Annual Report and Financial Statements

CT UK High Income Trust PLC

31 March 2023

COLUMBIA THREADNEEDLE INVESTMENTS

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Financial Calendar

Annual General Meeting		20 July 2023
First quarter's distribution paid	(XD Date 6 July 2023)	4 August 2023
Second quarter's distribution paid	(XD Date 5 October 2023)	3 November 2023
Announcement of Interim Results		December 2023
Third quarter's distribution paid	(XD Date 4 January 2024)	2 February 2024
Fourth quarter's distribution paid	(XD Date 4 April 2024)	3 May 2024
Announcement of Annual Results and Posting of Annual Report		May 2024

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your shares in CT UK High Income Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Company Overview

Change of Name

With effect from 29 June 2022, the name of the Company was changed by resolution of the Board to CT UK High Income Trust PLC.

CT UK High Income Trust PLC (the '**Company**') (formerly BMO UK High Income Trust PLC) is an investment trust and its shares are listed on the premium segment of the Official List of the Financial Conduct Authority and traded on the London Stock Exchange.

Purpose

The purpose of the Company is to be a cost effective investment vehicle for investors seeking income and capital returns from a portfolio invested predominantly in UK equities.

Investment Objective

The investment objective of the Company is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth.

In pursuit of its objective, the Company invests predominantly in UK equities and equity related securities of companies across the market capitalisation spectrum.

Capital Structure

The Company has two classes of shares: Ordinary shares and B shares. The rights of each class are identical, save in respect of the right to participate in distributions of dividends and capital. The net asset value attributable to each class of shares is the same.

Only Ordinary shares are entitled to dividends paid by the Company. B shares, instead of receiving dividends, receive a capital repayment at the same time as, and in an amount equal to, each dividend paid on the Ordinary shares.

Shares may be held and traded within units, each unit comprises three Ordinary shares and one B share.

Visit our website at **ctukhighincome.co.uk**

The Company is registered in Scotland with company registration number SC314671
Legal Entity Identifier: 213800B7D5D7RVZZPV45

Forward looking statements
This document may contain forward looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward looking statements. The forward looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

Financial Highlights

6.7%	**Yield[1] on Ordinary shares** Distribution yield of 6.7% on Ordinary shares at 31 March 2023, compared to the yield on the FTSE All-Share Index of 3.6%. Total dividends increased by 1.1% to 5.51p per Ordinary share compared to the prior year.
6.5%	**Yield[1] on B shares** Distribution yield of 6.5% on B shares at 31 March 2023, compared to the yield on the FTSE All-Share Index of 3.6%. Total capital repayments increased by 1.1% to 5.51p per B share compared to the prior year.
-0.4%	**NAV total return[1]** Net asset value total return per share for the financial year was -0.4%, compared to the total return of the Benchmark[2] of +2.9%.
+0.6%	**Ordinary share price total return[1]** Ordinary share price total return per share for the financial year was +0.6%, compared to the total return of the Benchmark[2] of +2.9%.
+2.3%	**B share price total return[1]** B share price total return per share for the financial year was +2.3%, compared to the total return of the Benchmark[2] of +2.9%.

[1] Yield and total return – See Alternative Performance Measures on pages 89 and 90.
[2] Benchmark – From launch on 1 March 2007, the Company's benchmark index was the FTSE All-Share Capped 5% Index. Following shareholder approval at the Company's AGM on 5 July 2018, the benchmark was changed to the FTSE All-Share Index.

Investors are reminded that the value of investments and any income from them may go down as well as up and they may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Summary of Performance

Total Return[1]

	Year to 31 March 2023	Year to 31 March 2022
Net asset value per Ordinary share, B share and unit[2]	-0.4%	+1.9%
Ordinary share price	+0.6%	+0.6%
B share price	+2.3%	+1.6%
Unit price	+1.9%	-2.6%
Benchmark[3]	+2.9%	+13.0%

Revenue and Distributions

	Year to 31 March 2023	Year to 31 March 2022	% Change
Distributions per Ordinary share and B share	5.51p	5.45p	+1.1%
Distributions per unit	22.04p	21.80p	+1.1%
Yield[1] – Ordinary share	6.7%	6.3%	
Yield[1] – B share	6.5%	6.2%	
Revenue earnings per share	3.62p	3.61p	+0.3%
Revenue reserve – per Ordinary share[4]	2.83p	3.41p	-17.0%

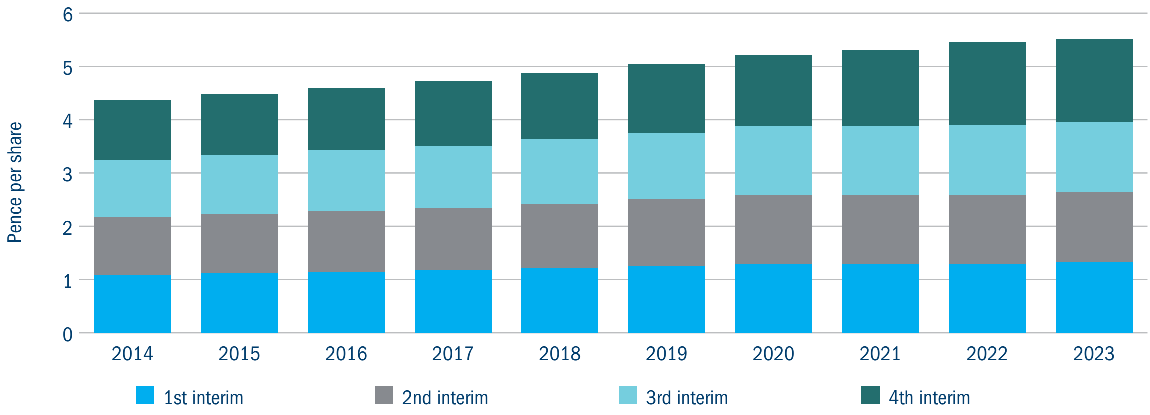
Capital

	31 March 2023	31 March 2022	% Change
Net assets	£104.2m	£111.2m	-6.3%
Net asset value per Ordinary share and B share	89.97p	95.97p	-6.3%
Net asset value per unit	359.88p	383.88p	-6.3%
FTSE All-Share Index	4,157.88	4,187.78	-0.7%
Discount[1]			
Ordinary shares	-8.9%	-9.3%	
B shares	-6.1%	-8.3%	
Units	-10.2%	-12.5%	
Gearing[1]			
Gearing	8.5%	0.1%	
Ongoing Charges[1]			
as percentage of average shareholders' funds	1.02%	0.98%	

(1) Total return, yield, discount, gearing and ongoing charges – see Alternative Performance Measures on pages 89 and 90.
(2) A unit consists of three Ordinary shares and one B share.
(3) Benchmark – see definition on page 2.
(4) Calculated after deducting the fourth interim dividend (which was paid after the year end) from the revenue reserve at 31 March.
Sources: Columbia Threadneedle Investments and Refinitiv Eikon.

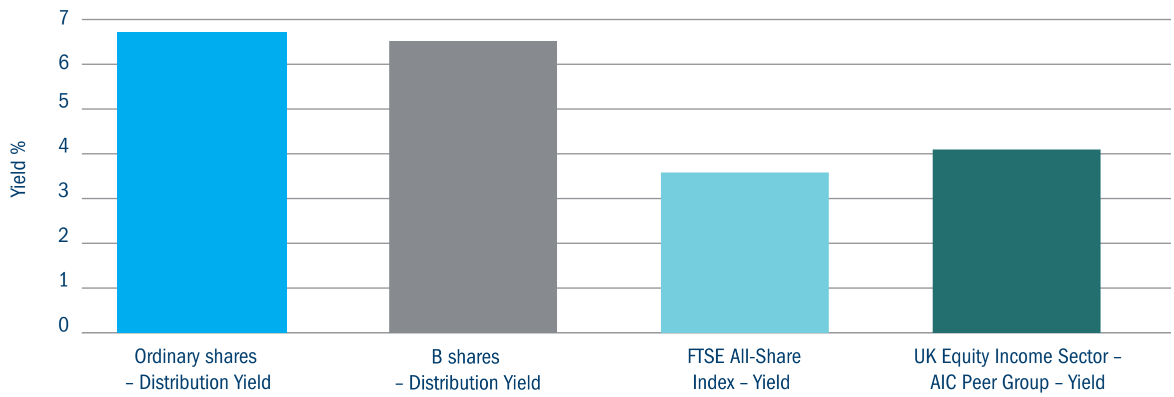
Annual dividends and Capital repayments

Growth in payments to shareholders
over last ten financial years



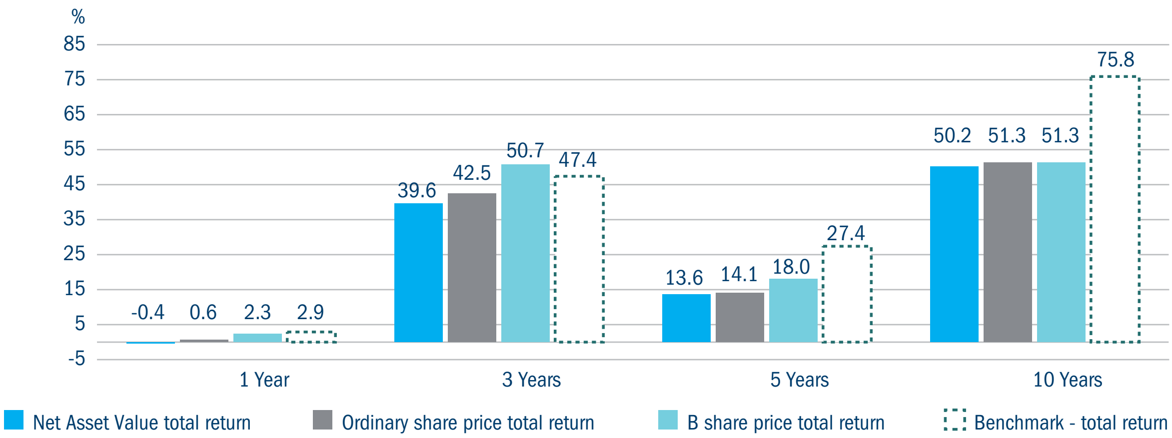
Source: Columbia Threadneedle Investments

Distribution yield compared to the Benchmark Index and Peer Group at 31 March 2023



Source: Refinitiv Eikon and AIC

Cumulative Performance to 31 March 2023



Source: Columbia Threadneedle Investments and Refinitiv Eikon

Strategic Report

This Strategic Report, which includes pages 5 to 30 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

"Tenth consecutive year of dividend/capital repayment increases and at 31 March 2023 the Ordinary shares and B shares had yields of 6.7% and 6.5% respectively"

Andrew Watkins Chairman

I am pleased to present the first annual results of CT UK High Income Trust PLC since becoming the Company's Chairman upon the retirement of John Evans at the conclusion of the 2022 AGM. I have put on record my thanks to John for his nine years of unswerving service to shareholders and am pleased to reiterate my appreciation for his guidance and leadership.

