a regular basis.

Hedging

The Portfolio Manager's policy is to leave currency exposures unhedged unless the investment view points to sterling appreciation in the medium to long term. If such a view is held, the Portfolio Manager may introduce hedges against specific currencies to protect the sterling value of the portfolio's overseas holdings. The board will oversee the use of hedging in the Company and will review the position with the Portfolio Manager on a regular basis.

Cash management

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

Promotion

The Company promotes its shares to a broad range of investors including discretionary wealth managers, private investors, financial advisers and institutions which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Portfolio Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Portfolio Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The board also seeks active engagement with investors, and meetings with the Chairman are offered to investors when appropriate.

Details of the board's approach to discount/premium management and share issuance may be found in the Chairman's Statement on page 5 and in the Explanation of Special Business of the AGM on pages 70 and 71.

Key performance indicator

The board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's Statement.

The board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, directors' fees and general expenses, is reviewed every quarter. Management and performance fees are reviewed at least annually.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value.

The Company's culture is driven by its values: Transparency, Engagement and Oversight, which are all centred on achieving returns for shareholders in line with the Company's investment objective. The board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the board and third parties to which it delegates. The board is responsible for embedding the Company's culture in its day to day operations and it has a number of policies and practices in place to facilitate this.

The board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers and other stakeholders to safeguard the Company's interests. As part of this ongoing monitoring, the board receives reports from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy use reporting.

Corporate and Social Responsibility

Diversity

The board consists of five non-executive directors, two of whom are female. The board 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. 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 non-executive directors should include diverse candidates of appropriate merit.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it has no significant greenhouse gas emissions and energy usage to report.

Relations with shareholders

Shareholder relations are given high priority by both the board and the Portfolio Manager. The company communicates with shareholders through its webpages, announcements, press releases and the annual and half year reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

In addition to the engagement and meetings held during the year described on page 33, the chairs of the board and committees, as well as the senior independent director (SID) and the other directors, attend the AGM and are available to respond to queries and concerns from shareholders.

Responsible investment

The Company delegates to its Portfolio Manager the responsibility for taking Environmental, Social and Governance (ESG) issues into account when assessing the selection, retention and realisation of investments. The board expects the Portfolio Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The board expects the Portfolio Manager to exercise the Company's voting rights in consideration of these issues.

In addition to the description of the Portfolio Manager's integration of ESG into the investment process and the details in the Portfolio Manager's Review, a description of the Portfolio Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri.

The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The board receives reports from the Portfolio Manager on the application of its policy.

The board's commitment to stakeholders – section 172 Companies Act 2006 statement

The board has identified its key stakeholders as the Company's shareholders, service providers and investee companies. The board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the board in meeting the obligation for directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision making where appropriate, and cross-refers to the decisions made by the board during the year, detailed elsewhere in this report.

As detailed in "Promotion" and "Relations with Shareholders on pages 18 and 19, the Company engages with its shareholders, and encourages their attendance at the AGM. The board took account of feedback on the Portfolio Manager, the extent of the debt deployed and the board composition. The board also listened to comments around the make up of the portfolio, risks and concentration and discussed them with the Portfolio Manager. As a result, the board took the actions described in particular in the Chairman's Statement, Review of 2019 and Directors' Report sections of the report.

As detailed in "Responsible Investment" on page 19, the Company endorses the Portfolio Manager's responsible investment policy and has received reporting from the Portfolio Manager about its application since the Portfolio Manager's appointment.

As detailed in "Purpose, Values and Culture" on page 19, the board engages with service providers, and receives regular reporting , either directly, or through the Portfolio Manager or Company Secretary, on performance and other matters. The effect of such engagement, is detailed in the Chairman's Statement, Portfolio Managers' Review and Management Engagement Committee Report.

Principal risks and uncertainties

The board has carried out a robust assessment of its principal and emerging risks during the period under review, including those that would threaten its business model, future performance, solvency, liquidity or reputation. This review has been done after reviewing the risks identified in the disclosures in the 2019 Interim Report as well as taking into account recent developments, especially those related to the appointment of the new Portfolio Manager and the impact of the COVID-19. The process involves the maintenance of a risk register, which identifies the risks facing the Company and assesses each risk on a scale, classifying the likelihood of the risk and the potential impact of each risk to the Company. This helps the Audit, Risk and Valuation Committee and the board focus on any identified risk of particular concern and aids the development of the board's risk appetite. In developing the risk management process, the board took into consideration the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council (FRC).

The board has established controls to mitigate the risks faced by the Company, which are reviewed on a regular basis to ascertain the effectiveness of each control.

The Company's operations are undertaken by third-party service providers who have established controls to mitigate against risks identified by the board. The controls and operations of each service provider, other than the Company Secretary and Portfolio Manager, are subject to a detailed analysis of their operations, which includes testing their key systems to identify any weaknesses, by independent auditors on at least an annual basis. The findings of each review are detailed in Assurance Reports, copies of which are provided to the Audit, Risk and Valuation Committee for its review, so that it can gain a greater understanding of the risk management processes and how they apply to the Company's business. For this Company the Portfolio Manager operates a partially outsourced operational business model and the relevant assurance reports are the audited annual report of the Portfolio Manager where the auditor will have reviewed financial controls as well as the Portfolio Manager's own Internal Controls and Compliance reports, together with evidence of the relevant Business Continuity Plans and Disaster Recovery Plans.

The principal and emerging risks and uncertainties faced by the Company are set out below. The risks arising from the Company's financial instruments are set out in note 20 on pages 63 to 68.

The board has determined that the key risks for the Company are COVID-19 risk, gearing risk, performance risk, general valuation risk, portfolio specific valuation risk; investee company specific risk; portfolio concentration risk; Portfolio Manager and key man risk; outsourced service provider model risk; currency risk and cyber risk. The new Portfolio Manager was appointed in December 2019 and the debt facility was renegotiated which the board believes have both served to mitigate the risks set out in the Interim Report. These risks below are therefore forward looking from the establishment of these new agreements.

Risk	Mitigation
1. COVID-19 The COVID-19 pandemic will clearly have a very general widespread economic impact. This may well possibly be quite extreme in the shorter term depending on the scale of the response by governments. The longer-term impacts could also be significant, although these are unclear at the time of writing. The consequences for the Company may well be lower valuation levels and greater difficulty in realising disposals and/or lower prices realised on disposal. Individual investee companies may be impacted by cash flow and funding difficulties and/or lower prices when so doing. This in turn could impact valuations. Their day-to-day business could also be impacted by travel restrictions and staffing issues. Besides the general economic impact, problems arising from the COVID-19 pandemic could result in specific supply-chain problems for individual investee companies and for pharmaceutical companies, in particular delays for clinical trials as a result of difficulties in recruiting patients. A few companies in the portfolio may prove to be beneficiaries as they are involved in diagnostics and advanced therapies. Risks 2-6 listed below are all likely exacerbated by the COVID-19 pandemic. The staff of the Company's service providers and of the investee companies may be unduly impacted by the disease resulting in difficulties for them in delivering their functions or in developing their businesses.	The board receives regular updates from the Portfolio Manager regarding the impact of the disease in terms of both portfolio management activities, the impact on investee companies and their responses to the pandemic. The board receives assurances that service providers have implemented Business Continuity Plans.

Strategic Review

Risk	Mitigation
2. Gearing risk The Company has the ability to employ gearing up to a maximum of 20 per cent of NAV, calculated at the time of borrowing. The Company has utilised its gearing facility in order to invest further behind specific portfolio companies which means there is less flexibility to make new investments and provide follow-on funding to the portfolio companies. A higher level of gearing may have a significant downside effect on the Company's NAV during a period of poor performance or decline in the market and may impact the Company's debt covenants. Other market participants may infer the Company may need to sell certain listed equity positions and choose to sell or short these securities. Or investors in investee companies held by the Company may infer the Company has difficulty making further funding decisions and may only offer funding at valuations less attractive to the investee companies or seek to attach terms to such funding which is unattractive to the Company. In as much as the Portfolio Manager needs to make disposals in order to reduce gearing over a relatively short time horizon, the prices achieved may be below the prices which the positions are carried in the portfolio, on a fair value basis, per International Private Equity and Venture Capital (IPEV) guidelines. There may be difficulties when companies have funding requirements and the Company wishes to participate, given the terms of the debt facility and a need to seek approval from the lender to provide funding. In late 2019, the board and the Portfolio Manager entered into a revised loan agreement with the debt provider. This rolled over the previous cost of the debt funding but laid down a schedule of repayments arising from disposals during 2020. This constrains the Portfolio Manager from making new investments and failure to meet this schedule could mean that the agreement could be terminated or need to be renegotiated, possibly at less favourable terms or that alternative capital providers would need to be sought, which might also be at less favourable terms. The intention is to seek to have repaid this debt facility by January 2021. A significant downturn in the values of equity market assets, which also impacts the valuations of unquoted assets, could mean it is significantly more difficult to realise disposals or that the prices that can be realised are materially below the current carrying values. Thus, this may also trigger a need to renegotiate the debt facility or simply affect valuation levels. Such an event could be triggered by an economic correction, for instance as a result of COVID-19, although as a result of the length of the current economic cycle and of the current equity market a wide variety of possible triggers may also cause such a correction.	The board receives regular reports from the Administrator on the outstanding amount of the debt and regular reports from the Portfolio Manager on the programme of disposals. Gearing is reviewed by the board at each board meeting and more often, as necessary. The Portfolio Manager provides weekly updates to the debt provider. The board monitors the progress of the reduction in gearing and seeks to confirm with the Portfolio Manager that this process is nevertheless preserving shareholder value. The Portfolio Manager also provides a thorough analysis of any anticipated funding decisions and possible liquidity events of the portfolio companies. This allows the board to assess the Company's ability to meet its commitments and maintain its financing facility. Any time the loan facility terms are being reconsidered, the board works very closely with the Portfolio Manager to optimise any agreement. The board discusses with the Portfolio Manager the principles behind balancing a more rapid disposal programme at perhaps less favourable prices with one of greater patience which might mean better disposal prices albeit with the risk of needing to renegotiate the debt agreement.

Risk	Mitigation
3. Performance risk There is always, for any investment portfolio, the generic risk of poor performance arising as a result of poor decisions made by the Portfolio Manager. In addition, given the long-term nature of this investment strategy (up to 10 years) and the absence of a clear benchmark, it is not necessarily easy to make an evaluation of the Portfolio Manager based simply on returns over shorter periods.	This risk is mitigated by the board monitoring the performance of the portfolio and the decisions made by the Portfolio Manager through detailed reporting on the decisions. The board seeks to evaluate the general quality and nature of portfolio decisions as well as the performance. Where the board determines that the Portfolio Manager is not performing to a satisfactory standard, the board, together with the AIFM for the portfolio, LFS may decide to terminate the appointment of the Portfolio Manager under the terms of its contract.
4. General valuation risk The valuation of unquoted early stage companies is inherently subjective. Valuation at a fixed point in time may not be representative of the medium or longer term. Particular events at a company or particular funding rounds may have a significant impact. Information may not be as widely available as with public companies. Companies may not yet have meaningful revenues or profits. Considerable uncertainty may exist around the eventual feasibility and value of a particular technology or its commercialisation.	The Company employs LFS, the AIFM, who has been delegated responsibility for the valuation of the assets in the portfolio. LFS, in turn, uses extensive research and input from its own valuation specialist provider, IHSMarkit. They conduct a regular rolling review of the valuation of all portfolio assets and also review their valuations in the event of any significant triggers at individual investee companies. They follow the widely respected and widely followed IPEV guidelines in executing these valuations; these processes are explained on pages 54 to 55 of this Report.
5. Portfolio specific valuation risk Where other portfolio managers seek to make disposals of securities held in portfolios they manage and these securities are also held by the Company, the valuation of these securities may thereby be affected. Equally, simply market anticipation of these disposals may also impact valuations. As the new Manager of the LF Equity Income Fund (Fund), formerly the LF Woodford Equity Income Fund, which used to be managed by the Company's previous Portfolio Manager, seeks to make disposals of unquoted positions in the Fund, in order to return capital to investors, these disposals may also, indirectly, when the Company's independent valuation agent, LFS, references prices of recent transactions, lead to downward revaluation of some of the Company's holdings, unless under IPEV guidelines the sales were categorised as not being "orderly" in the judgment of the independent valuation agent. International Financial Reporting Standards (IFRS) guidelines and their interpretation may mean that sales regarded as not being "orderly" under IPEV guidelines may nevertheless be so regarded under IFRS. And, in as much as the wider market and other investors in the Company's investee companies are also aware of the disposal process of the Fund they may seek more demanding terms on any future funding rounds which may also in turn impact valuations.	The board receives updates from the Portfolio Manager regarding disposal, investment and funding plans. In as much as the Portfolio Manager is aware of the holdings the Fund is seeking to sell (because these were publicly disclosed), the Portfolio Manager can adjust the divestment plan accordingly. In addition, where necessary and possible, the Portfolio Manager can seek to postpone or avoid further funding. The Portfolio Manager regularly categorises the Company's positions in terms of relative future importance, which helps the board assess divestment and funding decisions.

Strategic Review

Risk	Mitigation
6. Investee company specific risk The Company invests in a variety of biopharma and technology businesses, many of them relatively early stage, where the technology is not yet fully proven or commercialised. This can offer very significant financial success when the technology delivers but also carries downside risks particular to the companies concerned. The eventual outcome for some of these companies may be somewhat binary in as much as either the technology works, or it does not, resulting in the company concerned becoming worth significantly less. Failure may materialise, for instance, in the case of clinical trials for a biotechnology business, in the case of scaling up or commercialisation of an engineering business or in terms of the appearance of a new, previously unknown competitor for a software company. Leading edge commercial scientific development in many fields is by its nature risky. The performance of the Company's individual holdings, together with market events, may thus create short-term volatility in the Company's NAV.	The Portfolio Manager conducts regular reviews of these businesses through engaging regularly with all investee companies to monitor progress. The Portfolio Manager also carries out due diligence on the relevant technologies and obtains regular updates. The Portfolio Manager uses its own proprietary analytics to assess the prospects for investee companies and may also seek expert third party opinions regarding the likely success of the technology. The board seeks assurance from the Portfolio Manager through its regular portfolio review meetings that thorough research has been, and is being, conducted.
7. Portfolio concentration risk Some of the Company's investments have demonstrated relatively more success and/or required more funding than others, which has led to those investments representing larger proportions of the portfolio than might be expected. While both the board and the Portfolio Manager feel that undue concentration is not desirable in the longer term, in the shorter term, portfolio concentration can be acceptable. In any event, the nature of the investments means that any rebalancing of the portfolio will likely take time, as they cannot always be sold quickly. The Portfolio Manager, under delegated authority from the board, has authority regarding portfolio construction and managing questions of portfolio concentration in the best interests of the shareholders. This approach is in line with the Portfolio Manager's investment strategy and investment philosophy. The alternative, of imposing limits on the size of any one investment, other than at the time of investment, would potentially result in the Company being a forced seller of an investment that still had further growth potential. The risk linked to any portfolio concentration might be compounded due to the nature of some of the businesses and the risks associated with both commercial and technical milestones.	The Company's portfolio is monitored closely by the board, the AIFM and the Portfolio Manager. The Company seeks to invest in a diversified portfolio across a wide range of companies so as to mitigate against the risk posed by an individual early-stage or early-growth company. However, the board is mindful that the Company was established with the aim of providing long-term growth and that concentration can be a sign of success as a result of assets backed becoming more valuable. Short-term liquidity problems with the Company's underlying holdings, which may be compounded by market events, should be mitigated over time when such companies deliver on their milestones and value is recognised. The board also considers increased specific risk that may arise from increased concentration, as the result of the relative success of certain investee companies. The board discusses this risk with the Portfolio Manager, and where appropriate with the AIFM, with a view to considering whether or not to seek to reduce the size of particularly large holdings within the portfolio. However, the board is mindful that through the AIFM it has delegated investment management decisions to the Portfolio Manager to make as it sees fit.
8. Portfolio Manager and key man risk The Portfolio Manager operates a team approach to portfolio management and decision making so the risk arising from the departure of one or more of the Portfolio Manager's key investment professionals should not necessarily prevent the Company from achieving its investment objective. The Portfolio Manager could terminate its contract with the Company. This event would have an impact on the management of the portfolio and would constitute a technical default on the debt facility, requiring renegotiation or substitution, likely on less favourable terms.	The Portfolio Manager has a compensation and incentive scheme to retain key staff and has developed a suitable succession planning programme, which seeks to ease the impact that the loss of a key investment professional may have on the Company's performance. The Portfolio Manager will notify any change in its key professionals to the board at the earliest possible opportunity and the board will be made aware of all efforts made to fill a vacancy. Furthermore, investment decisions are made by a team of professionals, mitigating the impact of the loss of any key professional within the Portfolio Manager's organisation on the Company's performance. Recent experience suggests that the board would be able to identify an alternative Portfolio Manager should the need arise.