The year under review has been yet another difficult one for investors in conventional equity investments. The unprovoked invasion by Russia into Ukraine's territory has become a full-on war which, apart from the tragic and needless loss of life, has created and exacerbated global price rises of energy, commodities, raw materials, grain and most other foodstuffs leading to severe inflationary pressures. This has become a global problem and the UK has not escaped its effects with headline inflation exceeding 10%. The Bank of England was slow to acknowledge the threat of escalating prices to the stability of the economy but it is expected that, after twelve rises in Bank interest rates to 4.5%, its actions will have the desired effect of reining in the beast before the calendar year end. Meanwhile, full employment has been maintained and recession avoided so, being an optimist, I am prepared to say that I think the worst is behind us.

Against this backdrop, managing an investment company investing predominantly in a differentiated but concentrated portfolio of UK-quoted equities for income and capital growth has not been a walk in the park. Your Portfolio Manager, Philip Webster, deserves due credit for maintaining his focus during what has now been a trying three years. He has taken positions in quality stocks at depressed prices over the last few months and is continuing to see other opportunities. Your Board has the utmost confidence in Philip to deliver income and capital returns over the coming years.

Performance

In the year to 31 March 2023 your Company produced a Net Asset Value ('NAV') total return of -0.4% versus the total return from the FTSE All-Share Index, the benchmark index, of +2.9%. Whilst it is disappointing to lag the index, given the backdrop I have described, the shortfall is not unexpected. Philip goes into his usual detail on the portfolio holdings in the Manager's Review but the Board is well aware and supportive of what he is aiming to achieve by investing in a concentrated number of positions, differentiated from the benchmark index. This can lead to the portfolio's performance being periodically at variance with that of the benchmark index when, say, energy companies (to which the Company has no exposure but tend to be large and thus in the index) see their share prices increase sharply purely on the back of rising wholesale costs of oil and gas due to the war in Ukraine. On the positive side, however, not being bound to invest solely to reflect index constituents, offers many opportunities for superior growth prospects.

Share Price Performance and Discount to NAV

At the financial year end, the Company's Ordinary share and B share prices stood at discounts to the net asset value of 8.9% and 6.1% respectively. These were tighter than at 31 March 2022 and consequently, the share price total return for the Ordinary shares and B shares was +0.6% and +2.3% respectively. The average discount levels at which the Company's Ordinary shares and B shares traded relative to net asset value in the year were 7.5% and 4.3% respectively.

Dividends and Capital Repayments

Your Board recognises the importance of dividends to shareholders and has utilised the Company's revenue reserve to maintain and increase dividend payments to Ordinary shareholders in recent years and has done so again in the year to 31 March 2023. Total distributions to shareholders increased by 1.1% to 5.51p per share compared to the previous year. In order to pay this total dividend to Ordinary shareholders, £497,000 was drawn from the Company's revenue reserve. After payment of the fourth interim dividend on 5 May 2023, the revenue reserve is £2.4 million, representing 2.83p per Ordinary share.

Your Company has now increased its distribution to shareholders in each financial year since 2013. The total dividend/capital repayment for the year to 31 March 2023 represented a yield of 6.7% and 6.5% based on the Ordinary share price and B share price of 82.0p and 84.5p respectively at 31 March 2023.

As I mentioned in the Company's Interim Report, it is the Board's intention to rebuild the revenue reserve and return to a covered dividend as soon as practicable.

Gearing

As at the end of the year under review, the Company had a total borrowing facility of £15 million through an unsecured Revolving Credit Facility with The Royal Bank of Scotland International Limited. Your Board believes that an investment company should use gearing to enhance returns to shareholders whenever possible and encourages the Portfolio Manager to use his discretion accordingly. As at the year end, £12 million of this facility had been drawn down and invested in quality stocks including during one of the market's increasingly common "risk-off" periods, hence at advantageous prices and decent yields. More details can be found in the Manager's Review.

Responsible Investment

Environmental, Social and Governance ('ESG') engagement is an activity in which your Manager has a long and respected record of achievement and these considerations lie at the core of your Manager's investment process. Our approach to Responsible Investment is set out on pages 19 to 22 and illustrates the engagement the Manager has had with investments within our portfolio.

Board Change

As mentioned in my Interim Statement, I am pleased to report that Angus Pottinger joined the Board as a non-executive Director with effect from 24 November 2022. He has huge experience in the investment world and over 22 years working directly with investment companies as Head of Invesco's accounting, company secretariat and administration functions. His deep knowledge of the sector and relevant experience will be of direct benefit to shareholders.

Manager and Name Change

As previously reported, Columbia Threadneedle Investments, part of Ameriprise Financial acquired BMO's EMEA asset management business ('BMO GAM (EMEA)'), which included your Company's Manager ('BMO Investment Business Limited'). The rebranding of the BMO GAM (EMEA) business was completed towards the start of July 2022 and your Company's Board decided that continuing to align with the brand of the Manager and its savings plans would avoid unnecessary confusion.

Accordingly, on 29 June 2022, your Company therefore announced that it had changed its name to CT UK High Income Trust PLC with immediate effect. The Company's website address was also changed to ctukhighincome.co.uk and its trading instrument display mnemonics ("TIDM") changed to CHI, CHIB and CHIU for the Company's Ordinary shares, B shares and Units respectively.

There has been no change to the personnel running the activities of your Company in terms of both portfolio management and administration.

Annual General Meeting (AGM)

The AGM will be held at 12 noon on 20 July 2023 at Exchange House, Primrose Street, London EC2A 2NY. It is an opportunity for shareholders to engage with the Board and Manager and I hope you will be able to attend.

Outlook

After two years of COVID and dealing with its aftermath, the world was plunged into further uncertainty by Russia. The effects on shareholder returns have been magnified in both directions over that three-year period, first fueled by a total change in working practices amid massive (and expensive) Government support packages and then through rising energy prices and supply chain shortages leading to yet more (expensive) support, especially for the vulnerable and elderly. Added to this, in the UK came the advent of three Prime Ministers in a matter of weeks; the haphazard policy announcements that ensued caused serious disquiet in the gilt market which has only recently subsided.

A long period of near-zero interest rates probably led many to believe that borrowing money at such levels was the norm and unlikely to change anytime soon. The slowly dawning realisation that interest rates had to rise to defeat inflation has had the anticipated effect on the country but, miraculously, has not collapsed the economy, regardless of the inevitable squeeze on household budgets, or affected employment numbers as businesses still find it difficult to fill vacancies. Nor has it led to recession or to a stock market rout.

However, uncertainty is always the enemy and whilst the resilience of all the above is commendable, a period of calm in the wider world and stock markets in particular would be welcome and possibly key to making positive headway. Given war is on Europe's doorstep and the rhetoric more alarming by the day, it is all the more remarkable that the UK's FTSE 100 index recently hit an all-time high.

I sound all doom and gloom and I really don't mean to be. It is likely that interest rates and inflation have peaked with the latter forecast to be nearer 5% by the end of 2023. This should help resolve many of the difficulties currently being experienced brought about by the likes of soaring energy prices, now thankfully abating, and wage demands, with more realistic settlements likely to be achieved. Your Board oversees a Portfolio Manager dedicated to the task of securing growth in capital and income for shareholders and he works for an organisation that supplies all the resources he needs to carry out that objective. The Company has changed in many ways over the six years I have been on the Board, but I firmly believe – as do my fellow Directors – that it is in the best shape possible, with a balanced but differentiated and concentrated portfolio of quality stocks, to achieve the Company's objectives over the coming years.

As ever, thank you for being a shareholder in CT UK High Income Trust PLC.

Andrew Watkins
Chairman
31 May 2023

Purpose, Strategy and Business Model

Purpose and Strategy

The purpose of the Company is be a cost effective investment vehicle for investors seeking income and capital returns from a portfolio invested predominately in UK equities.

The investment objective is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth. We do this by investing predominantly in UK equities and equity related securities of companies across the market capitalisation spectrum. Our wider strategy is to promote the Company as a compelling investment choice through all available channels.

Business Model

CT UK High Income Trust PLC is a listed closed-end investment company and carries on business as an investment trust. As an investment company with no employees, the Directors believe that the best way of meeting their duty to promote the success of the Company and achieving its investment objective for the benefit of stakeholders is to work closely with its appointed Manager. The Board has contractually delegated the management of the investment portfolio, and other services, to Columbia Threadneedle Investment Business Limited (formerly called BMO Investment Business Limited, which was part of BMO GAM (EMEA)) (the '**Manager**') which is ultimately owned by Columbia Threadneedle Investments, the global investment management business of Ameriprise Financial, Inc. a company incorporated in the United States. Within policies set and overseen by the Directors, the Manager has been given overall responsibility for the management of the Company's assets, gearing, stock selection and risk management. Engagement on environmental, social and governance ('**ESG**') matters is undertaken through a global team within Columbia Threadneedle Investments.

As a listed closed-end investment company, the Company is not constrained by asset sales to meet redemptions. The Company's capital structure provides the flexibility to take a longer term view and to remain invested while taking advantage of volatile market conditions. Having the ability to borrow to invest is a significant advantage over a number of other investment fund structures. These features combine to form a resilient and adaptable business model.

The Company's Board of non-executive Directors is responsible for the overall stewardship and governance of the Company and how it promotes the success of the Company is set out on pages 23 and 24. The Board's biographical details can be found on page 31. The Company has no executive Directors or employees.

The Board remains responsible for decisions over corporate strategy, corporate governance, risk and control assessment, setting policies as detailed on pages 29 and 30, setting limits on gearing and monitoring investment performance.

Alignment of Values and Culture

In addition to strong investment performance from our Manager, we expect it to adhere to the highest standards of Responsible Investment, transparency, corporate governance and business ethics and that its values and culture align with our own. As an original signatory to the United Nations Principles for Responsible Investment ('**UNPRI**'), Columbia Threadneedle Investments continues to perform well in the 2021 UNPRI assessment, and compared to our peers for key areas of its Responsible Investment approach and active ownership in listed equities. A key aspect of the change in ownership of the Manager was the cultural fit with Columbia Threadneedle Investments and the Board considered the Manager's culture and shared values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. With Columbia Threadneedle Investments, and as part of Ameriprise Financial, Inc., the Manager can be expected to continue its long-established culture of diversity, collaboration and inclusion, all of which are anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs.

Responsible Investment Impact

Environmental, Social and Governance ('**ESG**') issues can present both opportunities and threats to the long-term investment performance the Company aims to deliver and its approach, as set out on pages 19 to 22, is aligned towards the delivery of sustainable investment performance over the longer term.

The direct impact of the Company's activities is minimal as it has no employees, premises, physical assets or operations, either as a producer or a provider of goods and services, and it does not have customers in the traditional sense. Consequently, it does not directly generate any greenhouse gas or other emissions or pollution. The Company's indirect impact occurs through its investments and this is mitigated by the Manager's Responsible Investment approach as explained on pages 19 to 22.

The Manager

A summary of the terms of the investment management agreement is contained in note 4 to the financial statements. The Manager also acts as the Alternative Investment Fund Manager ('**AIFM**') under the Alternative Investment Fund Managers Directive ('**AIFMD**') and provides ancillary functions such as administration, marketing, accounting and company secretarial services to the Company.

Philip Webster acts as the Portfolio Manager ('**Portfolio Manager**') to the Company, on behalf of the Manager. Philip has over 15 years' experience in managing investment companies. He is supported in carrying out research and in the selection of stocks by a team of investment professionals. Details of the Manager's investment philosophy and process are set out on pages 14 and 15.

Manager Evaluation

Investment performance and responsible ownership are fundamental to delivering the investment objective for shareholders and therefore an important responsibility of the independent non-executive Board of Directors is the robust annual evaluation of the Manager. This evaluation is an essential element of strong governance and mitigation of risk. The process for the evaluation of our Manager's performance and its capabilities and resources for the period under review, which was conducted by the Engagement and Remuneration Committee, and the basis on which the reappointment decision was made, is set out on page 43.

Investment Policy

The Company's investment policy is set out on page 29 and an analysis of the investment portfolio is contained on pages 16 to 18.

Any material change to the investment policy of the Company will only be made with shareholder approval.

Managing Risks and Opportunities

We seek to make effective use of our corporate structure and the investment opportunities that lead to long-term growth in capital and income for our shareholders. These opportunities do not come without risks and therefore the performance of our Manager is monitored at each Board meeting on a number of levels. In addition to managing the investments, ancillary functions such as administration, marketing, accounting and company secretarial services are also carried out by the Manager. At each Board meeting it reports on the Company's investment portfolio, performance, recent portfolio activity, market outlook, revenue and expense forecasts, internal control procedures, any errors, marketing, shareholder and other stakeholder issues including the prices of the Company's shares relative to NAV, together with accounting and regulatory updates. The Board also considers compliance with the investment policy, investment restrictions and compliance with borrowing covenants.

The Company's principal risks and uncertainties that could threaten its objective, strategy and performance, and how the Board manages such risks, are set out in detail on pages 25 to 27. The risk of not achieving the Company's objective, or of consistently underperforming its benchmark or competitors, may arise from any or all of inappropriate investment strategy, poor market conditions, the use of gearing, insufficient monitoring of costs and service provider issues.

In addition to monitoring our Manager's performance, capabilities, available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include JPMorgan Chase Bank, the Custodian and JPMorgan Europe Limited, the Depositary in their duties towards the safeguarding of the Company's assets.

Review of Performance and Outlook

The principal policies that support our investment and business strategy are set out on pages 29 and 30. Shareholders can assess our financial performance from the Key Performance Indicators ('**KPIs**') that are set out on page 10. The Chairman's Statement on pages 5 to 7 and the Manager's Review on pages 11 to 13, both of which form part of this Strategic Report, provide a review of the Company's returns and market conditions during the financial year, the position of the Company at the year end, and the outlook for the coming year.

In light of the Company's strategy, investment processes and control environment (relating to both the oversight of its service providers and the effectiveness of the risk mitigation activities), the Board has set out its viability statement on page 28 and its reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Stakeholder Communication and Marketing

The Company fosters good working relationships with its key stakeholders; such as the Manager, shareholders, bankers and other key service providers. The Board works closely with the Manager to ensure optimal delivery of the Company's investment proposition through all available channels and, together, we remain focused on promoting the success of the Company. The Manager offers a range of savings plans for retail investors which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 86.

The Company welcomes the views of all shareholders and places great importance on communication with them. In addition to the annual and interim reports that are available for shareholders, monthly fact sheets and additional information is included on the Company's website at ctukhighincome.co.uk.

Whenever the Manager holds meetings with the Company's larger shareholders, these are reported on to the Board. The Chairman and other Directors are available to meet shareholders if required. In addition, meetings are held with current and prospective shareholders and analysts covering the investment trust sector.

The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company.

Through the Manager, we also make sure the savings plan investors are encouraged to vote at the AGM in addition to those who hold their shares on the main shareholder register. Details of the proxy voting results on each resolution are published on the Company's website.

Key Performance Indicators

The Board recognises that it is the distribution level of the Ordinary shares and B shares together with the longer term share price performance that is most important to the Company's investors. Share price performance is driven largely by the performance of the net asset value.

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators ('KPIs') (also referred to as Alternative Performance Measures) are set out below. Additional comments are provided in the Chairman's Statement and the Manager's Review discussing the performance of the Company during the current year.

Total return[(1)] performance to 31 March 2023

	1 Year %	3 Years %	5 Years %	10 Years %	
Net asset value per Ordinary share, B share and per unit	-0.4%	39.6%	13.6%	50.2%	This measures the Company's share/unit price and NAV total returns (which assumes dividends/capital repayments paid by the Company have been reinvested), relative to the benchmark.
Ordinary share price	0.6%	42.5%	14.1%	51.3%	
B share price	2.3%	50.7%	18.0%	51.3%	
Unit price	1.9%	38.1%	5.7%	44.8%	
Benchmark[(2)]	2.9%	47.4%	27.4%	75.8%	

Distribution Yield[(1)]%

Financial year to 31 March	2023 %	2022 %	2021 %	
Ordinary shares	6.7	6.3	5.8	This shows the Company's distribution yield at the year-end relative to the benchmark.
B shares	6.5	6.2	5.8	
Yield on FTSE All-Share Index	3.6	3.1	2.9	

Average discount[(1)] to NAV

During the financial year to 31 March	Ordinary shares %	B shares %	Units %	
2023	-7.5	-4.3	-8.2	This is the average difference between the share/unit price and the NAV per share/unit during the financial year.
2022	-6.9	-5.2	-7.4	
2021	-9.7	-9.2	-10.2	

Ongoing charges ratio[(1)]

As at 31 March	%	
2023	1.02	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of average net assets.
2022	0.98	
2021	1.04	

(1) See Alternative Performance Measures on pages 89 and 90 for explanation.

(2) Benchmark – see definition on page 2.

Sources: Columbia Threadneedle Investments and Refinitiv Eikon.

Manager's Review

Philip Webster, Portfolio Manager

There is no doubt that this has been another challenging year to navigate. I'm beginning to sound like a broken record as this was exactly what I said in the 2021 and 2022 Annual Report. What I can say is that every year has been totally unique; first with the Covid pandemic, then the Ukraine war and now a cost-of-living crisis. This is also the first time in over a decade where we have seen interest rates closer to longer term historic averages, which will have a slow but significant impact on consumer spending. This has brought with it considerable debate about whether or not the UK experiences a mild slowdown rather than a hard recession.

UK politics has also played a significant part in the turbulence we have seen over the last year. In September, the appointment of Liz Truss as Prime Minister was the start of what was to be seen as an unprecedented time in UK politics, with three Prime Ministers in as many months. The demise of Truss was driven by Chancellor Kwasi Kwarteng's ill-conceived mini-budget, which was received very poorly by the markets. The bond market took fright from the initial £45 billion tax giveaway which was seen as fiscally irresponsible, sending UK Gilts and the pound into freefall. The ensuing crisis of confidence led to her swift replacement by Rishi Sunak, with Jeremy Hunt appointed as his new Chancellor. According to many commentators, the Chancellor, faced a 'politically impossible' budget U-turn, but one that has ultimately stabilised the economy. His package consisted of £30 billion in spending cuts and a massive £25 billion increase in taxes. There was help for the poorest, with benefits and pensions being increased in line with inflation, while manifesto spending plans that had been promised, were scrapped as they sought to balance the books. The budget has helped the UK bond yield recover, a key tenet for the mortgage market. We have also seen the pound recover, another positive sign that the UK is deemed to be on a firmer footing.

Events of the last few weeks in March, with the collapse of Silicon Valley Bank ('**SVB**') and Credit Suisse have sent shockwaves through the banking sector. SVB was the 16th largest bank in the US with $209 billion of assets, and the 2nd largest bank failure in US history. Regulators had to act swiftly to stabilise the system; deposit guarantees, and additional lines of liquidity being offered to mitigate any contagion risk. While this event seems to have been contained it has yet again raised concerns about the fragility of the banking system and whether this failure is the start of something more significant.

You would expect these headlines would have caused investors to shy away from equity markets. Quite the reverse is true, with the FTSE All-Share close to all-time highs. This does mask vast differences when you break the market down by size and sector, which we will come back to later, but evidence suggests that the UK equity market remains an attractive proposition for global investors.

If further corroboration was needed, we have also seen private equity takeover activity rise. Offers have been made for Wood Group, Network International, Dechra Pharmaceuticals and, in mid-April, Apollo tabled an offer for THG, which is one of the Company's holdings. With the strength of the US dollar over the last few years and depressed valuations, it's not a surprise to see a rise in dealmaking as private equity firms look to deploy capital.

Performance

The net asset value ('NAV') total return of the Company declined 0.4% over the year to 31 March 2023, underperforming the 2.9% total return from the FTSE All-Share index. As mentioned previously, size has been a major contributor to performance with some of the more defensive, or commodity exposed sectors, performing well post the outbreak of the Ukraine war. The FTSE 100 rose 5.4% (total return) over the Company's financial year. Meanwhile, the FTSE 250 index of mid-market capitalised stocks fell 7.9% and the FTSE Small Cap (ex-investment trusts) index a more extreme 12.9% decline (all total return).

The Company's investment portfolio has been constructed to have a larger focus on the mid-market, where we see better quality assets and growth over the medium-term, but as we discussed in the 2022 Annual Report, there will be periods where the performance of the benchmark behemoths can significantly outweigh the performance of these smaller index constituents.

An analysis of the investment portfolio by index is provided on page 16 and shows its significant exposure down the market cap spectrum. Including AIM and non-index positions, this now accounts for nearly 40% of our invested assets.

When you include the 15% from our European (overseas) holdings approximately 50% of the exposure is to businesses outside the FTSE 100. This is by design, differentiating your Company from some of our more index-tracking peers.