Risk	Mitigation
9. Outsourced service provider model risk The Company has no employees and the Directors have been appointed on a non-executive basis. The Company is reliant upon the performance of third-party service providers for its executive function. The AIFM, the Portfolio Manager, the Depositary, the Company Secretary and the Administrator will be performing services that are integral to the operation of the Company. Failure of any of its third-party service providers to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company. Furthermore, any of the Company's service providers could terminate their contract.	The performance of the Company's service providers is monitored closely by the board and in particular by the Management Engagement Committee. The Management Engagement Committee monitors service providers and their activities. Each of the service providers has a notice period so as to allow an alternative to be appointed.
10. Currency risk In as much as the Portfolio Manager now no longer seeks to hedge non-sterling currency exposures through forward foreign exchange contracts and some of the Company's investments are based wholly or partly outside the UK or have revenues in currencies other than sterling then the value of the portfolio, in sterling terms, may be affected negatively by a rise in sterling relative to these other currencies and, equally, positively by a fall in sterling.	The Portfolio Manager regularly reports to the board and highlights any significant impacts of currency movements on the value of investments.
11. Cyber risk Each of the Company's service providers is at risk of cyber attack, data theft, service disruption, etc. While the risk of financial loss by the Company is probably small, the risk of reputational damage and the risk of loss of control of sensitive information is more significant, for instance a GDPR breach. Many of the Company's service providers and the board often have sensitive information regarding transactions or pricing and information regarded as inside information in regulatory terms. Data theft or data corruption per se is regarded as a lower order risk as relevant data is held in multiple locations.	The board receives controls reports from its service providers which describe the protective measures they take as well as their Business Recovery Plans.

Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of emerging risks that could potentially impact the Company's ability to meet its strategic objectives.

1. Given the prolonged economic and stock market cycle, the generally high levels of equity market valuations, even following recent corrections, both global economies and/or global equity markets could be vulnerable to further significant correction as a result of various different possible trigger events, besides COVID-19. This would likely affect valuations of the portfolio holdings.
2. Brexit negotiations create the possibility of a wide variety of unknown legislative and economic consequences.
3. Investors generally may become disenchanted with the listed investment structure as an appropriate vehicle for investing in unquoted early-stage companies.
4. While some investee companies in the portfolio are pursuing technologies that might help mitigate climate change or that might see an increase in demand as a result of climate change, the risks arising from further climate change are thought unlikely to have a direct impact on the Company over the next 5-10 years, given its investment objectives. However, investee companies generally could well be affected by various possible indirect generalised negative economic impacts arising from climate change.

Strategic Review

Going Concern

The board has considered the risks arising from the need to repay the Company's bank loan, particularly in light of the reduced asset values and economic disruption caused by the COVID-19 pandemic. The board continues to hold regular and constructive discussions with the lender who remains supportive. The board has scrutinised the detailed cash flow forecast prepared by the Portfolio Manager and considered their assessment of the likelihood and quantum of funds which could be raised from sales of investments. The Portfolio Manager has also performed a range of stress tests, and demonstrated to the board that even in an adverse scenario of depressed markets and restrictions on sales in the private equity market, the Company could still, within the terms of the loan agreement, generate sufficient funds from sales of investments to meet its liabilities over the next twelve months. As a result, the board is comfortable that the Company will have sufficient liquid funds to pay operating expenses, service the loan and pay down the loan in accordance with the terms of the loan agreement.

The board have also considered the provisions in the new loan agreement, and have taken into account the current total debt of £107m in the context of gross assets of £563.4m at 31 December 2019, the fact that the loan is due for repayment or refinance in January 2021 and the need to seek to maintain a certain aggregate level of listed investments as a per cent of the value of the total portfolio. Recent discussions with the loan provider have demonstrated their ongoing constructive approach to working with the Company as a lender.

On this basis, the board considers it appropriate to adopt the going concern basis of accounting in the Company's accounts, and has not identified any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of these financial statements.

Viability Statement

In accordance with Provision 36 of the AIC Code of Corporate Governance, published in February 2019, the board has assessed the prospects of the Company over the five-year period ending 31 December 2024. The board considers a five-year period to be appropriate because it is the minimum holding period that it would recommend to a prospective investor considering purchasing shares in the Company.

The board has considered the Principal Risks set out on pages 21 to 25. The board has considered detailed cash flow forecasts prepared by the Manager, and stress case scenarios, including the possibility of breach of its loan covenants. In making its assessment, the board has also considered the positive impact of steps taken in the last ten months to secure the viability of the Company. Three new directors with diverse skills and experience have been appointed. It has appointed Schroders as Portfolio Manager as described on pages 29 to 30. Schroders is well-capitalised and resourced; has the necessary skills and experience; and uses a team-based approach. It has signed a new debt agreement which extends the timeline for the repayment of debt to January 2021. It has agreed with the new Portfolio Manager a new investment strategy and guidelines (see pages 70 to 71), which includes a move over time to having a higher percentage of the portfolio in listed securities and reducing debt.

The board believes that the portfolio will provide shareholders with satisfactory returns from the investment portfolio over a five-year period and that there will be continued demand for the Company's shares.

Although there may well be short term strains arising from the current economic crisis driven by the COVID-19 pandemic, and some companies in the portfolio may be severely affected, the portfolio's exposure to healthcare companies which may benefit from the pandemic will help to provide a balance. Based on current understanding, as with other pandemics, the impact will diminish over time and the opportunities arising from investing in new innovative businesses will remain. It should therefore be possible for the new Portfolio Manager to have moved materially to implement the new strategy within a five-year timeframe. Having considered all of the Company's resources, strategy, risks and probabilities, the board has a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due, during the five year period to 31 December 2024.

By order of the board

Link Company Matters Limited
Company Secretary

30 April 2020

Board of directors

Susan Searle

Status: independent non-executive Chairman

Length of service: 5 years – appointed a director on 13 February 2015
Experience: Susan served as the chief executive of Touchstone Innovations plc (formerly known as Imperial Innovations Group plc and now part of IP Group plc) from January 2002 to July 2013, where she led funding rounds totalling circa £250m. During her tenure, Touchstone Innovations invested £121m in a portfolio of healthcare, engineering and software businesses linked to major universities. Previously, she worked at Montech in Australia (science commercialisation), Signet Group plc, Bank of Nova Scotia and Shell Chemicals in a variety of business development and commercial roles. Susan currently serves as non-executive director of Horizon Discovery Group plc, Benchmark Holdings plc and QinetiQ Group plc. Susan has an MA in Chemistry from Oxford University.
Committee membership: Audit, Risk and Valuation and Management Engagement Committees
Current remuneration: £46,000 per annum
Number of shares held: 151,062*

Raymond Abbott

Status: independent non-executive director

Length of service: 6 months – appointed a director on 1 October 2019
Experience: Raymond has strong experience in the investment trust sector and possess expertise in early stage technology investments. Raymond is currently the chairman of Foresight 4 VCT plc, Scottish Building Society and Integrated Environmental Solutions Ltd and is chair of the advisory panel for the North East Fund. Raymond is an accountant by background, beginning his career at KPMG before pursuing a career in venture capital and private equity, latterly as managing director, Alliance Trust Equity Partners. He has experience as a board director and a fund manager with an emphasis on private equity. Prior to commencing his career, Raymond graduated from the University of Edinburgh.
Committee membership: Audit, Risk and Valuation and Management Engagement Committees
Current remuneration: £30,000 per annum
Number of shares held: 27,075*

Stephen Cohen

Status: independent non-executive director

Length of service: 10 months – appointed a director on 28 June 2019
Experience: Stephen has extensive asset management and fund experience. He spent the bulk of his career at Mercury Asset Management where he led both investment teams and business units. He has been actively involved with open-end and closed-end funds, in multiple jurisdictions, for over 30 years. He is currently the chair of the audit committee at JPMorgan Japan Investment Trust plc. Stephen is also a Commissioner at the Gambling Commission and a Council Member at the Health & Care Professions Council. Stephen is a graduate of the University of Oxford.
Committee membership: Audit, Risk and Valuation and Management Engagement Committees (Chairman of Audit, Risk and Valuation Committee)
Current remuneration: £40,000 per annum
Number of shares held: 309,737*

Board of directors

Jane Tufnell

Status: senior independent non-executive director

Length of service: 7 months – appointed a director on 2 September 2019
Experience: Jane has spent the majority of her career at Ruffer Investment Management, which she co-founded in 1994 where she worked until 2014. She is currently chair of Odyssean Investment Trust PLC, senior independent director of Record PLC and the chair-elect of ICG Enterprise Trust PLC. Jane is a graduate of the University of Cambridge.
Committee membership: Audit, Risk and Valuation and Management Engagement Committees (Chair of Management Engagement Committee)
Current remuneration: £35,000
Number of shares held: 280,000*

Scott Brown

Status: independent non-executive director

Length of service: 5 years – appointed a director on 13 February 2015
Experience: Scott is chief executive of Nexeon Limited, an Imperial College spin-out focused on developing silicon anode technology for next generation Li-ion battery technology. During his tenure, he has led the change in the company's strategy to successfully move from an IP licensing business model to one of material production and supply. Previously, Scott was executive vice president at Cambridge Display Technology (CDT), responsible for commercial and IP activities of the company. Prior to CDT, Scott was global R&D director for the electronic materials business at Dow Corning (now a wholly-owned subsidiary of Dow Chemical), a US-headquartered multinational corporation with over US$6bn in annual revenues. Scott holds a PhD in Chemistry, an MBA and is a Fellow of the Royal Society of Chemistry.
Committee membership: Audit, Risk and Valuation and Management Engagement Committees
Current remuneration: £30,000 per annum
Number of shares held: 78,269*

*Shareholdings are as at 30 April 2020, full details of directors' shareholdings are set out in the Directors' Remuneration Report on page 41.

Directors' Report

The directors present their report and audited financial statements of the Company for the year ended 31 December 2019.

Status of the Company

The Company was incorporated in England & Wales on 26 January 2015 and started trading on 21 April 2015, immediately upon the Company's listing. It is an investment company within the meaning of Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Sections 1158/1159 of the Corporation Tax Act 2010 (CTA) and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs approved the Company as an investment trust upon its listing. In the opinion of the directors, the Company has conducted its affairs so that it is able to maintain its status as an investment trust. The Company is not a close company within the meaning of the provisions of Section 439 of the CTA and has no employees.

Change of Name

Following the appointment of Schroder Investment Management Limited (Schroders) as Portfolio Manager on 13 December 2019, the Company changed its name to Schroder UK Public Private Trust plc.

Revenue and dividend

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2019 (2018: nil).

Directors and their interests

The directors of the Company at 31 December 2019 and their biographical details can be found on pages 27 and 28. Details of directors' share interests in the Company are set out in the Directors' Remuneration Report on page 41.

Share capital

As at the date of this report, the Company has 908,639,238 ordinary shares in issue. There are no other classes of shares in issue and no shares are held in treasury.

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no shares that carry specific rights with regard to the Company. The shares are freely transferable. There are no restrictions or agreements between shareholders on the voting rights of any of the ordinary shares or the transfer of shares. The Company does not have a fixed life nor is the Company subject to a continuation vote as can sometimes be required of investment companies in accordance with their Articles of Association. Each share ranks equally for any distribution made on a winding up.

Accordingly, the total number of voting rights in the Company as at the date of this report is 908,639,238. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 61.

Substantial share interests

As at 31 December 2019, the Company has received notifications in accordance with the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in three per cent or more of the voting rights attaching to the Company's issued share capital.

Holder	Ordinary Shares as at 31 December 2019	Securities lending*	Percentage of total voting rights
Link Fund Solutions Ltd**	81,639,238	N/A	8.98%
BlackRock, Inc	75,447,104	15,028,041	9.96%

There have been no notified changes to the above holdings since the year end.

**Securities lending is the act of loaning a stock, derivative or other security to an investor or firm.*

***Transferred from the Woodford Equity Income Fund. Link Fund Solutions is now the Manager of the Fund and, as such, has voting control of this holding.*

Change of control

There are no agreements which the Company is party to that might be affected by a change of control of the Company.

Key service providers

Appointment of the New Portfolio Manager

The Company announced, on 24 October 2019, the intention to appoint Schroders as the Company's portfolio manager. The appointment of Schroders followed an extensive management review process that the Board commenced during the year in response to developments at Woodford, the Company's then Portfolio Manager.

The performance of the Company under Woodford had been challenging for some time with a number of high-profile disappointments in the portfolio more than offsetting any positive developments. Woodford had also seen a period of sustained poor performance in its open-ended funds leading to large redemption requests from Woodford's flagship fund, LF Woodford Equity Income Fund (WEIF), which resulted in WEIF being suspended from dealing on 4 June 2019.

The Board consulted with shareholders in June and continued to monitor the developments at Woodford through July. As performance continued to deteriorate and the viability of Woodford became an increasing concern, the Company announced on 29 July 2019 that it was considering alternative management options and Winterflood was appointed to undertake an extensive management review process.

The review took place during August and September 2019 with candidates providing written proposals followed up by manager presentations and direct engagement. The board was pleased with the quality of the manager proposals it received. In addition to seeking to identify the strongest

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portfolio manager, the Board also determined that any appointment should be on the basis of 'market-level' fees that would incentivise the Portfolio Manager to maximise returns for shareholders from the existing portfolio. On 15 October 2019, the board was delighted to announce the appointment of Schroders having considered the team to be the best fit in terms of their performance, skills and experience, their commitment to the investment approach of the Company and their knowledge of investment trusts. The terms of Schroders' appointment are set out below.

The events of 2019 have led to an increase in administration expenses during the year reflecting the costs associated with the management review process, the appointment of a specialist PR agency and additional legal and advisory costs in connection with the transfer of the management contract and other matters associated with the developments at Woodford. These costs are one-off costs specific to the events of 2019 and are not expected to recur in the current financial year.

The Board were highly impressed with the Schroders team-based approach and is confident that the Portfolio Manager's expertise in both public and private assets, alongside its deep sector experience, will enable the portfolio to deliver sustainable value and positive long-term shareholder returns.

Following the board's decision, the AIFM delegated portfolio management by way of a Portfolio Management Agreement to Schroders on 13 December 2019.

Under the terms of the Portfolio Management Agreement dated 13 December 2019, a fee is payable to the Portfolio Manager quarterly in arrears effective from 13 March 2020. The fee is calculated and accrued daily based on the Company's market capitalisation. The fee is payable at a rate of the aggregate of 1.0% per annum of the market capitalisation up to £600 million, and 0.8% per annum of market capitalisation over £600 million.