At a stock specific level; not owning BP, Unilever, AstraZeneca, Shell and HSBC have been a 4.3% drag in relative performance over the last year. I have consistently defended this stance on quality grounds, when it comes to the oil majors. It has taken a war and energy crisis for these names to deliver decent returns on capital employed, a level which I don't believe is sustainable – unless of course you can provide assurance that the oil price is going back to $100 a barrel. I see better quality businesses than Unilever in the staples sector. The outlier in these names is AstraZeneca. This has performed significantly better than I thought it would, and one I can look back and concede I was wrong to sell.

I am not going to blame the shape of the index for the Company's performance. The way the investment portfolio is built means it will always perform differently to the index, and despite the 4.3% headwind, I'm happy with the underlying portfolio performance this year and the growth outlook. We have used the recent volatility to buy quality businesses at valuations that have not been seen for years. Over our financial year, additions have included Rotork, Hiscox, Hargreaves Lansdown, OSB Group, Persimmon and Schneider Electric. These are all market leaders in their respective fields, and businesses that have structural growth to deliver returns for years to come. They also, in several cases, have attractive and growing dividend yields, which are supportive of the revenue we generate and the high dividend yield of the Company.

Many of the Company's holdings have had a very good year, including Richemont, with luxury goods spending continuing to recover sharply post the pandemic. This will be buoyed by the opening of China which has already seen some of Richemont's peers deliver sales growth ahead of expectations. UK industrial, Rotork, has also delivered much better results since initiation, allowing the share price to rise over 30% in the last year. OSB Group has been another recent new position that has performed ahead of expectations. The buy-to-let lender, to the professional investor market, has seen growth hold up better than the market expected. This allowed them to pay a special dividend with their full year results, on top of an already high 7% dividend yield.

Dividends

Calendar 2022 saw UK dividends rise 8.0% to £94.3 billion, but this figure was held back by a one-third decline in one-off special payments. This was in part mitigated by a weak pound which boosted the payouts by £3.8 billion. Record mining dividends accounted for £1 in every £6 distributed, although payouts fell sharply towards the second half of the calendar year. Banks made the largest contribution to growth, followed by the oil majors. When you look at the underlying statistics though (excluding special dividends) the FTSE 100 dividends rose 14.8%, while the Mid-250 index, where the Company has a larger exposure, saw growth of 23.8%. This is one of the major attractions of our mid-cap exposure, the compounding effect of earnings and dividend growth at the right point in the cycle.

Discussions with the Company's Board at the outset of the financial year were focused on capital growth and returning the Company towards a covered dividend. The focus has therefore been two-fold, adding quality at the right price, mentioned above, whilst also adding to the revenue. Whilst it may appear that the revenue has been flat, the current financial year had £557,000 less in special dividends including those paid by Rio Tinto and Berkeley Group in the prior financial year.

I have sold several of the zero yielding names; Melrose, Just Eat Takeaway and Scout24 and also sold Prudential and Haleon, the latter following the split from GlaxoSmithKline. I wasn't comfortable adding to Haleon given the level of its gearing and lack of a dividend, even though they have defensive earnings qualities from their over-the-counter pharmacy sales. I also reduced some of the better performers in the investment portfolio where yields had contracted, such as Deutsche Boerse, Richemont, Intermediate Capital and Beazley. We used these proceeds to build up positions in Legal & General, Phoenix Group and OSB Group, alongside some of the newer additions. At acquisition these three holdings yielded 8.0%, 9.0% and 7.0% respectively, almost twice the level of the FTSE All-Share of 3.6% at 31 March 2023.

The final, and very important piece of the jigsaw is the gearing. With interest rates set to rise we took the tough decision to reduce gearing in December 2021. While strategically this was the right decision, we sacrificed revenue to protect capital. With rates now closer to the possible peak, and post the collapse of SVB, we felt there was an opportunity to raise our gearing. We used this additional capital to opportunistically add to our diversified financial holdings, which had been caught in the crossfire of the banking sector sell off and where declines felt unwarranted and valuations were cheap. At 31 March 2023 we have drawn down £12 million of the £15 million facility, which will help increase the level of revenue for the year to 31 March 2024.

The dividend outlook for 2023 is however less rosy, according to Link Asset Monitor. They are forecasting headline payouts to decline 2.8%, and with sales and profits under pressure from inflation, they expect special dividends to be down further. It is difficult to quantify this as we have very little line of sight on earnings at this stage of the year. I am however encouraged that the changes I have made in the investment portfolio have increased the number of holdings with improved dividend cover and strong balance sheets which should stand the Company in good stead to weather a downturn.

Outlook

I have consistently said that this year will likely see investor sentiment wax and wane. This has so far played out with markets starting the year very strongly. In the first two months of 2023, the FTSE All-Share rose 6% (total return), before being hit by the collapse of SVB. This weakness has, however, been short-lived with the FTSE All-Share close to highs, as investors look through the current volatility.

Commentators remain nervous about the impact of a recession, which may well be worse in the US than it is in Europe. It would be foolish to believe we would be immune, although China has the power to support growth as its economy reopens. While these are all interesting topics to debate, building an investment portfolio to manage this from a top-down perspective is an exceptionally difficult exercise. Given the work we have done on the investment portfolio and the qualities visible in the business models we are comfortable with positioning. There is a scenario where the behemoths continue to outperform as investors seek the relative safe haven of these mega-caps, but how long will it last? The follow-on question is; is it possible to be good (or fortunate) enough to time this and turn the portfolio to quality mid-caps that will outperform when we do see a rally down the cap scale?

To try and defensively manage through what might be a tough period is thus less preferable to focusing on quality assets at the right valuation. I prefer the latter strategy and to seek out the relative safety of quality business models with strong balance sheets and pricing power. These will be the ultimate winners. I can't tell you exactly when this will turn, but when it does, the portfolio is well placed to capitalise on the upside.

Philip Webster
Portfolio Manager
Columbia Threadneedle Investment Business Limited
31 May 2023

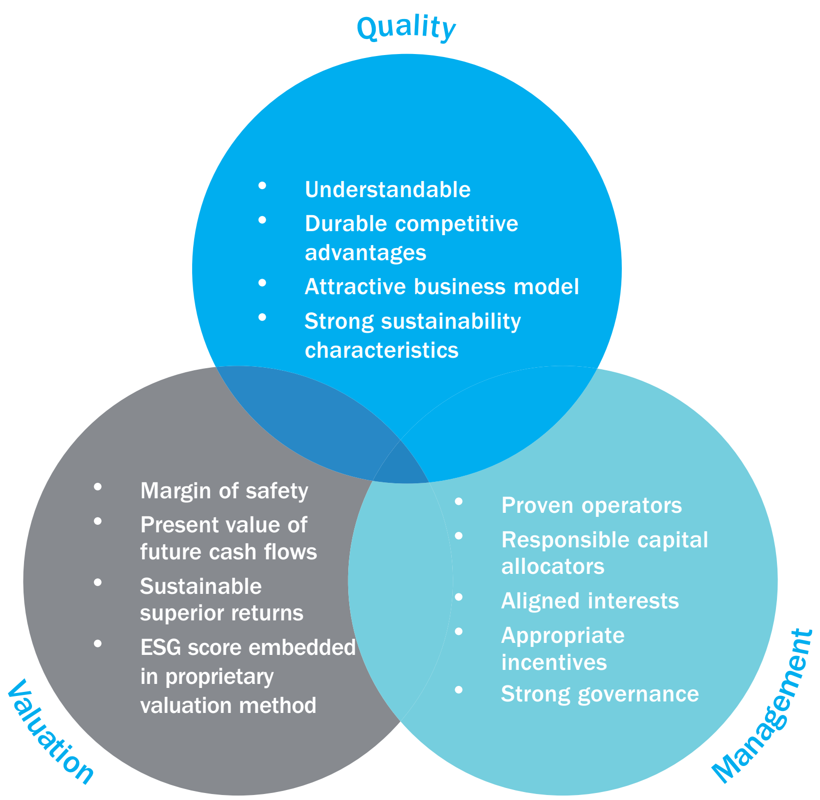
Manager's Investment Philosophy and Process

We believe investment markets can be inefficient and that share prices may not fully reflect the future prospects and returns of companies. We believe it is possible to identify significant deviations between market prices and a conservative assessment of the intrinsic value of a business.

By investing in such companies at attractive prices, superior investment performance can be generated. In particular, we believe those companies that can compound returns at sustainably high rates over many years tend to be undervalued by the market. The valuations of companies can also become attractive because of adverse market reaction to short-term difficulties or simply because a sector has become unfashionable. If companies are able to generate attractive returns over long periods, there is evidence that the market eventually rewards this success with higher valuations.

This philosophy leads naturally to long-term investment thinking and the generation and preservation of value over the longer term. We are not looking to trade shares, nor are we making short-term bets on market movements, but instead are looking to the longer term. Over time, we expect the high returns generated by our holdings to be reflected in share prices, which will in turn benefit further from valuation increases as the market recognises the level and sustainability of those returns. As shareholders, we are part-owners of businesses, and take our responsibilities seriously, engaging with the company's management and non-executives if necessary, and voting on all resolutions at company meetings.

The Investment Process focuses on Three Aspects for Each Company



Risk is often seen as the flipside of return. The standard economic and business academic approach to risk measures it in terms of volatility. Sharp upward moves in share prices are seen as just as “risky” as an equivalent downward move. This is not really a measure that most practical investors would find useful or familiar. We prefer an approach which focuses on companies with attractive returns and relatively little debt where we expect to be able to reduce the risk of a permanent loss of capital.

We carry out detailed analysis of all the companies in which we invest, looking in particular at three aspects: the Quality of the company; its Management; and the Valuation of the shares. Amongst the most important issues examined is a thorough assessment of the sustainability of the company’s competitive position and returns it can generate, and the ability of the management team and its alignment with shareholders. Integral to our assessment of these factors is an analysis of the Environmental, Social and Governance (‘**ESG**’) issues that face the company and its responses to them which is fully integrated into our process and valuation analysis. More detail is given on pages 19 to 22. Our valuation approach focuses on discounted cash flows, but is pragmatic enough to realise this does not work for all companies in all sectors so other valuation methods are also used.

Before investing, we ascertain that the share price stands at a reasonable discount to an assessment of the intrinsic value of the business, giving us a margin of safety on the investment.

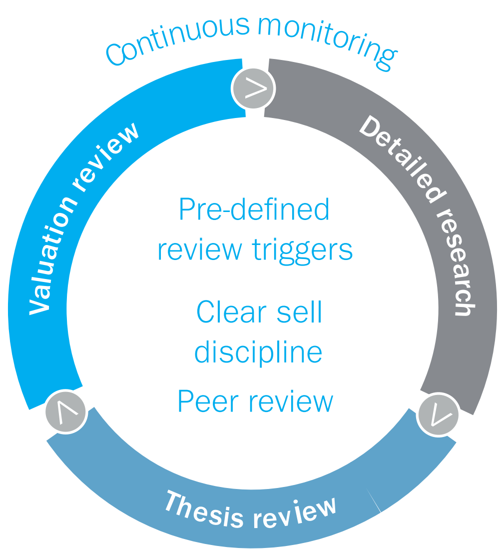
Our research is conducted in-house, which is peer reviewed by the wider investment team prior to any purchase decision. This ensures the benefit of shared knowledge and experience is brought to bear on each investment. The progress of the company and its share price will then be continually monitored with in-depth reviews and retesting of the original investment thesis particularly if the company or its share price don’t perform as initially expected.

Like all investors, we are having to make assessments about the future and take decisions in the face of uncertainty. There is a real possibility of being wrong. We believe that we can mitigate this risk by following this long-term philosophy, emphasising a number of factors: thorough analysis; peer review; the need for a margin of safety on purchase; continual monitoring; and diversification of the investment portfolio.

Reasons to sell can be driven by positive or negative factors: positive, if the value of the company has risen to our assessment of its value, or negative, if the assessment of the company’s long-term value deteriorates significantly. An investment may also be sold if, for example, a similar, but cheaper alternative can be found or if the size of the investment position has become larger than is preferred for risk purposes.

Philip Webster
Portfolio Manager
31 May 2023

Implementation of the Investment Process

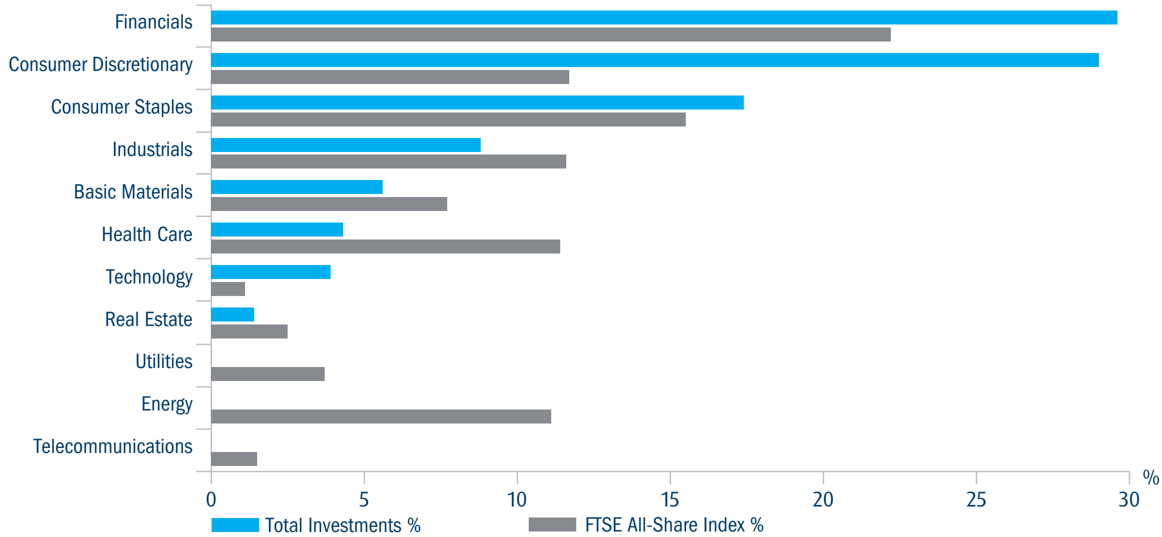


Classification of Investments

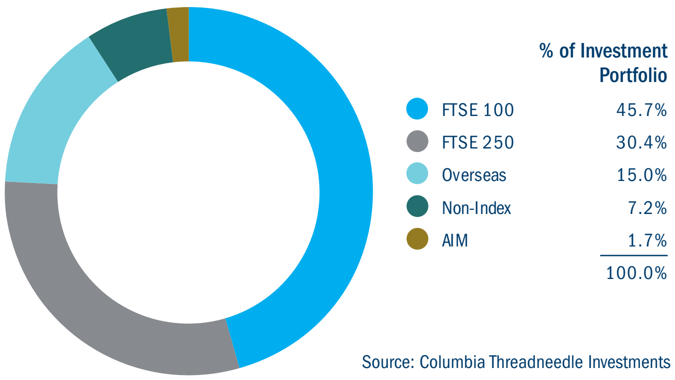
The following table and chart shows, at 31 March 2023, the percentage weightings by sector of the investment portfolio in comparison to the FTSE All-Share Index.

Investment Portfolio by Sector

Sector	% Total investments	% FTSE All-Share Index
Financials	29.6	22.2
Consumer Discretionary	29.0	11.7
Consumer Staples	17.4	15.5
Industrials	8.8	11.6
Basic Materials	5.6	7.7
Health Care	4.3	11.4
Technology	3.9	1.1
Real Estate	1.4	2.5
Utilities	–	3.7
Energy	–	11.1
Telecommunications	–	1.5
Total	100.0	100.0



Investment Portfolio analysis by Index as at 31 March 2023



Source: Columbia Threadneedle Investments

Investment Portfolio

At 31 March 2023

Company	Market Value 31 March 2023 £'000	% of Total Investments
British American Tobacco (Consumer Staples – Tobacco) British American Tobacco is involved in the manufacture, marketing and selling of cigarettes and other tobacco products. It is also at the forefront of developing alternatives to traditional tobacco products.	7,367	6.5
Rio Tinto (Basic Materials – Industrial Metals & Mining) Rio Tinto is a diversified international mining company.	6,304	5.6
Berkeley Group (Consumer Discretionary – Household Goods & Home Construction) Berkeley Group builds homes and neighbourhoods across the UK, with a focus on London.	5,542	4.9
Imperial Brands (Consumer Staples –Tobacco) Imperial Brands is involved in the manufacture, marketing and selling of cigarettes and other tobacco products. It is also at the forefront of developing alternatives to traditional tobacco products.	5,145	4.5
Close Brothers Group (Financials – Banks) Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading.	4,847	4.3
GSK (Health Care – Pharmaceuticals & Biotechnology) GSK is a global manufacturer and marketer of pharmaceutical products.	4,825	4.3
Phoenix Group Holdings (Financials – Life Insurance) Phoenix Group is the UK's largest long-term savings and retirement business and offer a range of products across their market-leading pensions, savings and life insurance brands.	4,506	4.0
RELX (Consumer Discretionary – Media) RELX is a multinational information and analytics company.	4,498	4.0
ASML Holding (Technology – Technology Hardware & Equipment) ASML is one of the world's leading manufacturers of chip-making equipment.	4,367	3.9
Legal & General Group (Financials – Life Insurance) Legal & General is one of the UK's leading financial services groups.	4,336	3.8
Ten largest investments	**51,737**	**45.8**

At 31 March 2023

Company	Sector – Sub Sector	Market Value 31 March 2023 £'000	% of Total Investments
Cairn Homes	Consumer Discretionary – Household Goods & Home Construction	4,163	3.7
OSB Group	Financials – Finance & Credit Services	4,065	3.6
Intermediate Capital Group	Financials – Investment Banking & Brokerage Services	3,774	3.3
Compass Group	Consumer Discretionary – Consumer Services	3,713	3.3
Compagnie Financière Richemont	Consumer Discretionary – Personal Goods	3,659	3.2
Vistry Group	Consumer Discretionary – Household Goods & Home Construction	3,656	3.2
Hargreaves Lansdown	Financials – Investment Banking & Brokerage Services	3,566	3.1
Diageo	Consumer Staples – Beverages	3,479	3.1
Experian	Industrials – Industrial Support Services	3,250	2.9
Persimmon	Consumer Discretionary – Household Goods & Home Construction	3,019	2.7
Twenty largest investments		**88,081**	**77.9**
Schneider Electric	Industrials – Electronic & Electrical Equipment	2,690	2.4
Delivery Hero	Consumer Discretionary – Consumer Services	2,250	2.0
Hiscox	Financials – Non-Life Insurance	2,154	1.9
Beazley	Financials – Non-Life Insurance	2,124	1.9
Rotork	Industrials – Electronic & Electrical Equipment	2,104	1.9
Deutsche Boerse	Financials – Investment Banking & Brokerage Services	2,086	1.8
Kerry Group	Consumer Staples – Food Producers	1,978	1.8
Burford Capital	Financials – Investment Banking & Brokerage Services	1,966	1.7
SGS	Industrials – Industrial Support Services	1,889	1.7
THG	Consumer Staples – Personal Care, Drug & Grocery Stores	1,683	1.5
Thirty largest investments		**109,005**	**96.5**
Londonmetric Property	Real Estate – Real Estate Investment Trusts	1,603	1.4
Wizz Air Holdings	Consumer Discretionary – Travel & Leisure	1,590	1.4
ASOS	Consumer Discretionary – Retailers	570	0.5
Investors Securities Company Limited	N/A (subsidiary undertaking)	250	0.2
Total investments		**113,018**	**100.0**

Sustainability and ESG

As stewards of more than £100 million of net assets, we support positive change and the Company benefits from the Manager's leadership in this field.

Our Approach

Environmental, Social and Governance ('**ESG**') issues are the three central factors in measuring sustainability and can present both opportunities and threats to the long-term investment performance, the Company aims to deliver to shareholders. The Board is therefore committed to taking a responsible approach to ESG matters, for which there are two strands. Firstly there are the Company's own responsibilities on matters such as governance and secondly, the impact it has through the investments that are made on its behalf by its Manager.

The Company's compliance with the AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on pages 39 to 41. In addition, the Principal Policies statement on pages 29 and 30 includes the Company's policies towards board diversity and tenure, integrity and business ethics and prevention of the facilitation of tax evasion.

The Board recognises that the most material way in which the Company can have an impact is through responsible ownership of its investments. The Manager engages actively with the management of investee companies to encourage that high standards of ESG practice are adopted. The Manager has long been at the forefront of the investment industry in its consideration of these issues and has one of the longest established and largest teams focused solely on ESG.

Responsible Ownership

Engaging actively with companies on significant ESG matters, to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms a fundamental part of the Manager's approach towards responsible investment. Engagement in the first instance rather than simply divesting or excluding investment opportunities is also part of this approach.

The Manager's Corporate Governance Guidelines set out its expectations of the management of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies and ensuring that there is an effective mechanism for the internal reporting of wrongdoing, whether within the investee company itself, or involving other parties, such as suppliers, customers, contractors or business partners.