A performance fee may be payable to the Portfolio Manager based on the achievement of a performance target, but no performance fee will be payable until 31 December 2022. For the "Initial Performance Period", Schroders will be eligible to a fee of 15% of any excess of the "Adjusted NAV per Share" above 77p. Thereafter, for each "Performance Period", a performance fee of 15% of any performance above a "Target NAV per Share" will be payable.

The agreement may be terminated by the AIFM or Portfolio Manager providing six months' written notice, such notice not to be served earlier than 18 months from 13 December 2019.

The board has adopted an outsourced business model and has appointed the following other key service providers:

AIFM

Link Fund Solutions Limited, a UK-based company authorised and regulated by the FCA, has been appointed as the Company's AIFM for the purposes of the AIFMD. The AIFM monitors the Portfolio Manager of the Company and ensures that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The fees payable for the year under review were based on the minimum fee of £75,000 as set out in the AIFM agreement, which can be terminated by either party providing three months' written notice.

Portfolio Manager

Woodford Investment Management Limited (Woodford) resigned as the delegated portfolio manager of the Company on 13 December 2019, having provided three months' written notice. Under the terms of the previous management agreement, Woodford was entitled to a fee, conditional upon meeting certain performance targets (a "performance fee"). No performance fee was earned to the contract termination date. No other management fee was payable under the terms of that agreement.

Company Secretary

Link Company Matters Limited (the Company Secretary) is the corporate Company Secretary of the Company on the basis of a fee of £61,683 per annum (exclusive of VAT and out-of-pocket expenses) plus any additional ad hoc expenses that may fall outside the scope of their agreement that are normally charged on a time-spent basis unless otherwise agreed with the board. The company secretarial agreement can be terminated by either party by providing six months' written notice. Following the appointment of Schroders as Portfolio Manager in December 2019, the Management Engagement Committee agreed that Schroders would be the most appropriate party to provide company secretarial services going forward. The company secretarial agreement with Link Company Matters Limited will terminate on 30 June 2020.

Depositary

The Company's depositary is Northern Trust Global Services SE (the depositary), a company authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA and PRA. The Northern Trust Company (as a delegate of the depositary) provides custody services to the Company. In addition to safekeeping of custodial assets, the depositary is responsible for verifying asset ownership of all other assets, together with the collection of income, and to oversee that the Company is run in accordance with the FCA's Investment Funds Sourcebook. The fee payable to the depositary is based on the Company's net assets. The fees throughout the period under review equated to 0.01 per cent of the first £10 billion of the Company's net assets (exclusive of VAT and out-of-pocket expenses) and a fee of 0.0075 per cent on all assets over £10 billion. The depositary agreement can be terminated by either party by providing six months' written notice.

Administrator

Northern Trust Global Services SE (the administrator), a company authorised and regulated by the FCA, has been appointed as the administrator of the Company. The administrator is responsible for the Company's general administrative functions, such as the calculation of the NAV and maintenance of the Company's accounting records. The fee payable to the administrator is based on the Company's net assets. The fees for the period under review equated to 0.02 per cent of the Company's net assets (exclusive of VAT and out-of-pocket expense). The administration agreement can be terminated by either party by providing six months' written notice.

Registrar

Link Asset Services Limited (Link) has been appointed as the Company's registrar. Link's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

Compliance with the AIC Code of Corporate Governance

The Company is committed to maintaining high standards of corporate governance and considers that reporting against the principles and recommendations of the AIC Code of Corporate Governance issued in February 2019 (the AIC Code), provides better information to shareholders as it addresses all the principles set out in the 2018 UK Corporate Governance Code (the UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts, and is endorsed by the FRC.

The terms of the FRC's endorsement mean that AIC members who report against the AIC Code meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules. The AIC Code is available from the AIC website at theaic.co.uk. A copy of the UK Code can be obtained at frc.org.uk.

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.

The UK Code includes provisions relating to:

– the role of the chief executive; and

– executive directors' remuneration.

For the reasons explained in the AIC Code, the board considers that these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The board has reviewed the principles and provisions of the AIC Code and considers that it has complied throughout the year.

Chairman and Senior Independent Director

The Chairman, Susan Searle, is independent and the board considers that she has sufficient time to commit to the Company's affairs. The Chairman's other commitments are detailed in her biography on page 27.

There is a clear division of responsibility between the Chairman, the directors, the Portfolio Manager and the Company's other third-party service providers. The Chairman is responsible for leading the board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information.

Following Alan Hodson's retirement from the board at the last AGM, Jane Tufnell was appointed as the SID of the Company on 13 October 2019. She 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 periods of stress, the SID works with the Chairman, the other directors, and/or shareholders to resolve any issues.

The documents setting out the roles of the Chairman and SID are available on the Company's website.

Role and operation of the board

Under the leadership of the Chairman, the board of directors is collectively responsible for the long-term success of the Company. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls.

At each board meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The board monitors compliance with the Company's objective, investment policy, borrowing and hedging policies and reviews the investment strategy. The board regularly receives reports from the Portfolio Manager on marketing and investor relations. The proceedings at all board and committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes.

The board meets regularly throughout the year and representatives of the Portfolio Manager are in attendance, when appropriate, at each meeting and most committee meetings. The board has agreed a schedule of matters specifically reserved for decision by the board. This includes setting the Company's strategy, appointing the Portfolio Manager and setting the overall investment objectives within which the portfolio manager is free to operate.

Prior to each board and committee meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company and all Directors have timely access to all relevant management, financial and regulatory information.

Following a refreshment of the board during 2019, Stephen Cohen, Jane Tufnell and Raymond Abbott were appointed as independent non-executive directors, with the assistance of an independent external search agency, Sapphire Partners. During the appointment process, other demands on directors' time were taken into account and prior to appointment, significant commitments were disclosed with

Directors' Report

an indication of the time involved. As at 31 December 2019 and the date of this report, the board comprises of five independent non-executive directors. Biographies of the directors are shown on pages 27 and 28.

The terms and conditions of the appointment of directors are formalised in letters of appointment, copies of which are available on request from the Company Secretary. None of the directors has a contract of service with the Company nor has there been any other contract arrangement between the Company and any director at any time during the year. Directors are not entitled to compensation for loss of office.

The Directors have access to independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Board induction and training

The Company Secretary will offer induction training to new directors about the Company, its key service providers, the directors' duties and obligations and other matters as may be relevant from time to time.

The board members are encouraged to keep up to date and attend training courses on matters that are directly relevant to their involvement with the Company. The Company is a member of the AIC and the directors have taken advantage of various webinars, meetings and conferences organised by the AIC in the furtherance of their training. The directors also receive regular briefings from, among others, the auditor and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect them or the Company.

Board appointment, election/re-election and tenure

The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and the Companies Act 2006.

The board recognises the value of regular refreshment of its composition and remains committed to ensuring that it has the right mix of skills and experience that are aligned with the evolution and strategic plans of the Company, while maintaining its independence of character and judgement.

In accordance with the requirements of the AIC Code, the board has adopted a policy whereby all directors will not serve for a period of more than nine years.

Under the Company's Articles of Association and in accordance with the AIC Code, directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, at each AGM any director who has not stood for re-election at either of the two preceding AGMs shall retire.

Beyond these requirements, the board has agreed a policy whereby all directors will seek annual re-election at the Company's AGM. The board considers that, following the annual board evaluation conducted during 2019, all of the directors contribute effectively to the operation of the board and the strategy of the Company. The board therefore believes that it is in the best interests of shareholders that each of the directors is elected/re-elected at the forthcoming AGM.

Board evaluation

The directors are aware that they need to continually monitor and improve performance, and recognise this can be achieved through regular board evaluation, which provides a valuable feedback mechanism for improving board effectiveness.

Given the changes to the composition of the board during the year, the directors opted to undertake an internal performance evaluation for the year ended 31 December 2019. This was aided by the Company Secretary and undertaken by way of a series of questionnaires specifically designed to assess the strengths and independence of the board and the Chairman, individual directors and the performance of its Committees. The evaluation of the Chairman is carried out by the other directors of the Company, led by the SID.

The questionnaires are also intended to analyse the culture of the board and the contributions of each director, as well as the time commitments made by each board member. The focus of board meetings is reviewed to assess whether they are appropriate, or if any additional information may be required to facilitate board discussions. The Chairman and SID acts on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board, as appropriate. The results of the board evaluation process were reviewed and discussed by the board as a whole.

Following the evaluation, the board discussed the key themes that emerged. The balance of skills around the refreshed board was considered to be appropriate. As stated in the Chairman's Statement, the Chairman will be stepping down from the board at the 2021 AGM. A Nominations Committee has been formed, chaired by the SID, Jane Tufnell. The committee will conduct the process of recruiting a new chair and will further evaluate post that recruitment any additional skills needed on the board.

The annual strategy day held in January 2020 provided a focus for setting clear goals for the next phase of the Company.

Independence of directors

In accordance with the AIC Code, the board has reviewed the independence status of each individual director and the board as a whole. In the board's opinion, all directors are considered to be independent of the AIFM and the Portfolio Manager and free from any business or other relationship that could materially interfere with the exercise of his or her independent judgement.

Care will be taken at all times to ensure that the board is composed of members who, as a whole, have the required knowledge, abilities and experience to properly fulfil their role and are independent.

Conflicts of interest

The Articles of Association provide that the directors may authorise any actual or potential conflict of interest that a director may have, with or without imposing any conditions that they consider appropriate on the director. Directors are not able to vote in respect of any contract, arrangement or

Directors' Report

transaction in which they have a material interest and, in such circumstances, they are not counted in the quorum. A process has been developed to identify any of the directors' potential or actual conflicts of interest. This includes declaring any potential new conflicts before the start of each board meeting. A schedule is maintained of each board member's potential conflicts of interest.

Directors' and Officers' liability insurance

Directors' and Officers' liability insurance cover is in place for the directors. Under the Company's Articles of Association, the directors are provided, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. This indemnity was in force during the year and remains in force as at the date of this report. Apart from this, there are no third-party indemnity provisions in place for the directors.

Board committees

During the year the Company had two committees in operation: the Audit, Risk and Valuation Committee and the Management Engagement Committee. The board as a whole considered and approved director's remuneration and new appointments. Subsequent to the year end, the board established a Nominations Committee which is comprised of all the directors and is chaired by Jane Tufnell. The need for a separate remuneration committee will be kept under review but, at present, given the size of the board its functions are overseen by the full board.

The terms of reference of the committees are available on the Company's website.

Further details about the activities of these committees can be found on pages 35 to 38.

Audit, Risk and Valuation Committee

During the year, the board decided to expand the role of the Audit Committee to cover Risk and Valuation. The Audit, Risk and Valuation Committee is comprised of all directors and is chaired by Stephen Cohen. The committee meets formally at least twice a year.

Given the size and nature of the board, it is felt appropriate that all directors are members of the committee. Susan Searle, the Company's Chairman, is therefore a member of the committee. The directors believe it is appropriate for the Chairman of the board to be a member of the committee, given her financial experience. The committee is also of the view that her membership would not compromise her independence as Chairman of the board.

Management Engagement Committee

The Management Engagement Committee is comprised of all the directors and is chaired by Jane Tufnell following her appointment as chair of the committee on 10 October 2019. The committee meets at least once a year. Its principal duties are to consider the terms of appointment and ongoing performance of the AIFM, Portfolio Manager and the Company's other service providers, with the exception of the auditor review which is dealt with by the Audit, Risk and Valuation Committee.

During the year, the Management Engagement Committee reviewed all the third-party service providers details of which are set out on page 38.

Meeting attendance

The table below sets out the directors' attendance at the scheduled board and committee meetings held during the year ended 31 December 2019, against the number of meetings each board or committee member was eligible to attend.

	Board	Audit, and Risk Valuation Committee	Management Engagement Committee
Susan Searle	4/4	5/5	2/2
Raymond Abbott[1]	1/1	0/0	1/1
Scott Brown	4/4	5/5	2/2
Stephen Cohen[2]	2/2	2/2	1/1
Carolan Dobson[3]	1/1	3/3	1/1
Steven Harris[4]	3/3	4/4	1/1
Alan Hodson[5]	1/1	3/3	1/1
Louise Makin[6]	3/3	3/4	1/1
Jane Tufnell[7]	2/2	1/1	1/1

[1]Appointed as a director on 1 October 2019.
[2]Appointed as a director on 28 June 2019.
[3]Resigned as a director on 28 June 2019.
[4]Resigned as a director on 30 September 2019.
[5]Resigned as a director on 16 May 2019.
[6]Resigned as a director on 1 October 2019.
[7]Appointed as a director on 2 September 2019.

In addition to the scheduled board meetings above:

- The board met once during the year for a whole day to review and focus on the Company's strategy.
- Additional board meetings were held to discuss and approve the acquisition of unquoted holdings and placing of shares.
- Following the events relating to WEIF in June 2019, the board held 16 additional board meetings both in person and over the telephone to monitor and assess the situation as it evolved to ensure the long-term interests of shareholders were protected.
- The board formed a sub group of the board comprising the Chairman, SID, Audit, Risk and Valuation Committee Chair and Scott Brown to work through the process of selection and appointment of a new portfolio manager.

Internal control review

The directors are responsible for the systems of internal control relating to the Company and the reliability of the financial reporting process, and for reviewing their effectiveness. An ongoing process has been established for identifying, evaluating and managing the principal and emerging risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of the signing of this report.

Directors' Report

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which are issued for publication is reliable and that the assets of the Company are safeguarded.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The directors have carried out a review of the effectiveness of the Company's risk management and internal control systems as they have operated over the period and up to the date of approval of the report and financial statements. Details of this review can be found on pages 21 to 25. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Post year-end events

Post balance sheet events are disclosed in note 23 on page 69 of the financial statements.

Audit information

As required by Section 418 of the Companies Act 2006, the directors who held office at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all the steps required of a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

Link Company Matters Limited
Company Secretary

30 April 2020

Report of the Audit, Risk and Valuation Committee

As Chairman of the Audit, Risk and Valuation Committee, I am pleased to present its report for the year ended 31 December 2019.

The membership of, and attendance at, Committee meetings is set out on page 33. Following the performance evaluation of the Committee as set out on page 32, the Committee considers itself to have the required breadth of skills and relevant experience to discharge its role.

The Committee is satisfied that at least one member has recent and relevant financial experience and that the committee as a whole has relevant competence.

The role of the Committee

The role of the Committee is defined in its terms of reference, which can be found on the Company's website. In summary, the role includes the following:

- to monitor the financial reporting process;
- to review and monitor the integrity of the half-year and annual financial statements and review and challenge where necessary the accounting policies and judgements of the AIFM, Portfolio Manager and administrator;
- to review the adequacy and effectiveness of the Company's internal financial control and risk management systems;
- to review the effectiveness of the external audit process;
- to make recommendations to the board on the re-appointment or removal of the external auditor and to approve its remuneration and terms of engagement;
- to review and monitor the external auditor's independence and objectivity;
- to consider the provision of non-audit services by the external auditor;
- to consider the provision of services by the Company's appointed tax advisers;
- to consider and review the valuation and existence of the Company's assets;
- to consider the need for an internal audit function; and
- to review the whistleblowing policies of the third-party service providers and receive assurances that the appropriate anti-bribery and anti-corruption policies are in place to ensure compliance with the Bribery Act 2010.

Matters considered during the year

The Committee met five times during the year and twice post the year end. At those meetings, the Committee has reviewed the following:

- the Company's financial statements for the half year and year end and made formal recommendations to the board. In doing so, the Committee has reviewed the appropriateness of the Company's accounting policies and whether appropriate estimates and judgements were made;
- the internal controls and risk management systems of the Company's third-party service providers to which it has delegated its operations;
- the Company's risk matrix;
- the policy on non-audit services;
- the audit plan and fees with the auditor, including the key areas of focus; and
- valuation approach and process.