The Manager is also a signatory to the United Nations Principles for Responsible Investment ('**UNPRI**') under which signatories contribute to the development of a more sustainable global financial system. As a signatory, the Manager aims to incorporate ESG factors into its investment processes.

ESG and the Investment Process

The Manager's Responsible Investment team works closely with the Portfolio Manager to ensure that those performing the work on individual investment opportunities for the Company are well informed in what to look for in relation to the ESG aspects of their analysis. Specialism within the Responsible Investment team allows the Portfolio Manager to talk to those who understand the key ESG issues relating to a particular sector. Where possible, internal research is cross-referenced against external sources, for example MSCI ESG research. The Responsible Investment team has over the last year hosted many internal seminars and workshops for the investment teams, covering new developments across a wide range of topics to ensure that the portfolio managers were aware of the key issues. In recent years, the investment process has been further developed to incorporate the assessment of sustainability issues, while scores for the E, S and G performance elements of potential investments are taken into account in the derivation of the fair value of existing and potential new holdings for the Company. ESG analysis is therefore a key part of our quality scoring of companies and overall risk assessment. In relation to sustainability, the portfolio management team will note if individual investments are aligned explicitly with any of the UN Sustainable Development Goals. Details of these goals can be found at www.un.org/sustainabledevelopment/sustainable-development-goals/. The Portfolio Manager and Responsible Investment team's research work is used to: initiate discussions with companies; clarify the Portfolio Manager's understanding of the issues involved; create a dialogue; and encourage higher standards where appropriate. In this, the Manager may occasionally join with other major investors in order to be a yet more powerful force to drive change.

Portfolio Case Study

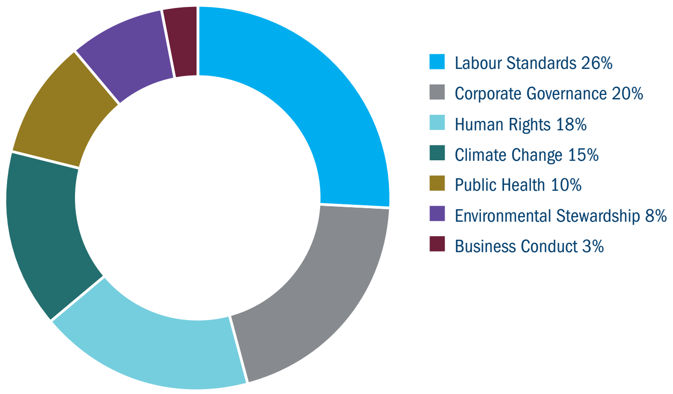
Schneider Electric ('SE')

Schneider Electric ('SE') is a French multinational company, providing global energy management and automation solutions. Its products help bolster industries' energy resilience, from data centres and buildings to infrastructure. Beyond the sustainability of its product portfolio, the company is peer leading on climate initiatives and targets, demonstrated by its science-based initiative approved targets with both interim, long-term and net zero targets to support its commitment. While Scope 3 emissions (which are the result of activities from assets in the company's value chain) represent around 90% of the company's footprint, with the majority comprising its use of sold products, the company has a strategy to decarbonise its downstream emissions through innovation in eco-design, substituting higher-emitting gases and supporting customers through the measurement of their environmental impacts. The company continues to focus on growing its clean technology profile. It has set a target to achieve 80% of its revenues generated from 'impact revenues' by 2025, a term it used to describe revenues coming from solutions that bring energy, climate, or resource efficiency to its customers without generating any significant harmful impact to the environment.

Engagement

During the year ended 31 March 2023, the Responsible Investment team engaged **24** times with management in the Company's investment portfolio, across **5** countries. Following its engagement, the Manager recorded 5 instances of positive changes at these companies. The most common topics for discussion were labour standards, followed by corporate governance and human rights. Analysis of this engagement follows.

2023 engagement analysis



Source: Columbia Threadneedle Investment Business Limited

Engagement examples in the reporting period	
Compass Group (Consumer Discretionary – Consumer Services) **Issue: Public Health**	In October 2022 the Manager welcomed Compass Group's newly published Global Supplier Code of Conduct which outlined expectations for suppliers in relation to food quality and safety. It is clear they have renewed their efforts with regard to supply chain due diligence and the Manager requested a call to understand their audit processes in more depth, particularly how the findings are integrated for action. The Manager came away from the call reassured as the team could clearly explain the due diligence process and responses. It is actively working on establishing traceability and monitoring of key risk areas in the supply chain and the Manager would like to see a clearer roadmap. The Manager encouraged the development and communication of a formal escalation process in cases of breaches of the supplier code of conduct and it looks forward to following up with the company as it extends its monitoring program in due course.
GSK (Health Care – Pharmaceuticals & Biotechnology) **Issue: Public Health**	The Manager spoke to the Chief Global Health Officer, head of Corporate Responsibility and Corporate Reporting and Investor Relations on access-to-medicine strategies and ESG. GSK scored first place on the Access to Medicine Index, as they have since the launch of the index, which is a remarkable achievement in the Manager's view. Regarding access to medicine, the company stated they want to reach 2.5 billion people over the next 10 years and spend £10 billion on new medicines for malaria and HIV. The Manager is pleased with the company's executive remuneration being linked to access-strategies and the companies' broader targets on ESG. They have identified 6 material ESG areas which are; access, global health and health security, Diversity Equity and Inclusion, net zero, product governance and ethical standards. Overall, the conversation was constructive, and the Manager regards GSK's efforts on access-strategies as positive.
Rio Tinto (Basic Materials – Industrial Metals & Mining) **Issue: Environmental Stewardship**	Rio Tinto is one of the largest mining companies in the world, extracting a range of commodities in six continents. Multiple mining assets are situated on land traditionally owned or used by Indigenous Peoples, leading to many mining sites being near culturally significant sites. In 2020 several significant aboriginal rock shelters were destroyed in Juukan Gorge, Australia. Following a shakeup of the company's board in the wake of this disaster and the appointment of a new chairman in April 2022, we have seen a real push from the company on proactively engaging on Environmental & Social issues. In June 2022 the Manager met with him, through the UK's Investor Forum, to discuss a range of ESG issues. Their CEO attended the launch of the new Mining 2030 initiative in January this year, which aims to examine the sustainability challenges facing the sector and to develop a better understanding of how it can grow to supply the transition metals the world needs to decarbonise, whilst retaining its licence to operate and avoiding negative impacts on the environment and communities. The second iteration of their Communities and Social Impact report, launched as a response to the company's shortcomings that led to Juukan Gorge's destruction, also shows ongoing progress and should be noted for its active engagement approach and honest disclosure of feedback.

Voting on portfolio investments

As noted previously, the Manager's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance. The Board expects to be informed by the Manager of any sensitive voting issues involving the Company's investments. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights and reports to the Board on its voting record. The Manager will vote on all investee company resolutions.

The Manager is a signatory of the UK Stewardship Code. Its statement of compliance can be found on the Manager's website at columbiathreadneedle.com.

We expect the Company's shares to be voted on all holdings where possible. During the financial year, the Manager voted at 36 meetings of investee companies held by the Company. The Manager did not support management's recommendations on at least one resolution at approximately 32% of all meetings. With respect to all items voted, the Manager supported over 94.5% of all management resolutions. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, the Manager did not support 32% of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance.

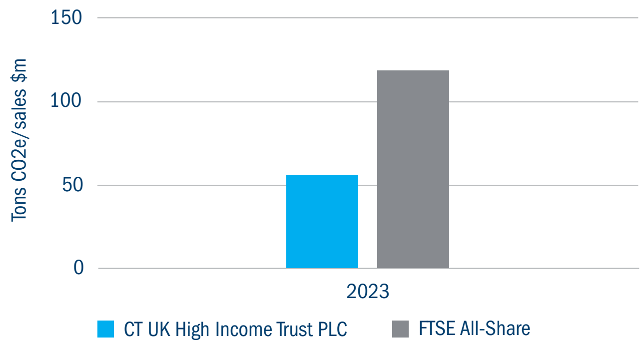
Climate Change

Of all the ESG issues the Manager considers, climate change is one of the most important, both in terms of the scale of potential impact and in how widespread this impact could be across sectors and regions. The Company expects the Manager to incorporate considerations around climate change risks and opportunities in its investment processes.

As an investment trust company, the Company is not required to report against the recommendations of the Task Force on Climate-related Financial Disclosures unlike other premium listed "trading" companies. However, as follows, the Company is disclosing its assessment of the weighted-average carbon intensity ('**WACI**') of its investments. This measures the amount of greenhouse gas emissions produced by each investee company, per US$1m of revenue they generate. This is then aggregated for the Company as a whole, using the portfolio weights of the companies, and compared with the benchmark.

The WACI does not provide a full picture of climate risks, but it is a valuable starting point both for analysis and for shareholder dialogue. The chart highlights that the Company's portfolio of investments is significantly less carbon intensive than its benchmark.

Weighted-average carbon intensity



Source: Columbia Threadneedle Investment Business Limited

2023

Last year, the Russian invasion of Ukraine and extreme weather events reinforced the importance of creating a more resilient future. Climate change, biodiversity loss and human rights are all issues that require urgent action. It is these areas that engagement focused on in 2022 and will continue to be of focus in 2023.

Climate-related engagement activity will be wide-ranging, but one area of focus will be on implementation strategies. Many firms in emissions-intensive sectors have set targets, but often face significant barriers to achieving these. We will work with companies to understand how they are aligning factors such as capital expenditure plans with their targets, as well as governance oversight and links to executive pay. We will also look at physical climate risks, focusing particularly on how heatwave and drought episodes in Europe are impacting on companies' ability to do business.

The continuing loss of biodiversity will bring about significant economic loss, and impact food and water security, as well as human health and the spread of disease. The Manager has been part of the Lead Investor Group setting up the Nature Action 100 collaborative engagement initiative, which had a soft launch at COP15. Investors will engage companies in key sectors to ensure they are taking timely and necessary actions to protect and restore nature and ecosystems. It also aims to engage policymakers on the outcomes of COP15.

Effective supply chain management practices are essential to ensuring the protection of human rights. In 2023, the Manager will continue to engage with corporates on implementing human rights due diligence across their supply chains to understand and mitigate adverse impacts on people. This will lead to more stable and resilient operations, a stronger license to operate, and better stakeholder relationships.

Promoting the Success of the Company

Section 172 Statement

Under Section 172 of the Companies Act 2006, the Directors have a duty to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's shareholders;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As explained on page 8, the Company is an externally managed investment company and has no employees, customers or premises.