Non-audit services

The Committee has reviewed and implemented a policy on the engagement of the auditor to supply non-audit services. During the year ended 31 December 2019, the auditor has provided the following non-audit service: review of the Company's half-year accounts for the period ended 30 June 2019. Prior to undertaking this non-audit service, the Committee reviewed the auditor's controls in place to ensure that the auditor's objectivity and independence were safeguarded. The fee for this non-audit service was £248,000. The fee to be paid with respect to the audit of the annual report and accounts for the year ended 31 December 2019 is £250,000. Therefore, the ratio of non-audit to audit fees is 1:1.

It was agreed that all requests for non-audit services to be provided by the auditor should be submitted to the Committee and will include a description of the services to be rendered and an anticipated cost. Following the annual review of this policy, the Committee has concluded that it still remains appropriate.

Report of the Audit, Risk and Valuation Committee

Significant accounting matters

During the year ended 31 December 2019, the Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities and issues communicated by the auditor during its review, all of which were satisfactorily addressed:

Issue	How the issue was addressed
Valuation of the investment portfolio, including the unquoted holdings	The Company's assets are principally invested in quoted and unquoted equities. The Committee reviewed internal control reports from the AIFM in the year, reporting on the systems and controls around the pricing and valuation of securities. The Committee notes that quoted investments are valued using stock exchange prices provided by third-party financial data vendors, unless trading volume would indicate that price is not a reliable valuation. In such cases, the asset will be subject to fair value as if it were an unquoted holding. In respect of the unquoted holdings, at each meeting the Committee reviews a report on the revaluations undertaken on the unquoted holdings during the period and challenges the considerations and key assumptions made where appropriate, to ensure that the valuations are accurate. During the period under review, the Committee has also reviewed the process in place to ensure the accurate valuation of unquoted holdings on an ongoing basis. The Committee has also considered the work of the AIFM's Fair Value Pricing Committee, which takes inputs from the Portfolio Manager and IHSMarkit (who act as an independent valuation adviser), which considers the pricing of the unquoted holdings. One of the Committee meetings held during the year included a more detailed session on valuation methodology and reporting. This was attended by the AIFM and IHSMarkit. Please see note 1(b) on pages 54 and 55 for further details. The Committee also reviewed and considered the findings arising from interim review and annual audit reports from Grant Thornton and sought assurances on any differences observed by Grant Thornton between the values ascribed by LFS and as assessed by Grant Thornton.
Compliance with Section 1158 of the CTA	The Committee receives assurance from the Company's administrator that the Company has been in compliance with Section 1158 of the CTA. This is other than the monitoring of close company status, which is monitored by way of an alert that has been set up by the Company's registrar to notify the Company Secretary should more than 0.5 per cent of shares change hands.
Risk of misappropriation of assets and unsecured ownership of investments and management override of controls	The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are raised by the Depositary and reported by the AIFM to the board.
Going Concern determination	The current debt agreement provides for full repayment of the debt in 2021. Current market circumstances mean that the market environment for successful disposals is considerably more difficult than at the end of 2019 when this agreement was signed. The Board receive regular updates from the Portfolio Manager on the various sales programs under active consideration, as to timing, probability and quantum; as well as updates on their regular discussions with the debt provider. The Board has received assurances that if necessary the Portfolio Manager could realise sufficient funds to repay the debt, albeit potentially at impaired prices; that discussions with the lender about the consequences of the current market circumstances have been highly constructive; and that as part of the consideration of the "Going Concern" question exploratory discussions have been held with alternative capital providers. In addition, the Board have reviewed the expenses budget and received assurance from the Portfolio manager that budgeted expenses can be met.

Report of the Audit, Risk and Valuation Committee

Internal audit

The directors believe that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Committee, and which provide control reports on their operations at least annually. No significant matters of concern were identified during this review. The Committee reviewed and updated the risk matrix during the period.

Review of Annual Report

The Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the annual report for the year ended 31 December 2019, covering a five-year period, and the underlying factors and assumptions that contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 26.

Following consideration of the above matters and its detailed review, the Committee was of the opinion that the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

External auditor

The Company's external auditor, Grant Thornton, was appointed prior to the listing of the Company in 2015 and is therefore in its fifth year of tenure. Under the FRC's ethical standards applicable to public interest entities, the Company is required to re-tender, at the latest, by 2025. The Committee intends to re-tender within the timeframe set by the FRC. It is not considered appropriate to consider the auditor's succession at this point in time.

During the period under review, the Company's appointed audit partner was Mr Marcus Swales. Mr Swales has significant experience in the audit of investment trusts. In accordance with UK legislation, the audit partner must rotate at least every five years. Mr Swales will be due to rotate out of this role during 2021 at the latest. Mr Swales has led the audit of the year-end accounts.

The audit fees for the period under review can be found in note 4 to the accounts on page 57.

The Committee monitors the auditor's objectivity and independence on an ongoing basis. In determining the auditor's independence, the Committee has assessed all relationships with the auditor and received confirmation from the auditor that it remained independent and that it had implemented policies and procedures to meet the requirements of the Auditing Practices board's Ethical Standards. The Committee has also received confirmation that no issues of conflict had arisen during the period. The Committee is therefore satisfied that Grant Thornton is independent.

The Committee monitors and reviews the effectiveness of the external audit process on an annual basis and makes recommendations to the board on the auditor's re-appointment, remuneration and terms of engagement. The Committee has reviewed the Letter of Engagement from Grant Thornton and agreed that it reflected the services outlined in the annual audit plan for the year. The Committee has met with the audit team and assessed Grant Thornton's performance to date. The review has involved an examination of the auditor's remuneration, the quality of its work, including the quality of the audit report, the quality of the audit partner and audit team, the qualifications and expertise of the audit firm and the resources available to it, the identification of audit risk, the planning and execution of the audit, and the terms of engagement. The Committee has also reviewed feedback from service providers in respect of the conduct of the audit for the year ended 31 December 2019. The Committee was satisfied that Grant Thornton had carried out its duties effectively. Accordingly, the Committee has recommended to the board that it proposes to shareholders via an ordinary resolution that Grant Thornton be re-appointed as auditor at the AGM. Grant Thornton has confirmed its willingness to continue in office.

The Committee has direct access to the Company's auditor and provides a forum through which the auditor reports to the board. Representatives of the auditor attend the Committee meetings regularly.

Tax adviser

The Committee monitors and reviews the effectiveness of the Company's tax adviser, Duff & Phelps Limited (D&P), on an annual basis and makes recommendations to the board as to its appointment and remuneration. Following review, the Committee renewed the terms of engagement with D&P in January 2020.

Stephen Cohen
Chairman of the Audit, Risk and Valuation Committee

30 April 2020

Management Engagement Committee Report

I am pleased to present the Management Engagement Committee report for the year ended 31 December 2019 following my appointment as chair of the Committee on 10 October 2019.

The Role of the Committee

The Committee's primary responsibilities are to:

- monitor and evaluate the Portfolio Manager's investment performance and compliance with the terms of the Portfolio Management Agreement;
- review the terms of the Portfolio Management Agreement annually to ensure that the terms conform with market and industry practice and remain in the best interests of shareholders;
- recommend to the board any variation to the terms of the Portfolio Management Agreement which it considers necessary or desirable;
- review and make the appropriate recommendations to the board as to whether the continuing appointment of the Portfolio Manager and the AIFM are in the best interests of the Company and shareholders;
- review the level and method of remuneration of the Portfolio Manager;
- monitor the appropriateness and compliance of other service providers' terms of their respective agreements;
- review, consider and recommend to the board any amendments to the terms of the appointment and remuneration of other service providers; and
- consider any points of conflict of interest which may arise between the service providers.

Matters considered during the year

The Committee met twice during the year ended 31 December 2019. At these meetings, the Committee:

- Considered the performance and the continuing appointment of the AIFM. It is the opinion of the directors that the continuing appointment of the AIFM on the terms agreed is in the interests of shareholders as a whole. The remuneration of the AIFM is fair both in absolute terms and compared to that of managers of comparable investment companies.
- Reviewed the Company's other key service providers. The Committee met with Northern Trust Global Services Limited in January 2019 to discuss the services provided to the Company and the control environment it operated in. There were no matters of concern identified during the review.
- Following the appointment of Schroders as Portfolio Manager in December 2019, the Committee agreed that Schroders would be the most appropriate party to provide company secretarial services going forward. The company secretarial agreement with Link Company Matters Limited will terminate on 30 June 2020. Schroders is undertaking a review of the fees of service providers to determine if any further cost savings can be made.
- The Committee concluded that the services provided by other service providers were satisfactory and the agreements entered into were operating in the best interests of shareholders.

Jane Tufnell
Chair of the Management Engagement Committee

30 April 2020

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the directors' remuneration report for the year ended 31 December 2019.

The Company's auditor is required to verify certain information within this report as part of its statutory audit per the Companies Act 2006. Where information set out below has been audited, it is indicated as such.

As at 31 December 2019 and the date of this report, the board consists entirely of independent non-executive directors and the Company has no employees. During the year Stephen Cohen replaced Steven Harris as audit chair. At the same time as previously indicated in the 2018 Annual Report the scope of the role was enlarged. For a period of time it was agreed that Stephen would work three days a week or more providing additional resource to the board and assistance during the crisis period and subsequent management change and transition. An enhanced fee of £80,000 per annum was agreed from the date of appointment to 31 March 2020. Thereafter the fee is reduced to £40,000 per annum. The annual fee is a material increase above the Consumer Price Index (CPI) but this follows a review of time commitment needed to do the role.

Jane Tufnell joined as a non-executive director but shortly afterwards was appointed to SID and chair of the management engagement committee. Her fee reflects this additional responsibility and was £35,000.

As a result of the crisis precipitated by Woodford's performance, and the suspension of the Woodford Equity Income Fund, I worked on average three days per week over the six months. The board held 16 additional board meetings, daily updates and calls and as chair I had very few weekends uninterrupted. The board agreed to pay me an additional fee for the considerable increase in time but I have chosen not to take it. Other board members were similarly very generous with their time and I would like to thank them accordingly.

For 2020 the board has reviewed current levels of remuneration paid and has agreed that in light of the COVID-19 there will be no increase in directors fees at this current time.

An ordinary resolution to approve the directors' remuneration report will be put to shareholders at the forthcoming AGM to be held on Friday, 5 June 2020.

Directors' remuneration policy

An ordinary resolution to approve the directors' remuneration policy was duly passed at the Company's AGM held on 16 May 2019. The remuneration policy will apply until next put to shareholders for renewal, 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. Any new directors appointed will be remunerated in accordance with the remuneration policy below.

The full version of the approved remuneration policy can be viewed on the Company's website.

The key elements of the remuneration policy are summarised below:

- The fees for the board as a whole are limited to £500,000 per annum in accordance with the Company's Articles of Association. The current directors' total annual fee, excluding expenses, is £183,540.
- Directors' fees are set to reflect the experience and responsibilities of the board and the time commitment required, and to ensure that the Company can attract individuals of a suitable calibre appropriate to promote the long-term success of the Company.
- Board members are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other non-cash benefits. No other payments are made to directors, other than reasonable expenses for attending to the Company's affairs and nothing is payable to the directors by way of exit payment or loss-of-office compensation.
- Shareholders have the opportunity to express their views in respect of directors' remuneration at the AGM. Any comment will be carefully considered by the board.
- Remuneration is reviewed on an annual basis with reference to comparable organisations and appointments.
- No Director is involved in making decisions relating to their individual remuneration.
- An externally-facilitated review of remuneration is carried out every three years.
- None of the directors has a service contract with the Company; they are all engaged under letters of appointment.

	Expected fees for the year to 31 December 2020	Fees for the year ended 31 December 2019
Chairman	£46,000	£46,000
Senior Independent Director and Chair of the Management Engagement Committee	£35,000	£35,000
Chairman of the Audit, Risk and Valuation Committee	£40,000*	£35,000**
Non-executive director	£30,000	£30,000

* £40,000 per annum from 1 April 2020.
** Increased to £80,000 per annum on 28 June 2019 following the appointment of the Chairman of the Committee and the enlarged role.

Governance

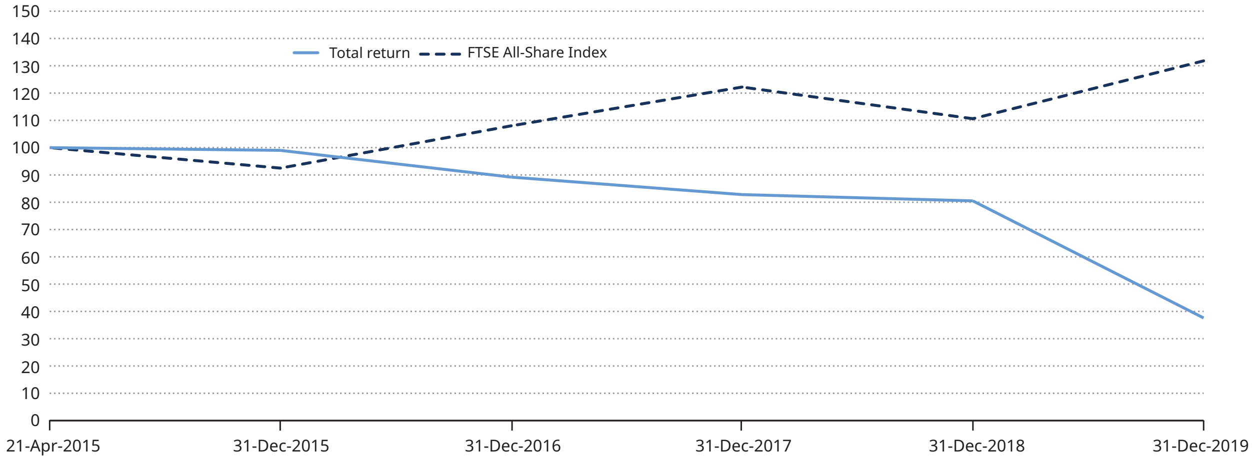
Directors' Remuneration Report

Company performance

The graph below shows the total return to ordinary shareholders compared to the total shareholder returns of the FTSE All-Share Index during the period since inception. This index has been selected as the most relevant, although there is no listed index that is directly comparable to the Company's portfolio.

Performance graph since 21 April 2015 (launch date)

Total return versus FTSE All-Share Index total return for the period from 21 April 2015 to 31 December 2019.[1]



[1]Source: Morningstar/Thomson Reuters. Rebased to 100 at 21 April 2015. Definitions of terms and performance measures are provided on page 77.

Directors' fees (audited)

The Directors who served during the year received the following emoluments.

	Fees 2019 £	2018 £
Susan Searle (Chairman)	**46,000**	40,000
Raymond Abbott[1]	**7,500**	–
Scott Brown	**30,000**	27,000
Stephen Cohen[2]	**40,308**	–
Carolan Dobson[3]	**15,000**	27,000
Steven Harris[4]	**24,981**	32,000
Alan Hodson[5]	**12,523**	28,167
Louise Makin[6]	**22,500**	27,000
Jane Tufnell[7]	**11,102**	–
	209,914	181,167

[1]Appointed as a director on 1 October 2019.
[2]Appointed as a director on 28 June 2019.
[3]Resigned as a director on 28 June 2019.
[4]Resigned as a director on 30 September 2019.
[5]Resigned as a director on 16 May 2019.
[6]Resigned as a director on 1 October 2019.
[7]Appointed as a director on 2 September 2019.