The Board believes that the optimum basis for meeting its duty to promote the success of the Company is by appointing and managing third parties with the requisite performance records, resources, infrastructure, experience and control environments to deliver the services required to achieve the investment objective and successfully operate the Company. By developing strong and constructive working relationships with these parties, the Board seeks to ensure high standards of business conduct are adhered to at all times and service levels are enhanced whenever possible. This combined with the careful management of costs is for the benefit of all shareholders who are also key stakeholders.

As set out on page 8, the Board's principal working relationship is with the Manager which is responsible for the management of the Company's assets in line with the investment objective and policy set by the Board. The Manager also provides ancillary functions such as administration, marketing, accounting and company secretarial services to the Company and acts as the AIFM.

The Board works closely with the Manager and oversees the various matters which have been delegated to it, and to ensure the Company's daily operations run smoothly for the benefit of all shareholders. The portfolio activities undertaken by our Manager are set out in the Manager's Review on pages 11 to 13.

While the Company's direct impact on the community and environment is limited, its indirect ESG impact occurs through the businesses in which it invests. The Board gives effect to this through the Manager's Responsible Investment approach which is set out on pages 19 to 22. The Board is very supportive of the Manager's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals ('**SDGs**'). Information on the annual evaluation of the Manager, to ensure its continued appointment remains in the best interests of shareholders, is set out on page 43.

In addition to the Company's shareholders, Manager and bankers, other key stakeholders include its service providers such as the Custodian and Depositary, Broker and Registrar. The Board receives regular reports from the Company's key service providers on an ongoing basis and evaluates them to ensure expectations on service delivery are met.

The Board places great importance on communication with shareholders and further information is set out on page 9.

The Company's stakeholders are always considered when the Board makes decisions and examples include:

- **Dividends/capital repayments.**
  The Board recognises that the distribution levels on the Company's shares are important to shareholders. Following the payment of the fourth interim dividend and capital repayment with respect to the financial year to 31 March 2023, total dividends/capital repayments total 5.51p per share. This represents an increase of 1.1% compared to the prior year. The payment of the dividend to Ordinary shareholders was, in part, made possible by the use of some of the revenue reserve that the Company had built up over the years. Since the COVID-19 pandemic and when there was a significant reduction in the level of dividends being paid by UK companies, it has shown how effectively the investment trust structure can work with the use of the revenue reserve to help supplement revenue earnings to pay dividends when there is a shortfall in revenue income. This was again the case this year, however it is a key objective of the Board and Manager to return to a covered dividend and to rebuild the revenue reserve. At 31 March 2023, the yield on the Ordinary shares and B shares was 6.7% and 6.5% respectively, as compared to the yield on the FTSE All-Share Index of 3.6% at that time.

- **Costs**
  One of the Company's KPIs is cost efficiency and the Board monitors costs closely and strives to keep these as competitive as possible for the benefit of our shareholders. During the financial year, a change to the investment management fee was agreed between the Board and the Manager and with effect from 1 April 2022, the investment management fee was reduced from 0.65% to 0.60% per annum of the net asset value of the Company, which will help our ongoing charges.

- **Borrowings**
  During the financial year, the Company refinanced its borrowings and entered into a three-year unsecured revolving credit facility ('**RCF**') with The Royal Bank of Scotland International Limited ('**RBS**') for £15 million. This replaced its £7.5 million RCF with Scotiabank (Ireland) Designated Activity Company and its £7.5 million unsecured term loan with Scotiabank Europe plc, both of which matured on 28 September 2022. It is believed that the new facility will provide suitable flexibility for the Board and Manager to utilise borrowing when investment opportunities arise or, conversely, reduce borrowing dependent on market conditions and outlook.

  The Manager provides regular loan covenant compliance certificates to RBS and loan covenants are also reviewed by the Board.

- **Board succession plan**
  The Board is committed to ensuring that its composition is compliant with best corporate governance practice under the AIC Code, including guidance on tenure.

  During the financial year, the Board has continued to progress its succession plan. Having served on the Board for nine years, John Evans, the chairman, retired following the conclusion of the AGM on 20 July 2022. As shareholders voted at the AGM to continue the Company, a recruitment process was then undertaken in order to recruit and appoint a new non-executive Director. As such, on 24 November 2022, the Board appointed Angus Pottinger as a non-executive Director. His biography is included on page 31 and the process which was followed is set out on page 42. An objective of the succession plan has been to ensure an adequate level of continuity and experience on the Board, thereby acting in the best interests of stakeholders.

- **Continuation measurement period**
  As explained in the Annual Report and Financial Statements to 31 March 2022, the Board proposed to shareholders to reduce the period stipulated in the Company's Articles of Association over which the Company's performance against the FTSE All-Share Index was measured. At the AGM on 20 July 2022, approval was granted by shareholders to reduce the existing five year performance period to three years and therefore should the net asset value total return of the Ordinary shares not be equal to or greater than the total return performance of the FTSE All-Share Index for the three years to 31 March 2025, a continuation vote will be held at the 2025 Annual General Meeting. There has been no change to the portfolio management process despite the shorter performance period, but should the performance hurdle not be met, this change will allow shareholders an opportunity to consider the life of the Company sooner than otherwise would have been the case.

- **Retail investors**
  A significant proportion of the Company's shareholders are retail investors who invest through savings or execution-only platforms. These include those who invest through the Manager's retail savings plans and the Board remains focused with the Manager on the optimal delivery of the Company's investment proposition for the benefit of all shareholders. Now that Child Trust Fund accounts (which were launched in 2005), are reaching maturity, the Board's objective is to retain as many of these young investors as possible. Prior to account maturity the Manager writes to their parents setting out their options and currently retention rates are in line with expectations. The Manager remains committed to its savings plans and its relationship with its customers and has invested significantly in its offering to enhance the digital experience in order to meet its customers' expectations. Columbia Threadneedle Investments, the new owner of the Manager, has also expressed its commitment to the investment trust business and the savings plans.

- **Institutional shareholders, wealth managers and IFAs**
  The Manager has a team dedicated to fostering good relations with institutional shareholders, wealth managers and independent financial advisers and keeping investors regularly informed, with the aim of promoting the Company's investment proposition and improving the rating of the Company's share prices. This team organises meetings with these parties as well as preparing webinars, interviews and videos which are shared through various media channels. The team gathers feedback and answers any queries in relation to the Company and its investment strategy. Feedback from these activities is reported regularly to the Board.

Principal Risks and Uncertainties and Viability Statement

As an investment company, investing primarily in listed securities, most of the Company's principal risks and uncertainties that could threaten the achievement of its objective, strategy, future performance, liquidity and solvency are market-related.

A summary of the Company's risk management and internal controls arrangements is included within the Report of the Audit Committee on pages 44 to 47. By means of the procedures set out in that summary, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The Board also considers emerging risks which might affect the Company and related updates from the Manager on such risks are also considered. During the year emerging risks included the outlook for inflation and the war in Ukraine. Any emerging risks that are identified and that are considered to be of significance would be included on the Company's risk register with any mitigations. These significant risks, emerging risks and other risks are regularly reviewed by the Audit Committee and the Board. While the effect of the COVID-19 pandemic appears to have eased, increased market volatility due to recent macroeconomic and geopolitical concerns have been considered and is referred to in Financial Risk. They have also regularly reviewed the effectiveness of the Company's risk management and internal control systems for the period.

As was explained in the 31 March 2022 Annual Report and Financial Statements, the Company's Manager, which was part of BMO GAM (EMEA) was acquired by Ameriprise and the integration of its business with Columbia Threadneedle Investments is now well advanced. The Board looks favourably upon this transaction and there has been little change for your Company. Nevertheless, an acquisition such as this introduces some uncertainty, until the integration of systems is fully implemented. A critical milestone is the move to a new order management system, Aladdin, which is widely regarded as market leading. Therefore the Board will continue to monitor this risk closely.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach, are described on pages 26 and 27.

Note 21 to the financial statements provides detailed explanations of the risks associated with the Company's financial instruments and their management.

Principal Risks and Uncertainties	Mitigation
Financial Risk The Company's assets consist mainly of listed equity securities and its principal financial risks are therefore market-related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Increased uncertainty in markets since the COVID-19 pandemic, the war in Ukraine and macroeconomic and geopolitical concerns has led to volatility in the Company's NAV. Climate change is likely to have an impact on some of our investee companies in the coming years potentially affecting their operating models for example, supply chains and energy costs. **Increase in overall risk during the year, given the war in Ukraine and macroeconomic and geopolitical concerns.**	The Board regularly considers the composition and diversification of the Investment Portfolio and considers individual stock performance together with purchases and sales of investments. Investments and markets are discussed in detail with the Manager on a regular basis. Engagement on environmental, social and governance matters is undertaken by the Manager and its approach is explained on pages 19 to 22. The Board has, in particular, considered the impact of heightened market volatility since the COVID-19 pandemic, macroeconomic and geopolitical concerns and inflation. As a closed-end investment company, it is not constrained by asset sales to meet redemptions so can remain invested through volatile market conditions and is well suited to investors seeking longer term returns. An explanation of these risks and the way in which they are managed are contained in note 21 to the financial statements.
Investment and strategic risk Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/ premium and the use of gearing could all lead to poor returns for shareholders including impacting the capacity to pay dividends. **Increase in overall risk during the year, given the war in Ukraine and macroeconomic and geopolitical concerns.**	The Company's objective and investment policy and performance against peers and the benchmark are considered by the Board at each meeting and strategic issues are considered regularly. The Investment Portfolio is diversified and comprises listed securities and its composition is reviewed regularly with the Board. The Manager's Investment Risk team provides oversight on investment risk management. Market intelligence is maintained via the Company's broker and the effectiveness of the marketing strategy together with the level of discount to NAV at which the Company's shares trade are also reviewed at each meeting. The Manager also meets with major shareholders. The Board regularly considers ongoing charges combined with underlying dividend income from portfolio companies and the consequent dividend paying capacity of the Company.
Regulatory Breach of regulatory rules could lead to the suspension of the Company's stock exchange listing, financial penalties, or a qualified audit report. Breach of section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains. Changes to tax regulations could alter the attractions of the Company's B shares. **No change in overall risk**	The Board liaises with advisors to ensure compliance with laws or regulations. The Manager and its Operational Risk Management team provide regular reports to the Board and Audit Committee on their monitoring and oversight of such rules and are reviewed by the Board. This includes the conditions to maintain investment trust status including the income distribution requirement. The Board has access to the Manager's Head of Operational Risk Management and requires any significant issues directly relevant to the Company to be reported immediately.