The table below compares the remuneration payable to directors, to distributions made to shareholders during the year under review and the prior year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	% Change
Remuneration payable to directors	**210**	181	+16.0
Distributions paid to shareholders	**–**	–	–

Directors' Remuneration Report

Directors' interests (audited)

There is no requirement for any director to own shares in the Company. The interests of the directors in the shares of the Company are set out below:

	31 December 2019	31 December 2018
Susan Searle	**151,062**	51,062
Raymond Abbott	**27,075**	N/A
Scott Brown	**78,269**	24,341
Stephen Cohen	**309,737**	N/A
Jane Tufnell	**280,000**	N/A

There have been no changes to any of the above holdings between 31 December 2019 and the date of this report.

Voting at AGM

At the AGM held on 16 May 2019, 98.34% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 1.65% were against. 494,360 votes were withheld. 99.90% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration report for the year ended 31 December 2018 were in favour, while 0.09% were against. 43,191 votes were withheld.

Approval of the annual report on remuneration

The annual report on remuneration was approved by the board on 30 April 2020.

By order of the board

Susan Searle
Chairman

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss of the Company for that period.

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

– present fairly the financial position, financial performance and cash flows of the Company;

– select suitable accounting policies in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and then apply them consistently;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– make judgements and estimates that are reasonable and prudent;

– state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the strategic report, the directors' report, the directors' remuneration report and the report of the Audit, Risk and Valuation Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules.

The directors have delegated responsibility to the Portfolio Manager for the maintenance of the Company's corporate and financial information included on its web pages. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names are listed on pages 27 and 28, confirms that, to the best of their knowledge:

– the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company; and

– the strategic report contained in the annual report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The AIC Code of Corporate Governance requires directors to ensure that the annual report and financial statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the board has requested that the Audit, Risk and Valuation Committee advises on whether it considers that the annual report and financial statements fulfil these requirements. The process by which the Audit, Risk and Valuation Committee has reached these conclusions is set out in its report on pages 35 to 37. As a result, the board has concluded that the annual report and financial statements for the year ended 31 December 2019, 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.

Signed on behalf of the board of directors by:

Susan Searle
Chairman

30 April 2020

Independent Auditor's Report to the Members of Schroder UK Public Private Trust plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Schroder UK Public Private Trust plc (the Company) for the year ended 31 December 2019, which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its net loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on page 21 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit);
- the directors' confirmation, set out on page 21 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the Company (including the impact of Brexit), including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 26 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statements relating to going concern and the prospects of the Company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 26 of the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's Report to the Members of Schroder UK Public Private Trust plc

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Overview of our audit approach

- Overall materiality: £8,820,000, which represents 1.8% of the Company's net assets at the planning stage of the audit;
- Key audit matters were identified as valuation of quoted investments, valuation of unquoted investments and going concern assumption; and
- Our audit approach was a risk-based substantive audit focused on the investment activities of the Company. There was no change in our approach from the prior year.

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 that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of quoted investments In accordance with the Company's long-term objectives, the Company holds a significant portfolio of Level 1 quoted investments. These investments represent 9.5% or £53,476,000 (2018: 23.3% or £224,847,000) of the Company could have a material impact on its portfolio of investments and Net Asset Value. We therefore identified the valuation of quoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: – Assessing the design and implementation of the processes and controls in place at the Company's administrators in relation to the investment valuation process; – Assessing the appropriateness of the Company's accounting policy on investment valuation and whether it was in accordance with the financial reporting framework, including FRS 102, and checking its consistent application; and – Agreeing the valuation of all quoted investments to an independent source of market prices and considering whether these investments were quoted in an active market. The Company's accounting policy on valuation of investments is shown in note 1(b) to the financial statements and related disclosures are included in note 9. The Audit, Risk and Valuation Committee identified valuation of the investment portfolio, including the unquoted holdings as a significant issue in its report on page 36 where the Audit, Risk and Valuation Committee also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the valuation of quoted investments.

Independent Auditor's Report to the Members of Schroder UK Public Private Trust plc

Key audit matter	How the matter was addressed in the audit

Valuation of unquoted investments
 	
In accordance with the Company's long-term objectives, the Company holds a significant portfolio of Level 3 unquoted investments, which are valued using inputs which are unobservable. These investments represent 90.5% or £507,639,000 (2018: 76.9% or £738,766,000) of the Company's total investments of £561,115,000 (2018: £963,613,000).
 	
Valuations of unquoted investments are subjective and can include judgements and subjective estimates. These include the valuation methodology to be used and key input assumptions such as discount rates and probability weightings on possible outcome scenarios.
 	
The subjective nature and complexity inherent in the process introduces a risk that the fair value measurements of these unquoted companies may not be accurate.
 	
We therefore identified valuation of unquoted investments as a significant risk, which was one of the most significant assessed risks of material misstatement.
	Our audit work included, but was not restricted to:
	
	– Assessing the appropriateness of the Company's accounting policy on investment valuation and whether it was in accordance with the financial reporting framework, including FRS 102, and checking its consistent application year on year;
	– Assessing the design and implementation of the processes and controls in place at the Alternative Investment Fund Manager (AIFM) in relation to the investment valuation process for Level 3 investments
	– Assessing the qualifications, experience and expertise of the Company's AIFM and its outsourced service provider (collectively the 'valuers') to prepare investment valuations on behalf of the Company;
	– Obtaining an understanding of the performance of investee companies against milestones and any relevant funding rounds in the year which may affect the fair value of these investments through discussions with the investment manager and independent research of publicly available information;
	– Assessing whether the valuation methodologies used by the valuers were in accordance with International Private Equity and Venture Capital Valuation Guidelines and FRS 102;
	  • Using our internal valuation specialists to assess the appropriateness of key judgements and assumptions used in the valuations. Specifically:
	  • Assessing the appropriateness of the valuation models used by the valuers and their appropriateness;
	  • Challenging the valuers to calibrate investment valuations to appropriate funding rounds and consider alternative valuation methodologies where possible;
	  • Assessing the reasonableness of the key input assumptions used in the valuations, such as the discount rates used, the probability weightings applied and potential outcome scenarios; and
	  • Checking the mathematical accuracy of the models and obtaining corroborative information to support inputs where applicable.
	
	The Company's accounting policy on valuation of investments is shown in note 1(b) to the financial statements and related disclosures are included in note 9. The Audit, Risk and Valuation Committee identified valuation of the investment portfolio, including the unquoted holdings as a significant issue in its report on page 36 where the Audit, Risk and Valuation Committee also described the action that it has taken to address this issue.
	
	Key observations
	Our audit work did not identify any material misstatements concerning the valuation of unquoted investments.

Financial

Independent Auditor's Report to the Members of Schroder UK Public Private Trust plc

Key audit matter	How the matter was addressed in the audit
Going concern assumption The directors are required to prepare the financial statements on a going concern basis unless they intend to liquidate the Company or have no realistic alternative but to do so. The directors are required to consider the ability of the Company to meet its financial obligations as they fall due for a period of at least 12 months from the date of the approval of the financial statements. The Company's total gross value of investments at the year-end is £561,115,000 and it has drawn down £112,900,000 on its term facility agreement, which is due for repayment in January 2021. The loan facility has covenants relating to the level of cash and quoted assets required to be maintained by the Company. Furthermore, the outbreak of COVID-19 and the resulting economic and financial markets impact could have a significant adverse impact on the performance of the Company. This could potentially lead to improper application of the going concern assumption. We therefore identified going concern assumption as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our work included but was not restricted to: – Ascertaining that the directors' going concern assessment covers at least a period of twelve months from the date of approval of the financial statements; – Assessing the cash flow forecasts supporting the director's assessment; – Challenging the portfolio manager on the key assumptions and sensitivities relating to expected realisations; – Holding discussions with the Audit, Risk and Valuation Committee and the portfolio manager to determine whether, in their opinion, there is any material uncertainty regarding the Company's ability to pay liabilities as they arise; – Assessing and sensitising low and stress case scenarios including a reverse stress test to gain assurance over the Company's ability to realise assets and meet on-going operating and financial liabilities; and – Assessing the impact of COVID-19 on valuation of the Company's portfolio and challenged management on the resulting impact on the Company's loan facility. The Company's accounting policy on going concern and the related disclosure is shown in note 1(a) to the financial statements. The Audit, Risk and Valuation Committee identified going concern as a significant issue in its report on page 36 where the Audit, Risk and Valuation Committee also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any significant issues that the going concern assumption is incorrectly applied.

Our application of materiality

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

We determined materiality for the audit of the financial statements as a whole to be £8,820,000, which is 1.8% of the Company's net assets at the planning stage of the audit. This benchmark is considered the most appropriate because it is a key consideration in the evaluation of performance of the Company and is of primary interest to the users of the financial statements.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 due to a decrease in the net assets of the Company.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality. We also determined a lower level of specific materiality for certain areas such as investment income, administrative expenses and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the Audit, Risk and Valuation Committee to be £441,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent Auditor's Report to the Members of Schroder UK Public Private Trust plc

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. Our approach included:

- Periodically attending Audit, Risk and Valuation Committee meetings in order to document our understanding of the Company's investment valuation process, review of controls and UK Corporate Governance Code requirements;
- Obtaining an understanding of relevant internal controls at the Company's service providers by reading the service auditor's control report on the description, design and operating effectiveness of internal controls at the custodian and administrator;
- Performing walkthrough tests to assess design effectiveness of internal controls in relation to valuations of unquoted investments at the AIFM; and
- Performing substantive audit procedures on specific transactions and material balances and disclosures. The extent of this testing was based on various factors such as the control environment and our overall risk assessment.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the financial services sector in which it operates. We determined that the following laws and regulations were most significant: the Companies Act 2006, the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies, the UK Corporate Governance Code and the relevant provisions of HMRC's regulations applicable to an Investment Trust Company;
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries to management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of Board minutes and papers provided to the Audit, Risk and Valuation Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - identifying and assessing the design effectiveness of controls in place to prevent and detect fraud in an externally managed investment trust Company;
    - challenging assumptions and judgements made by management in its significant accounting estimates;
    - identifying and testing journal entries, in particular manual journal entries made at year end for financial statement preparation; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

We did not identify any key audit matters relating to irregularities, including fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 42 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit, Risk and Valuation Committee reporting set out on page 35 – the section describing the work of the Audit, Risk and Valuation Committee does not appropriately address matters communicated by us to the Audit, Risk and Valuation Committee; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on page 31 – 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.

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

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 42, 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.

Independent Auditor's Report to the Members of Schroder UK Public Private Trust plc

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.

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

Other matters which we are required to address

We were appointed by the Board on 24 February 2015. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years.

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

Our audit opinion is consistent with the additional report to the Audit, Risk and Valuation Committee.

Use of our report

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

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 April 2020

Income Statement
for the year ended 31 December 2019

	Note	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
(Losses)/gains on investments held at fair value through profit or loss		–	(421,175)	(421,175)	–	77,089	77,089
Losses on foreign forward currency contracts		–	(9,373)	(9,373)	–	(21,337)	(21,337)
Losses on foreign exchange		–	(1)	(1)	–	–	–
Income from investments	2	–	–	–	281	–	281
Gross (loss)/return		–	(430,549)	(430,549)	281	55,752	56,033
Portfolio management fee	3	–	–	–	–	–	–
Administrative expenses	4	(3,115)	–	(3,115)	(1,276)	–	(1,276)
Net (loss)/return before finance costs and taxation		(3,115)	(430,549)	(433,664)	(995)	55,752	54,757
Finance costs	5	(2,841)	–	(2,841)	(2,852)	–	(2,852)
Net (loss)/return before taxation		(5,956)	(430,549)	(436,505)	(3,847)	55,752	51,905
Taxation	6	–	–	–	–	–	–
Net (loss)/return after taxation		(5,956)	(430,549)	(436,505)	(3,847)	55,752	51,905
(Loss)/return per share	8	(0.67)p	(48.08)p	(48.75)p	(0.47)p	6.74p	6.27p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net (loss)/return after taxation is also the total comprehensive income for the year.

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

The notes on pages 54 to 69 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 December 2019

	Note	Called-up share capital £'000	Share premium £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 December 2017		8,270	813,099	(62,137)	(3,937)	755,295
Net return/(loss)		–	–	55,752	(3,847)	51,905
At 31 December 2018		8,270	813,099	(6,385)	(7,784)	807,200
Net loss		–	–	(430,549)	(5,956)	(436,505)
Issue of shares		816	78,105	–	–	78,921
Share issue costs		–	(187)	–	–	(187)
At 31 December 2019	13/14	**9,086**	**891,017**	**(436,934)**	**(13,740)**	**449,429**

The notes on pages 54 to 69 form an integral part of these accounts.

Financial

Statement of Financial Position at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	**561,115**	963,613
Current assets	10		
Debtors		**30**	11
Cash at bank and in hand		**2,234**	–
Derivative financial instruments held at fair value through profit or loss		**–**	1,065
		2,264	1,076
Current liabilities	11		
Creditors: amounts falling due within one year		**(1,050)**	(150,449)
Derivative financial instruments held at fair value through profit or loss		**–**	(7,040)
		(1,050)	(157,489)
Net current assets/(liabilities)		**1,214**	(156,413)
Total assets less current liabilities		**562,329**	807,200
Creditors: amounts falling due after more than one year	12	**(112,900)**	–
Net assets		**449,429**	807,200
Capital and reserves			
Called-up share capital	13	**9,086**	8,270
Share premium	14	**891,017**	813,099
Capital reserves	14	**(436,934)**	(6,385)
Revenue reserve	14	**(13,740)**	(7,784)
Total equity shareholders' funds		**449,429**	807,200
Net asset value per share	15	**49.46p**	97.61p

These accounts were approved and authorised for issue by the board of directors on 30 April 2020 and signed on its behalf by:

Susan Searle
Chairman

The notes on pages 54 to 69 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares

Company registration number: 09405653

Cash Flow Statement for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Return before finance costs and taxation	(433,664)	54,757
Adjustments for:		
Losses/(gains) on investments held at fair value through profit or loss	421,175	(77,089)
Net movement in foreign forward currency contracts	9,373	21,337
Net movement in foreign exchange	1	–
Increase in debtors	(19)	(7)
Increase /(decrease) in creditors	578	45
Net cash flows from operating activities	**(2,556)**	**(957)**
Cash flows from investment activities		
Purchases of investments	(137,143)	(117,186)
Proceeds from sales of investments	191,387	135,802
Settlement of foreign forward currency contracts	(15,349)	(15,362)
Net cash flow from investment activities	**38,895**	**3,254**
Cash flows from financing activities		
Issue of shares	6,000	–
Share issue costs	(187)	–
Finance costs	(2,852)	(2,852)
Net cash flow from financing activities	**2,961**	**(2,852)**
Net increase/(decrease) in cash and cash equivalents	39,300	(555)
Cash and cash equivalents at the beginning of the year	(149,966)	(149,411)
Reclassification of overdraft liabilities in the year[1]	112,900	–
Cash and cash equivalents at the end of the year	**2,234**	**(149,966)**

[1]Following the amendments to the term facility agreement with the Northern Trust Company the overdraft has been reclassified as a loan.

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

Schroder UK Public Private Trust plc (the Company) is registered in England and Wales as a public company limited by shares. The Company's registered office is Beaufort House, 51 New North Road, Exeter EX4 4EP, United Kingdom.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (UK GAAP), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the SORP) issued by the Association of Investment Companies in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts.

In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; the Company's cash flow forecasts and the liquidity of the Company's investments.

The financial statements have been prepared on a going concern basis (see page 26) and on assumption that approval as an investment trust will continue to be granted.

The Company has adopted the provisions of Sections 11 and 12 of FRS 102 for measuring and disclosing its financial instruments.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 December 2018.

Certain judgements, estimates and assumptions have been required in valuing the Company's investments and these are detailed below.

(b) Valuation of investments

Investments that are quoted on an exchange are valued using the relevant bid price as recorded on that exchange on pages 62 and 63. Where there is no material trading in those investments on the exchange, the investment, will, for valuation purposes, be treated as if it were an unquoted investment and valued using the process described below.

Investments in the shares of individual companies that are not quoted on any Stock Exchange (unquoted investments) are a significant activity of the Company and represent a significant asset of the Company.

Such investments are held at fair value, which requires significant estimation in concluding on their fair value. While there is a robust and consistent valuation process undertaken by the AIFM, it is recognised that in stating these assets at fair value there is a significant element of estimation uncertainty. Central to this uncertainty is the assumption that such assets will continue to progress in line with their stated business plan and will be held for the longer term until exit, generally where either the company is sold to an interested party or lists on an appropriate exchange. The core to that estimation judgement is the potential failure of any individual unquoted investment to progress in accordance with their business plan and such failure could result in a material change to the fair valuation of that company. In line with the LFS Fair Value Policy for reviewing investment valuations, the assumptions and estimates made in determining the fair value of each unquoted investment are considered at least each six months or sooner if there is a triggering event. An example of where a valuation would be considered out of the six-month cycle is the failure of a drug under development to meet an anticipated outcome of its trial, or other performance against tangible development milestones.

From January 2020, in line with the move to publishing a quarterly NAV, a full valuation review will be undertaken by LFS in June and December, with a review undertaken in March and September. In the event of a triggering event being identified intra the valuation review process, an ad-hoc valuation will be undertaken.

The judgements to the estimations of fair value are considered on an ongoing basis including considering impact of events in the wider market. In making these estimates, appropriate care is taken to consider the nature and inherent uncertainties of market events and their impact on the fair value of unquoted assets.

While there may be market speculation about potential transaction activity in portfolio companies, such matters are not taken into account in the valuation process until the information is public and can be considered as an observable market transaction.

In determining the fair value of the unquoted investments, the AIFM, as set out in the unquoted securities valuation policy above, has done so in accordance with the following principles, which are consistent with the IPEVCV guidelines. It should be noted that the IPEVCV guidelines were revised in December 2018. The revisions became effective from the 1 January 2019 and were adopted at that time by the AIFM. The key enhancement to note in the revised IPEVCV guidelines is the removal of the price of a recent investment as a specific valuation technique. This revision was made to reinforce the premise that fair value must be estimated at each measurement date, which ensures a level of consistency with applicable accounting standards.

1. the following factors will be considered in determining the fair value of an asset:
    - (i) the price of a recent investment, whilst an indicator of fair value, is not a default that would preclude re-estimating the valuation at the valuation date. However, if the price of recent investment is determined to be fair value then it is used to calibrate inputs to the valuation model(s); or
    - (ii) where a value is indicated by a recent material arms-length transaction by an independent third party in the shares of a company, and after it is established that this is fair then this value will be used, unless the rights attributable to the shares impact the overall capital structure and rights of existing investors; or
    - (iii) in the absence of (i) and (ii), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation models such as:
        - (a) Probability-weighted expected return method (PWERM), which considers on a probability weighted basis the future outcomes for the investment.
        - (b) Option priced modelling (OPM) is used to value early stage companies where outcomes are uncertain.
        - (c) Adjusted recent transaction prices (which consider the company's performance against key milestones and the complexity of the capital structure) are also used.
        - (d) Discounted cash flow model which values a business based on estimates of future cash-flows with an appropriate discount rate.
    - (iv) if the investment is in a fund then the valuation will be based on the NAV of the fund (which is invariably comprised of early-stage unquoted investments), or on an adjusted basis to recognise the underlying performance of the investments.

Where models are used in valuing an investment, significant judgements are made in estimating the various inputs into the models and recognising the sensitivity of such estimates, especially in early-stage pre-revenue enterprises. Examples of the factors where significant judgement is made include, but are not limited to – the probability assigned to the relative success or failure of an enterprise; the probable future outcome paths; discount rates; growth rates; terminal value; selection of appropriate market comparable companies, the reliability of future revenue and growth forecasts and the likely exit scenarios for the investor company, for example, IPO or trade sale. In making judgements in regard to the probability of an investee outcome, it must be noted that due to the nature of the investee company's activity, its future outcome may, to a greater or lesser extent, be binary, for example, if an investee company is developing one particular drug and that fails its required trials then the outcome may be terminal for that enterprise. It should be noted that the most significant event that will drive valuation change in investee companies are company-specific events that would give rise to a valuation inflexion point (known also as a 'triggering event'). An example of a material inflexion point in a bio-pharma company would be the successful completion of a drug trial or its approval by a regulatory authority.

These valuation methods may lead to a company being valued on a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified when compared to the market sector (which the investment would reside in were it listed) including, inter alia, a lack of marketability).

At 31 December 2019, 0 per cent (31 December 2018; 43.1 per cent) of the NAV was valued in accordance with 1(i); 31.4 per cent (31 December 2018: 0.0 per cent) in accordance with 1(ii); 78.3 per cent (31 December 2018: 42.8 per cent) in accordance with 1(iii); and 3.1 per cent (31 December 2018: 5.6 per cent) in accordance with 1(iv).

(c) Accounting for reserves

Capital reserve

This reserve reflects any:

- gains or losses on the disposal of investments
- exchange differences of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital column of the Income Statement; and
- expenses which are capital in nature

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue reserve

This reserve reflects all income and expenditure recognised in the revenue column of the Income Statement and any surplus is distributable by way of dividend.

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are included gross of any withholding tax.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue, except that:

– Any performance fee is charged wholly to capital.

– Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given are given in note 9 on page 60.

(f) Finance costs

Finance costs, comprising loan and overdraft interest, are allocated wholly to revenue.

(g) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Bank overdrafts and loans are included in current liabilities, or creditors falling due after more than one year, depending on the terms of the facility agreement.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Any derivative financial instruments held at the year end, including forward foreign currency contracts, are included in current assets or current liabilities in the Statement of Financial Position at fair value, using market prices. Forward foreign currency contracts are valued at the gain or loss if the contracts had been closed out at the accounting date, at prevailing market rates.

Gains or losses on derivative financial instruments are treated as capital or revenue depending on the motive and circumstances of the transaction. Where positions are undertaken to protect or enhance capital, the returns are capital and where they are generating or protecting revenue, the returns are revenue.

(h) Taxation

The tax charge for the year includes a provision for all amounts expected to be received or paid. Deferred tax is provided on all timing differences that have originated but not reversed by the accounting date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised. Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax (VAT)

Expenses are disclosed inclusive of any related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency and the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction.

Notes to the Accounts

(k) Share issues

Shares issued are recognised based on the proceeds or fair value received, with the excess of the amount received over their nominal value being credited to the share premium account. Direct issue costs are deducted from share premium.

2. Income

	2019 £'000	2018 £'000
Income from investments:		
Overseas dividends	–	195
UK dividends	–	86
	–	281

3. Portfolio management fee

The Company appointed Schroder Investment Management Limited (Schroder) as Portfolio Manager, effective from 13 December 2019. Under the terms of the new management agreement, Schroder is entitled to a management fee and a performance fee, subject to achieving performance targets. Details of these calculations are set out in the Directors' Report on page 30. No fees are payable to Schroder in respect of the current year under the terms of the new agreement.

Under the terms of the previous management agreement, Woodford Investment Management Ltd was entitled to a fee, conditional upon meeting certain performance targets (a "performance fee"). No performance fee was earned to the contract termination date. No other management fee was payable under the terms of that agreement.

Details of all transactions with the current and previous Portfolio Managers are given in note 17 on page 62.

4. Administrative expenses

	2019 £'000	2018 £'000
Other administration expenses	1,869	643
Valuation fees	282	292
Directors' fees[1]	210	181
Company secretarial fee	122	74
Auditor's remuneration for the audit of the Company's annual accounts[2]	346	72
Auditor's remuneration for audit related services interim review[2]	286	14
	3,115	1,276

[1]Full details are given in the remuneration report on page 40.
[2]Annual audit fees includes VAT amounting to £46,000 (2018: £2,000). Interim review fees include VAT amounting to £38,000 (2018: £2,000).

5. Finance costs

	2019 £'000	2018 £'000
Bank loan/overdraft fees and interest	2,841	2,852

Financial

Notes to the Accounts

6. Taxation

(a) Analysis of tax charge for the year

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Taxation	–	–	–	–	–	–

The Company has no corporation tax liability for the year ended 31 December 2019 (2018: nil).

(b) Factors affecting tax charge for the year

The factors affecting the current tax charge for the year are as follows:

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Net return before taxation	(5,956)	(430,549)	(436,505)	(3,847)	55,752	51,905
Net return before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2018: 19.0%)	(1,132)	(81,804)	(82,936)	(731)	10,593	9,862
Effects of:						
Capital loss/(return) on investments	–	81,804	81,804	–	(10,593)	(10,593)
UK dividends which are not taxable	–	–	–	(16)	–	(16)
Loan relationship deficit not utilised	540	–	540	554	–	554
Movement in unutilised management expenses	560	–	560	230	–	230
Overseas dividends	–	–	–	(37)	–	(37)
Expenses not deductible for UK corporation tax purposes	32	–	32	–	–	–
Taxation	–	–	–	–	–	–

(c) Deferred taxation

The Company is not liable to corporation tax on its chargeable gains due to its status as an investment trust. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any chargeable gains and losses arising on the revaluation or disposal of investments.

The Company has an unrecognised deferred tax asset of £2,801,000 (2018: £1,816,000 – this amount has been adjusted to reflect the losses carried forward per the final submitted tax return) based on a prospective corporation tax rate of 17%. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised.

7. Dividends

No dividends have been paid or proposed in respect of the year ended 31 December 2019 (2018: nil).

8. (Loss)/return per share

	2019 £'000	2018 £'000
Revenue loss	(5,956)	(3,847)
Capital (loss)/return	(430,549)	55,752
Total (loss)/return	(436,505)	51,905
Weighted average number of shares in issue during the year	895,442,758	827,000,000
Revenue loss per share	(0.67)p	(0.47)p
Capital (loss)/return per share	(48,08)p	6.74p
Total (loss)/return per share	(48.75)p	6.27p

9. Investments held at fair value through profit or loss

(a) Movement in investments

	2019 £'000	2018 £'000
Opening book cost	**912,049**	895,783
Opening investment holding gains	**51,564**	9,501
Opening valuation	**963,613**	905,284
Purchases at cost	**137,143**	117,042
Investments received as consideration for share issue	**72,921**	–
Sales proceeds	**(191,387)**	(135,802)
(Losses)/gains on investments held at fair value through profit or loss	**(421,175)**	77,089
Closing valuation	**561,115**	963,613
Closing book cost	**820,226**	912,049
Closing investment holding (losses)/gains	**(259,111)**	51,564
Total investments held at fair value through profit or loss	**561,115**	963,613

The Company received £191,387,000 (2018: £135,802,000) from investments sold in the period. The book cost of the investments when they were purchased was £301,887,000 (2018: £100,776,000). These investments have been revalued over-time until they were sold; any unrealised gains/losses were included in the fair value of the investments.

On 28 February 2019, the Company entered into an agreement to acquire a portfolio of unquoted assets for £72.9 million from Woodford Equity Income Fund (WEIF) through the issuance of 75,432,424 new ordinary shares of one penny each in the capital of the Company. WEIF also subscribed for a further 6,206,814 new shares for £6.0 million in cash.

(b) Unquoted investments, including investments quoted in inactive markets

Material revaluations of unquoted investments during the year

	Opening valuation at 31/12/18[1] £'000	Valuation adjustment £'000	Closing valuation at 31/12/19 £'000
Rutherford Health	104,273	(23,462)	80,811
Benevolent AI	101,154	(67,647)	33,507
Immunocore	49,513	(25,481)	24,032
Kymab	23,054	(8,868)	14,186
Industrial Heat	94,346	(79,943)	14,403
Ombu	22,135	(8,087)	14,048
RateSetter	18,447	(11,738)	6,709
CeQur	13,899	(8,350)	5,549
Cell Medica	16,636	(12,436)	4,200
Scifluor Life Sciences	9,536	(8,113)	1,423
Precision Biopsy	14,454	(14,454)	–

[1]Based on the closing holding at opening prices.

Notes to the Accounts

Material disposals of unquoted investments during the year

	Book cost £'000	Carrying value at 31/12/18 £'000	Sales proceeds £'000	Gain/(loss) based on carrying value at 31/12/18 £'000
Oxford Sciences Innovation	36,068	40,600	41,446	846
Ultrahaptics	10,889	17,059	19,013	1,954
Accelerated Digital Ventures A	13,400	7,900	6,418	(1,482)

(c) Transaction costs

The following transaction costs, comprising stamp duty and brokerage commission, were incurred in the year:

	2019 £'000	2018 £'000
On acquisitions	**323**	66
On disposals	**945**	9
	1,268	75

10. Current assets

Debtors	2019 £'000	2018 £'000
Other debtors	**30**	11
	30	11

The directors consider that the carrying amount of debtors approximates to their fair value.

11. Current liabilities

	2019 £'000	2018 £'000
Creditors: amounts falling due within one year		
Bank overdraft	**–**	149,966
Other creditors and accruals	**1,050**	483
	1,050	150,449

The directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The bank overdraft at the prior year end was drawn down on the Company's £150 million facility with The Northern Trust Company. The Company has arranged an amended facility agreement during the year and further details are given in note 12 below.

12. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loan	**112,900**	–

On 13 December 2019, the Company amended its term facility agreement with the Northern Trust Company. At the year end the Company had drawn down £112,900,000 on the facility, which expires on 15 January 2021. The loan is secured on all the Company's assets. The agreement requires that, subject to an allowance for operating expenses, the proceeds of Private Asset sales must be used to make loan repayments, which cannot be redrawn. Furthermore, the Company may not make further

Notes to the Accounts

Private Asset investments until certain repayments have been made. The loan agreement also requires the Company to seek to maintain a balance between the listed and unlisted investments in the portfolio. Interest payable will be calculated at LIBOR, for one month or other agreed loan period, plus a margin of 1.5%.

Following the amendments to the term facility agreement with the Northern Trust Company the overdraft has been reclassified as a loan.

The directors consider that the carrying amount of creditors falling due after more than one year approximates to their fair value.

13. Called-up share capital

	2019 £'000	2018 £'000
Ordinary shares allotted, called up and fully paid:		
Ordinary shares of 1p each:		
Opening balance of 827,000,000 (2018: 827,000,000) shares	**8,270**	8,270
Issue of 81,639,238 (2018: nil) shares	**816**	–
Closing balance of 908,639,238 (2018: 827,000,000) shares	**9,086**	8,270

During the year, 81,639,238 new shares, nominal value £816,392, were issued to the LF Woodford Equity Income Fund at a price of 96.67p per share, being a premium to NAV per share and thus accretive to existing shareholders. The consideration amounted to £78.9 million, and comprised £72.9 million in unquoted assets and £6.0 million in cash.

14. Reserves

		Capital reserves		
	Share premium[1] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	813,099	(57,949)	51,564	(7,784)
Losses on sales of investments based on historic cost	–	(110,500)	–	–
Net movement in investment holding gains and losses	–	–	(310,675)	–
Losses on forward foreign currency contracts	–	(9,373)	–	–
Exchange losses	–	–	(1)	–
Issue of shares	78,105	–	–	–
Share issue costs	(187)	–	–	–
Retained revenue loss for the year	–	–	–	(5,956)
Closing balance	**891,017**	**(177,822)**	**(259,112)**	**(13,740)**

The Company's articles of association permit dividend distributions out of realised capital profits.

[1]The share premium is a non distributable reserve and represents the amount by which the fair value of the consideration received from shares issued exceeds the nominal value of shares issued.
[2]This is a realised (distributable) capital reserve and a positive balance may be used to repurchase the Company's own shares or distributed as dividends. However the Company is not currently in a position to make such a distribution as the balance is negative.
[3]This reserve may include some holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised. The Company is not currently in a position to make any distributions due to total net negative balances on its distributable reserves.
[4]A positive balance on the revenue reserve may be distributed as dividends or used to repurchase the Company's own shares. However the Company is not currently in a position to make such a distribution as the balance is negative.

15. Net asset value per share

	2019	2018
Net assets attributable to shareholders (£'000)	**449,429**	807,200
Shares in issue at the year end	**908,639,238**	827,000,000
Net asset value per share	**49.46p**	97.61p

Notes to the Accounts

16. Financial commitments

As at 31 December 2019, the Company had outstanding commitments of £5,467,000 (2018: £16,838,000) in respect of follow on investments subject to certain milestones and conditions.

17. Transactions with the Portfolio Manager and Alternative Investment Fund Manager (AIFM)

No management fee or performance fee is payable to Schroder Investment Management Limited for the year ended 31 December 2019.

No management fee was payable to Woodford Investment Management Limited under the terms of its agreement with the Company.

No performance fee is payable to Woodford Investment Management Limited for the year ended 31 December 2019 and none has been earned to date.

Fees amounting to £75,000 (2018: £75,000) were payable to Link Fund Solutions Limited for services as AIFM, of which £12,500 (2018: £6,250) was outstanding at the year end.

Fees amounting to £122,000 (2018: £74,000) were payable to Link Company Matter Limited for company secretarial services, of which £nil. (2018: £nil) was outstanding at the year end.

Fees amounting to £nil (2018: £104,000) were payable to Woodford Investment Management Limited as reimbursement for fees paid to third parties for services provided to the Company, of which £nil (2018: £41,000) was outstanding at the year end.

No director of the Company served as a director of any member of the Schroder Group, Woodford Investment Management Limited, Link Fund solutions Limited or its affiliates, at any time during the year.

As noted on page 29, Link Fund Solutions, having taken over as Manager of the Woodford Equity Income Fund, now renamed the LF Equity Income Fund, has voting control over 81,639,238 shares, or 8.98% of the Company. The board is informed that their decision-making in respect of this holding will be exercised independently of their function as AIFM of the Company.

18. Related party transactions

Details of the remuneration payable to directors are given in the directors' Remuneration Report on page 40 and details of directors' shareholdings are given in the directors' Remuneration Report on page 41. Details of transactions with the Portfolio Manager, the AIFM and its associated companies are given in note 17 above. There have been no other transactions with related parties during the year (2018: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

FRS 102 requires that financial instruments held at fair value are categorised into a hierarchy consisting of the three levels below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the Company's policy for valuing investments and any derivative instruments are given in note 1(b) on pages 54 and 55 and 1(g) on page 56. Level 3 investments have been valued in accordance with note 1(b)(i) - (iv).

At 31 December, the Company's investment portfolio and any derivative financial instruments were categorised as follows:

	2019 Level 1 £'000	2019 Level 2 £'000	2019 Level 3 £'000	2019 Total £'000
Investments in equities – quoted	53,476	–	80,811	134,287
– unquoted	–	–	426,828	426,828
Total	53,476	–	507,639	561,115

	2018 Level 1 £'000	2018 Level 2 £'000	2018 Level 3 £'000	2018 Total £'000
Investments in equities – quoted	224,847	–	110,903	335,750
– unquoted	–	–	627,863	627,863
Derivative financial instruments – forward currency contracts	–	(5,975)	–	(5,975)
Total	224,847	(5,975)	738,766	957,638

Movements in fair value measurements included in Level 3 during the year are as follows:

	2019 £'000	2018 £'000
Opening book cost	580,006	568,151
Opening investment holding gains	158,760	51,115
Opening valuation	738,766	619,266
Purchases at cost	126,733	109,913
Investments received as consideration for share issue	72,921	–
Sales proceeds	(81,390)	(79,844)
Transfer between unquoted/quoted	–	(61,016)
Net movement in investment holding gains and losses	(349,391)	150,447
Closing valuation	507,639	738,766
Closing book cost	702,358	580,006
Closing investment holding gains	(194,719)	158,760
Total level 3 investments held at fair value through profit or loss	507,639	738,766

The company received £81,390,000 (2018: £79,844,000) from Level 3 investments sold in the year. The book cost of the investments when they were purchased was £77,302,000 (2018: £37,042,000). These investments have been revalued over-time until they were sold any unrealised gains/losses were included in the fair value of the investments.

20. Financial instruments' exposure to risk and risk management policies

The investment objective is set out on the inside front cover of this report. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These financial risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The board coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments may comprise the following:

- investments in shares of quoted and unquoted companies which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations;
- a bank loan/overdraft with Northern Trust Company, the purpose of which is to assist in financing the Company's operations; and

Notes to the Accounts

– forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Company's investment activities.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements: currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

Further price risks exist within the Company's portfolio of assets, each of which may cause volatility in the value of the Company's assets. Market risk, which comprises three elements – currency risk; interest rate risk and other price risk, is the main consideration in this judgement and estimation of its potential impact. Currency risk is considered important here as circa 34 per cent of the NAV is valued in USD (which is converted at the prevailing exchange rate to GBP for the calculation of the NAV). This significance is heightened due to the continuing uncertainty as to how Brexit will impact the relative value of GBP to USD, and post year end the general turmoil in the market due to COVID-19. The other factor considered is other price risk, which can be attributed to the general circumstances facing the Company. The below table illustrates the effect if these matters combined in a negative or positive outcome of 10 and 20 per cent of NAV.

Percentage movement	31 December 2019 Increase in fair value £'000	31 December 2018 Increase in fair value £'000	31 December 2019 Decrease in fair value £'000	31 December 2018 Decrease in fair value £'000
10%	56,112	96,361	(56,112)	(96,361)
20%	112,224	192,722	(112,224)	(192,772)

Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling, which is the Company's functional currency and the presentational currency of the accounts. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The AIFM monitors the Company's exposure to foreign currencies on a daily basis and reports to the board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. The Company may use foreign currency borrowings or forward foreign currency contracts to limit the exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Income denominated in foreign currencies is converted into sterling on receipt.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31 December are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	Euro £'000	Norwegian krone £'000	2019 Swiss francs £'000	US dollars £'000	Total £'000
Cash	–	–	–	**15**	**15**
Derivative instruments held at fair value through profit or loss – forward currency contracts	–	–	–	–	–
Investments held at fair value through profit or loss	–	**5,389**	**5,549**	**151,308**	**162,246**
Total net foreign currency exposure	–	**5,389**	**5,549**	**151,323**	**162,261**

	Euro £'000	Norwegian krone £'000	2018 Swiss francs £'000	US dollars £'000	Total £'000
Derivative instruments held at fair value through profit or loss – forward currency contracts	(6,142)	(10,613)	(12,151)	(287,481)	(316,387)
Investments held at fair value through profit or loss	6,896	11,469	13,899	326,973	359,237
Total net foreign currency exposure	754	856	1,748	39,492	42,850

The above year end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of net profit for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's currency financial instruments held at each accounting date and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against all the currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened by 10% this would have had the following effect:

	2019 £'000	2018 £'000
Income Statement – return after taxation		
Revenue return	–	–
Capital return	16,226	4
Total return after taxation	16,226	4
Net assets	16,226	4

Conversely if sterling had strengthened by 10% this would have had the following effect:

	2019 £'000	2018 £'000
Income Statement – return after taxation		
Revenue return	–	–
Capital return	(16,226)	(4)
Total return after taxation	(16,226)	(4)
Net assets	(16,226)	(4)

In the opinion of the directors, the above sensitivity analysis with respect to financial assets and liabilities is broadly representative of the whole of the current and comparative year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash balances and the interest payable on the bank loan/overdraft when interest rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The board would not normally expect gearing to exceed 20% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**2,234**	(149,966)
Creditors: amounts falling due after more than one year – bank loan	**(112,900)**	–
Net exposure	**(110,666)**	(149,966)

Interest receivable on cash balances is at a margin below LIBOR (2018: same).

During the year, the Company agreed a new loan facility with Northern Trust Company to 15 January 2021 to replace its overdraft facility. Interest is calculated at LIBOR, for one month or other agreed loan period, plus a margin of 1.5%.

The above year end amounts are broadly representative of the exposure to interest rates during the year.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.25% (2018: 0.25%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the accounting date with all other variables held constant.

	2019		2018	
	0.25% increase in rate £'000	0.25% decrease in rate £'000	0.25% increase in rate £'000	0.25% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**(277)**	**277**	(375)	375
Capital return	**–**	**–**	–	–
Total return after taxation	**(277)**	**277**	(375)	375
Net assets	**(277)**	**277**	(375)	375

(iii) Market price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

Management of market price risk

The board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular countries and industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The board may authorise the Manager to enter derivative transactions for the purpose of protecting the portfolio against falls in market prices.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 December comprises the following:

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	**561,115**	963,613

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

A sector and geographical analysis of the Company's investments is given on page 11. This shows a concentration of exposure to economic conditions in the United Kingdom and to the Health Care sector. In addition, it is noted that as the Company's holds five investments amounting to approximately £280.9 million, 64% of NAV, whose valuation is deemed to be potentially volatile, as it is dependent on a number of factors including future funding and meeting of anticipated milestones.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2018: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions.

	2019		2018	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	–	–	–	–
Capital return	56,112	(56,112)	96,361	(96,361)
Total return after taxation and net assets	56,112	(56,112)	96,361	(96,361)
Percentage change in net asset value	12.5%	(12.5%)	11.9%	(11.9%)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

The Company has a bank loan facility of £112,900,000 which expires on 15 January 2021 and has certain conditions attached, as detailed in note 12 on pages 60 and 61.

The Company's assets include readily realisable securities amounting to £53,476,000 (2018: £224,847,000), which can be sold to meet ongoing funding requirements. Additionally, the company has level 3 investments which are illiquid but can be realised to generate proceeds to pay down the loan. At 31 December 2019, the total level 3 securities are valued at £507,639,000 (£738,766,000).

Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	2019				2018	
	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000	Three months or less £'000	Total £'000
Creditors: amounts falling due within one year						
Bank overdraft – including interest	–	–	–	–	149,966	149,966
Other creditors and accruals	939	–	–	939	483	483
Derivative financial instruments held at fair value through profit or loss	–	–	–	–	7,040	7,040
Creditors: amounts falling due after more than one year						
Bank loan – including interest	696	1,755	112,998	115,449	–	–
	1,635	1,755	112,998	116,388	157,489	157,489

Financial

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The credit ratings of broker counterparties is monitored by the AIFM and limits are set on exposure to any one broker.

Exposure to the Custodian

The custodian of the Company's assets is Northern Trust Company which has Long-Term Credit Ratings of AA- with Fitch and Aa2 with Moody's.

The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash at bank and in hand represent the maximum exposure to credit risk at the current and comparative year ends. No debtors are past their due date and none have been provided for.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value, or the balance sheet amount is a reasonable approximation of fair value.

21. Analysis of changes in net debt

	At 1 January 2019 £'000	Cashflows £'000	Other non-cash changes £'000	At 31 December 2019 £'000
Cash and Cash Equivalents				
Cash	–	2,234	–	2,234
Overdrafts	(149,966)	37,066	112,900	–
	(149,966)	39,300	112,900	2,234
Borrowings				
Debt due after one year	–	–	(112,900)	(112,900)
Net debt	(149,966)	39,300	–	(110,666)

22. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

	2019 £'000	2018 £'000
Debt		
Bank loan	**112,900**	149,966
Equity		
Called-up share capital	**9,086**	8,270
Reserves	**440,343**	798,930
	449,429	807,200
Total debt and equity	**562,329**	957,166

23. Events after the accounting date that have not been reflected in the financial statements

The Directors have also sought to assess the impact of COVID-19 on the NAV and have used two separate methodologies. On the one hand a bottom up analysis of individual companies based on work already done for the March 31st NAV by LFS as AIFM and responsible for valuation, suggests an aggregate impact of -3.3%. On the other hand, using a portfolio-weighted basket of relevant stock market sector indices and looking at their percentage change from December 31st through April 17th, the suggested portfolio NAV impact is -7.4%. This latter approach assumes that the main factor in changing stock market valuations over the period was the emergence of the COVID-19 pandemic.

Clearly, at the time of writing realistic forecasting even of the short term impact of this global pandemic let alone the longer term impact is very difficult and such forecasting may well be subject to the train of rapidly unfolding events. Thus, with all due caveats, the Directors believe that, as currently assessed, the impact from COVID-19 on the portfolio NAV up until April 17th has been in the range of -3% to - 8%. The Company will be releasing the March 31st, 2020 NAV during the second calendar quarter of 2020 which should provide a more up to date indication of the COVID-19 impact on the portfolio.

Subsequent to the year end, the Company has made repayments totalling £5.9 million of its bank loan, which now amounts to £107.0 million, at April 17th 2020.

Annual General Meeting – Recommendations

COVID-19 and the AGM

In light of the rapidly evolving situation and recent government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM. The safety and security of our shareholders, service providers, officers, and guests is of paramount importance to us. While the Government's "Stay at Home Measures" are in force public gatherings of more than two people are prohibited. Shareholders are therefore asked not to attend the AGM in person but instead to vote by proxy.

We also ask shareholders to follow the current advice of the Government and Public Health England, noting the current guidance on travel and the limits on numbers at public gatherings.

The Company's AGM will be held on Friday, 5 June 2020 at 10.30am. Shareholders are being asked to vote on various items of business, being:

- the receipt of the Company's annual financial statements for the year ended 31 December 2019, together with the strategic report, directors' report and the auditor's report on those financial statements;
- the receipt and approval of the directors' remuneration report;
- the election/re-election of directors; and
- the re-appointment of Grant Thornton UK LLP as auditor and the authorisation of the Audit, Risk and Valuation Committee to determine the remuneration of the auditor.

Resolutions relating to the following items of business will also be proposed at the forthcoming AGM.

Resolution 10: authority to allot shares

Resolution 10 set out in the Notice of AGM is an ordinary resolution and will, if passed, authorise the directors to allot up to 90,863,900 ordinary shares of 1p each with a nominal value of £908,639 or 10 per cent of the Company's shares in issue at the date at which this resolution is passed, which will replace the current authority granted to the directors at the last AGM. This authority will expire at the AGM to be held in 2021 when a resolution to renew the authority will be proposed.

The shares will only be issued at NAV or at a premium to NAV at the time of issue and at a time when the directors believe it to be in the best interest of the Company's shareholders.

Resolution 11: change of investment policy

Resolution 11 set out in the Notice of AGM is an ordinary resolution. The directors are seeking approval of a change to the Company's investment policy to reflect the strategy that Schroders will deploy in managing the portfolio and to provide the necessary flexibility in the short term with regards to the minimum number of holdings and the mix of private and public assets.

This change will impact two of the Company's investment restrictions: (i) it is proposed that the minimum number of holdings within the Company's portfolio be reduced from 40 holdings to 30 holdings; and (ii) it is proposed that the limit on unquoted holding of up to 80% of gross assets, at the time of investment, be removed and replaced with a long-term intention for quoted companies to be not less than 20% of gross assets, although the actual exposure may vary from time to time.

The revised investment policy, with the proposed changes highlighted for ease of reference, is set out below.

Investment Policy

Asset allocation and risk diversification

~~The Company invests in a diversified portfolio with a focus on UK companies (either incorporated in the UK or traded on a UK exchange), both quoted and unquoted. As these companies evolve, the geographical profile of the portfolio may also change to become more global in nature for reasons such as an overseas listing or as the result of changes to the capital value of a non-UK company.~~

~~The Company invests in:~~

~~early-stage companies, which are likely to include both quoted and unquoted companies; and mid- and large-capitalisation quoted, mature companies.~~

<u>The Portfolio Manager employs a collaborative, team-based approach combining skills, experience and research resources across its public and private equity teams. It aims to identify private equity investments which demonstrate an optimal combination of fast growing, high quality companies with strong management teams and co-investors, and public companies with innovative business models, a focus on organic growth and high-quality management.</u>

The actual portfolio composition at any one time will reflect the opportunities available to the Portfolio Manager, the performance of the underlying investee companies and the maturity of the portfolio.

The Company's portfolio will typically consist of ~~40~~<u>30</u>-80 holdings <u>predominantly in UK companies</u>. The Company may become a significant shareholder in any of the underlying portfolio companies.

<u>While the intention is for quoted companies to represent not less than 20 per cent. of gross assets over the long-term, the actual exposure may vary from time to time reflecting the maturity of the portfolio and market environment at that time.</u>

The Company's portfolio is constructed on the basis of an assessment of the fundamental value of individual securities and is not structured on the basis of sector weightings. The Company's portfolio is diversified across a number of sectors and, while there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

Annual General Meeting – Recommendations

Investment restrictions

The Company is subject to the following investment restrictions:

- ~~investment in unquoted companies will be limited to 80 per cent. of gross assets at the time of investment;~~
- the Company's portfolio shall be invested in a minimum of ~~40~~30 holdings;
- the Company shall not invest more than 10 per cent of its NAV at the time of initial investment in an investee company save that the Portfolio Manager may make further investments into an investee company subject to an aggregate investment limit in any investee company of 20 per cent of NAV at the time of investment;
- the Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure, but such investment will be unleveraged and (other than in relation to investment in money market funds for the purposes of cash management) limited, in aggregate, to 10 per cent of NAV at the time of investment; and
- with respect to cash deposits, the Company shall not have exposure of more than 10 per cent of NAV, at the time of investment, to any one issuer.

Borrowing

The Company employs gearing of up to 20 per cent of NAV, calculated at the time of borrowing, for the purpose of capital flexibility, including for investment purposes. The Board oversees the level of gearing in the Company, and will review the position with the Portfolio Manager on a regular basis.

Resolution 12: authority to disapply pre-emption rights

Resolution 12 set out in the Notice of AGM is a special resolution and will, if passed, authorise the directors to allot up to 90,863,900 ordinary shares of 1p each, with a total nominal value of £908,639 or 10 per cent of the Company's shares in issue at the date at which this resolution is passed, for cash on a non-pre-emptive basis, which will replace the current authority granted to the directors at the last AGM. This authority will expire at the AGM to be held in 2021 when a resolution to renew the authority will be proposed.

The directors intend to use this authority at a time when they believe it to be in the best interests of the shareholders as a whole and to satisfy demand for the Company's shares. The shares will only be issued at NAV or at a premium to NAV at the time of issue.

Resolution 13: authority to buy back shares

Resolution 13 set out in the Notice of AGM is a special resolution and will, if passed, authorise the directors to buy back up to 136,205,021 ordinary shares of 1p each, with a nominal value of £1,362,050.21, or 14.99 per cent of the Company's shares in issue, at the date at which this resolution is passed, which will replace the current authority granted to the directors at the last AGM. No shares have been bought back under this authority during the year. The maximum price (exclusive of expenses) which may be paid by the Company in relation to any such purchase is the higher of:

(i) 5 per cent above the average of the mid-market value of shares for the five business days before the day of purchase; or

(ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price that may be paid is 1p per share, being the nominal price per share. The decision as to whether to buy back any ordinary shares will be at the discretion of the board. Ordinary shares bought back in accordance with the authority granted to the board will either be held in treasury or cancelled. If the shares are held in treasury, they may be reissued from treasury but will only be reissued at a price that is in excess of the Company's then prevailing NAV. The Company will fund any buyback by using the Company's cash resources or utilising the Company's loan facility. This authority will expire at the AGM to be held in 2021 when a resolution to renew the authority will be proposed.

Resolution 14: notice period for general meetings

Resolution 14 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold general meetings (other than annual general meetings) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2021. The directors will only call general meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means and when the matter needs to be dealt with expediently.

Recommendation

The board considers that all of the resolutions described above and disclosed on pages 72 and 73 are in the best interests of the Company's shareholders and are likely to promote the success of the Company. The directors recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

The following information to be discussed at the forthcoming AGM is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Notice of Annual General Meeting (AGM)

Notice is hereby given that the fourth AGM of Schroder UK Public Private Trust plc (the Company) will be held at 10.30 am on Friday, 5 June 2020 at the offices of Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU to transact the business set out in the resolutions below.

Resolutions 1 to 11 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 12 to 14 will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Ordinary resolutions

1. To receive the Company 's Annual Report and financial statements for the year ended 31 December 2019 together with the strategic report, directors' report and the auditor's report on those financial statements.
2. To approve the directors' remuneration report set out on pages 39 to 41 of the Company's annual report and financial statements for the year ended 31 December 2019.
3. To elect Raymond Abbott as a director.
4. To elect Stephen Cohen as a director.
5. To elect Jane Tufnell as a director.
6. To re-elect Susan Searle as a director.
7. To re-elect Scott Brown as a director.
8. To re-appoint Grant Thornton UK LLP as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next meeting at which financial statements are laid before the Company.
9. To authorise the Audit, Risk and Valuation Committee to determine the remuneration of the auditor.
10. THAT, in accordance with Section 551 of the Companies Act 2006 (the Act), the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £908,639, representing approximately 10 per cent of the Company's issued ordinary share capital as at the date of this Notice (or, if changed, the number representing 10 per cent of the issued share capital of the Company at the date at which this resolution is passed), such authority to expire at the conclusion of the AGM of the Company to be held in 2021, (unless previously renewed, varied, revoked or extended by the Company in general meeting), save that the Company may, before such expiry, make offers or agreements which would or might require ordinary shares to be allotted after such expiry, and the directors may allot ordinary shares in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
11. THAT the amended investment policy, including the amendments to the investment restrictions, as set out on pages 70 and 71 of the Company's Annual Report and Financial Statements for the year ended 31 December 2019 and produced to the meeting, be and is hereby approved in substitution for the Company's existing investment policy.

Special resolutions

12. THAT subject to the passing of Resolution 10, and in accordance with Sections 570 and 573 of the Act, the directors be and are hereby generally empowered to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority conferred on the directors by Resolution 10 and to sell ordinary shares from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £908,639 (being 10 per cent of the issued ordinary share capital of the Company at the date of this Notice), (or, if changed, the number representing 10 per cent of the issued share capital of the Company at the date at which this resolution is passed), such power to expire at the conclusion of the AGM of the Company to be held in 2021 (unless previously renewed, varied, revoked or extended by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require ordinary shares to be allotted or sold from treasury after the expiry of such power and the directors may allot or sell ordinary shares from treasury in pursuance of such an offer or agreement as if such power had not expired.
13. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 1p each in the capital of the Company, provided that:
    (a) the maximum number of ordinary shares which may be purchased is 136,205,021 (or if changed, the number representing 14.99 per cent of the ordinary shares in issue at the date which this resolution is passed);

Notice of Annual General Meeting

(b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 1p;

(c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share shall be to the higher of:

   (i) an amount equal to 105 per cent of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased; and

   (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out.

This authority shall expire at the conclusion of the AGM of the Company to be held in 2021 (unless previously revoked, varied, renewed or extended by the Company in general meeting) save that the Company may, before such expiry, enter into a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority.

14. THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the board

Link Company Matters Limited
Company Secretary

Beaufort House,
51 New North Road,
Exeter,
EX4 4EP

30 April 2020

Important Notes to the Notice of Meeting

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders entered on the Company's register of members at close of business on Wednesday, 3 June 2020 or, if the meeting is adjourned, on the Company's register of members 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Company's register of members after close of business on Wednesday, 3 June 2020 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Members are entitled to appoint a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To appoint more than one proxy, members will need to complete a separate proxy in relation to each appointment.

3. The shareholders were duly notified that from 2018 onwards, the Company would no longer be posting proxy voting cards to shareholders in order to further reduce the environmental impact. This year, you can therefore appoint a proxy using one of the following methods:

   – via the registrars website www.signalshares.com. To vote online, you will need to log on to your Signal Shares account or register if you have not already done so. To register, you will need your investor code which can be found on your share certificate. Once registered, you will immediately be able to vote.

   – by requesting a hard copy by calling the registrar Link Asset Services on 0871 664 0391 (calls cost 12p per minute plus your phone company's access charge). From overseas call +44 (0) 371 664 0391. Calls outside the United Kingdom will be charged at the applicable international rate. Lines open between 9.00 a.m. – 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

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

6. The statement of the rights of shareholders in relation to the appointment of proxies in notes 3, 4 and 8 does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.

8. To be valid, any form of proxy or other instrument appointing a proxy must be received by the Company's Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of shares held through CREST, via the CREST system (see note 12 below). In each case, for proxy appointments to be valid, they must be received by no later than 10.30 am on Wednesday, 3 June 2020 (being 48 hours prior to the time of the meeting, not including non-working days). If you return more than one proxy appointment, either by paper or electronic communication, that received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully.

9. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described in note 12 overleaf) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuers' agent (ID RA10) by

Important Notes to the Notice of Meeting

10.30 am on Wednesday, 3 June 2020 (being 48 hours prior to the time of the meeting, not including non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers in relation to the same shares. To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment.
14. As at 29 April 2020 (being the last practicable business day prior to the publication of this Notice), the Company's issued share capital comprised 908,639,238 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company.
15. Under Section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
16. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
17. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day until the time of the AGM and may also be inspected at the AGM venue from 10.15am on the day of the meeting until the conclusion of the AGM:
    - copies of the directors' letters of appointment; and
    - a copy of the Articles of Association of the Company.
18. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
    A copy of this Notice, and other information required by Section 311A of the Act, can be found on the Company's website.

Alternative Investment Fund Management Directive disclosures

Report on remuneration

The AIFMD requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the Link Fund Solutions Limited (LFSL) AIFM remuneration policy are disclosed on the website at

http://www.linkfundsolutions.co.uk/assets/media/LFS_Explanation_of_Compliance_with_Remuneration_Code.pdf and have applied to LFSL since 1 January 2015.

Quantitative remuneration disclosure

In accordance with FUND 3.3.5 (5) and FCA Finalised guidance – 'General guidance on the AIFM Remuneration Code' (SYSC 19B) ('the Guidelines'), dated January 2014, the total amount of remuneration paid by the AIFM, for the financial year ended 31 December 2019, in respect of the Company was £75,000. The AIFM does not consider that any member of staff of the AIFM has the ability to materially impact the risk profile of the Company. It should be noted that Woodford Investment Management Limited resigned as the delegated portfolio manager on 13 December 2019 and LFSL then delegated portfolio management by way of a portfolio management agreement to Schroders on the same date. LFSL is satisfied that Schroders is subject to the regulatory requirements that are equally as effective as those applicable under the Guidelines.

Other disclosures

The AIFMD requires that the AIFM ensures that certain other matters are actioned and/or reported to investors; each of these is set out below.

Provision and content of an annual report (FUND 3.3.2 and 3.3.5)

The publication of the annual report and financial statements of the company satisfies these requirements.

Material change of information

The AIFMD requires certain information to be made available to investors in the Alternative Investment Fund (AIF) before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. The AIFM notes that, during the period, there were no material changes approved by the board.

Periodic disclosure (FUND 3.2.5 and 3.2.6)

There are no assets subject to special arrangements due to their illiquid nature, nor new arrangements for the managing of the liquidity of the Company.

There is no change to the arrangements, as set out in the Prospectus, for managing the AIF's liquidity.

The current risk profile of the AIF is set out in the annual report (Principal risks and uncertainties) and in further detail in note 20 (Risk management policies and procedures).

The AIF is permitted to be leveraged and the table below sets out the current maximum permitted and actual leverage.

As a percentage of net asset value	Gross method	Commitment method
Maximum level of leverage	310.0%	200.0%
Leverage as at 31 December 2019	124.6%	124.6%

Other matters

LFSL can confirm that required reporting to the FCA has been undertaken in accordance with FUND 3.4.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified as Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Net asset value (NAV) per share

The NAV per share of 49.46p (2018: 97.61p) represents the net assets attributable to equity shareholders of £449,429,000 (2018: £807,200,000) divided by the number of shares in issue, excluding any shares held in treasury, of 908,639,238 (2018: 827,000,000).

Share price discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 22.5% (2018: 15.9%), as the closing share price at 38.35p (2018: 82.10p) was 22.5% (2018: 15.9%) lower than the closing NAV of 49.46p (2018: 97.61p).

Gearing

The gearing percentage reflects the amount of borrowings (that is, bank loans or overdrafts) that the Company has used to invest in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Gearing is defined as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. Gearing at the year end is calculated as follows:

	2019 £'000	2018 £'000
Borrowings used for investment purposes, less cash	110,666	149,966
Net assets	449,429	807,200
Gearing	24.6%	18.6%

Ongoing Charges

Ongoing Charges represents all operating expenses payable including any management fee, but excluding finance costs and transaction costs, amounting to £3,115,000 (2018: £1,276,000), expressed as a percentage of the average daily net asset values during the year of £721,111,000 (2018: £755,483,000).

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

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Shareholder Information

Website

The Company's website can be found at www.schroders.com/publicprivatetrust. The site provides visitors with a comprehensive range of performance statistics, Company information and literature downloads.

The Company's profile is also available on third-party sites such as www.trustnet.com and www.morningstar.co.uk.

Annual and half-yearly reports

Copies of the annual and half-yearly reports are available on the Company's website.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

ISA status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments Status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Publication of Key Information Document (KID) by the AIFM

Pursuant to the Packaged Retail and Insurance-based Products (PRIIPs) Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Please see our Privacy Policy to learn how we handle personal data.

Visit Schroders Talking Point for market news and expert views http://www.schroders.com/talkingpoint. For important disclaimers and regulatory information, please refer to www.schroders.com (Privacy Statement; and Important Information). Schroder Investment Management Limited is authorised and regulated by the Financial Conduct Authority (FCA reference number 119348). Registered in England and Wales under company number 1893220 with registered office address at 1 London Wall Place, London EC2Y 5AU. VAT identification number GB 243 8687 30.

www.schroders.com/publicprivatetrust

Directors

Susan Searle (Chairman)
Raymond Abbott
Scott Brown
Stephen Cohen
Jane Tufnell (Senior Independent director)

Registered Office

Beaufort House*
51 New North Road
Exeter EX4 4EP

Portfolio Manager

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Alternative Investment Fund Manager

Link Fund Solutions Limited
6th Floor
65 Gresham Street
London EC2V 7NQ

Company Secretary

Link Company Matters Limited*
Beaufort House
51 New North Road
Exeter EX4 4EP

Broker

Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

Tax adviser

Duff & Phelps
The Shard, Level 14
32 London Bridge Street
London SE1 9SG

Administrator

Northern Trust Global Services SE
50 Bank Street Canary Wharf
London E14 5NT

Depositary

Northern Trust Global Services SE
50 Bank Street Canary Wharf
London E14 5NT

Authorised by the PRA and regulated by the FCA & PRA

Custodian

The Northern Trust Company
50 Bank Street Canary Wharf
London E14 5NT

Legal adviser

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Registrar

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

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing Codes

SEDOL:	BVG1CF2
ISIN:	GB00BVG1CF25
Ticker:	SUPP

LEI: 2138008X94M7OVE73177
GIIN: U73RHA.99999.SL.826

*until 30 June 2020

The Company's privacy notice is available on its webpages.

Schroders