Principal Risks and Uncertainties	Mitigation
Operational Failure of the Manager as the Company's main service provider or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence. This risk includes failures or disruption as a consequence of external events such as the COVID-19 pandemic. External cyber attacks could cause such failure or could lead to the loss or sabotage of data. **No change in overall risk but due to the integration with Columbia Threadneedle's systems, this risk remains heightened**	The Board meets regularly with the management of the Manager and its Operational Risk Management team to review internal control and risk reports which includes oversight of its own third party service providers. The Manager's appointment is reviewed annually and the contract can be terminated with six months' notice. The Manager has a business continuity plan in place to ensure that it is able to respond quickly and effectively to an unplanned event that could affect the continuity of its business. The Manager has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust Company ('**State Street**') and supervision of such third party service providers, including SS&C who administer the Manager's savings plans, has been maintained by the Manager. This includes the review of IT security and heightened cyber threats. Further to the acquisition of the Company's Manager by Ameriprise, the Board continues to monitor the integration of its business with Columbia Threadneedle Investments. Comfort is taken from its long-term financial strength and resources and commitment towards the investment trust business and savings plans. The Manager also closely monitors the performance of its technology platform to ensure it is functioning within acceptable service levels.
Custody risk Safe custody of the Company's assets may be compromised through control failures by the custodian. **No change in overall risk**	The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Board also receives periodic updates from the custodian on its own cyber-security controls. The Depositary is specifically liable for loss of any of the Company's assets that constitute financial instruments under the AIFMD.

Viability assessment and statement

In accordance with the UK Corporate Governance Code, the Board is required to assess the future prospects for the Company and has considered that a number of characteristics of its business model and strategy were relevant to this assessment:

- The Board looks to long-term outperformance rather than short-term opportunities.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested primarily in liquid listed securities and that the level of borrowing is restricted.
- The Company is a listed closed-end investment trust, whose shares are not subject to redemptions by shareholders.
- Subject to shareholder continuation votes, in the event that the net asset value total return performance of the Company is less than that of the FTSE All-Share Index over the relevant period, the Company's business model and strategy is not time limited. The next such performance measurement period will cover the three years to 31 March 2025.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Custodian and Depositary.
- The borrowing facility, which remains available until September 2025, is also subject to a formal agreement, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.
- Cash is held with banks approved and regularly reviewed by the Manager.
- The operational robustness of key service providers and the effectiveness of alternative working arrangements.
- That alternative service providers could be engaged at relatively short notice if necessary.

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance and solvency. This included the impact of market volatility and a significant fall in equity markets on the Company's investment portfolio. These risks, their mitigations and the processes for monitoring them are set out on pages 25 to 27 on Principal Risks and Uncertainties, on pages 44 to 47 in the Report of the Audit Committee and in note 21 of the financial statements.

The Directors have also considered:

- The level of ongoing charges incurred by the Company which are modest and predictable and total 1.02% of average net assets.
- Future revenue and expenditure projections.
- Its ability to meet liquidity requirements given the Company's investment portfolio consists mainly of readily realisable listed equity securities which can be realised if required.
- The ability to undertake share buybacks if required.
- Whether the Company's objective and investment policy continue to be relevant to investors.
- The effect of significant future falls in investment values and the ability to maintain dividends and capital repayments, particularly given the impact of increased market volatility since the COVID-19 pandemic, the war in Ukraine and macroeconomic and geopolitical concerns.

As the Company's performance measurement period was reduced from five years to three years (following shareholder approval at the 2022 AGM), these matters were assessed over a three year period to May 2026, and the Board will continue to assess viability over three year rolling periods. As part of this assessment the Board considered stress tests and scenarios which considered the impact of severe stock market volatility on shareholders' funds and declines in income over a three year period. The results demonstrated the impact on the Company's net assets and its expenses and its ability to meet its liabilities over that period. A rolling three year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current outlook for longer-term economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to May 2026.

Principal Policies

Investment Policy

In pursuit of its objective, the Company invests predominantly in UK equities and equity related securities of companies across the market capitalisation spectrum.

The objective will be to achieve a total return in excess of that of the FTSE All-Share Index. The Manager will approach investment portfolio construction with the aim of maintaining a diversified portfolio with approximately 40 holdings at any given time. No single investment in the portfolio may exceed 10 per cent of the Company's gross assets at the time of purchase. In addition, the Manager expects few individual holdings to exceed five per cent of the Company's gross assets at the time of purchase. There are no maximum levels set for exposures to sectors.

Income may be enhanced from the investment portfolio by writing call options, but only where the portfolio has an existing holding and the holding is greater than the amount of stock subject to the call option. The percentage of the portfolio that may be used to generate call premium is limited to 5 per cent by value at any one time. The Company may use derivatives for efficient portfolio management from time to time.

The Company has the power under its Articles of Association to borrow an amount up to 100 per cent of the Company's Adjusted Capital and Reserves. The Directors currently intend that the aggregate borrowings of the Company will be limited to approximately 20 per cent of the Company's gross assets immediately following drawdown of any new borrowings. The Directors will however retain flexibility to increase or decrease the level of gearing to take account of changing market circumstances and in pursuit of the Company's investment objectives.

As required by the Listing Rules, the Company has a policy to invest no more than 15 per cent of gross assets in other listed investment companies.

The Company's Benchmark

The Company's benchmark is the FTSE All-Share Index. From launch on 1 March 2007, the Company's benchmark was the FTSE All-Share Capped 5% Index but in order to simplify the measurement of the Company's performance, at the Company's Annual General Meeting on 5 July 2018 shareholders approved the proposal to change the Company's benchmark to the FTSE All Share Index.

Gearing Policy

As explained in the Investment Policy, the Company has the flexibility to borrow and the Board has set a gearing limit. The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate.

The Company has a £15 million unsecured revolving credit facility with The Royal Bank of Scotland International Limited, which is available until 28 September 2025 and is described in more detail in the notes to the financial statements. At 31 March 2023, borrowings totalling £12 million had been drawn down.

Dividend/Capital Repayment Policy

Within the Company's investment objective is the aim to provide an attractive return to shareholders in the form of dividends and/or capital repayments.

In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, prevailing inflation rates, the Company's dividend payment record and the Corporation Tax rules governing investment trust status. Dividends can also be paid from capital reserves where the balance on this reserve is positive. At the same time as dividend payments are made to Ordinary shareholders, capital repayments of the same amount are made to B shareholders from the special capital reserve. Risks to the dividend policy have been considered as part of the Principal Risks and Uncertainties and Viability statement on pages 25 to 28 and include financial risks leading to a deterioration in the level of income received by the Company or a significant change to the Company's regulatory environment.

Dividends/capital repayments are currently paid quarterly in August, November, February and May.

In the financial year to 31 March 2024 the Board is strongly minded to try and maintain the annual level of dividend/capital repayment.

Buy backs/Discount Policy

Share buy backs help reduce the volatility of the discount and enhance the net asset value per share for continuing shareholders.

While the Directors will at all times retain discretion over whether or not to repurchase shares, it will be the Company's policy, in the absence of unforeseen or extreme circumstances and subject to the aim of maintaining the Ordinary share: B share ratio within the range (72.5% : 27.5% and 77.5% : 22.5%), to repurchase shares of either class when there are net sellers and the market price stands at a discount to net asset value of 5% or more. The Board may, if it considers it to be in the best interests of the Company, amend this ratio from time to time. However, the Board will always be mindful of any impact on the level of revenue available for the Ordinary shares. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. There is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold at a price not less than the net asset value per share.

Prevention of the Facilitation of Tax Evasion

The Board is fully committed to complying with the UK's Criminal Finances Act 2017, designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company operates. The policy is based upon a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

Taxation

The policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines.

The Company has received approval from HMRC as an investment trust under Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") and has since continued to comply with the eligibility conditions such that it does not suffer UK Corporation Tax on capital gains. The Manager ensures that the Company submits correct taxation returns annually to HMRC; settles promptly any taxation due; and claims back, where possible, taxes suffered in excess of taxation treaty rates on non-UK dividend receipts.

Board Diversity and Tenure

The Board is composed solely of non-executive Directors and its approach to the appointment of non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender. The Board is conscious of the diversity targets set out in the FCA Listing Rules and the Board complies with the UK Corporate Governance Code and AIC Code in appointing appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company. The Board will always appoint the best qualified person for the role and will not discriminate on the grounds of gender, race, ethnicity, socio-economic background, religion, sexual orientation, age or physical ability. The Board is committed to maintaining the highest levels of corporate governance in terms of independence and would normally expect the Directors to serve for a nine-year term although this may be adjusted for reasons of flexibility and continuity.

In accordance with Listing Rule 9.8.6R(9), (10) and (11) the Board has provided the following information in relation to its diversity; the information for which has been obtained through the completion of questionnaires by the individual Directors. As is shown, the Company does not meet the targets, which came into force for the financial year ending 31 March 2023. The Company's board, with four non-executive directors, is relatively small which makes achieving these targets more challenging.

Board Gender as at 31 March 2023[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	3	75%	2
Women	1	25%[2]	–[3]
Not specified/ prefer not to say	–	–	–

[1] The Company has opted not to disclose against the number of Directors in executive management as this is not applicable for an investment trust which do not have the roles of CEO or CFO.
[2] This does not meet the Listing Rules target of 40%.
[3] The position of the Chairman of the Audit Committee is held by a woman however this is not currently defined as a senior position under the Listing Rules.

Board Ethnic Background as at 31 March 2023[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority-white groups)	4[2]	100%	2
Mixed/Multiple Ethnic Groups	–	–	–
Asian/Asian British	–	–	–
Black/African/ Caribbean/ Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/ prefer not to say	–	–	–

[1] The Company has opted not to disclose against the number of Directors in executive management as this is not applicable for an investment trust which do not have the roles of CEO or CFO.
[2] This does not meet the Listing Rules target of at least 1 individual from a minority ethnic background.

Integrity and Business Ethics

The Board applies a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of the Manager or any other organisation with which the Company conducts business. The Board also ensures that adequate procedures are in place and followed in respect of third-party appointments, acceptance of gifts, hospitality and similar matters.

The Strategic Report, contained on pages 5 to 30, has been approved by the Board of Directors.

By order of the Board
For Columbia Threadneedle Investment Business Limited
Company Secretary
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
31 May 2023

Board of Directors

Andrew Watkins
Chairman of the Board and Nomination Committee
Appointed on 29 June 2017 and as Chairman on 20 July 2022.

Experience and contribution: He has worked in the financial services industry for over 40 years and was head of Client Relations for Investment Trusts at Invesco from 2004 until his retirement in June 2017.

Other appointments: Andrew is currently a non-executive director and chairman of Ashoka India Equity Investment Trust plc and a non-executive director of Chelverton UK Dividend Trust PLC, Baillie Gifford European Growth Trust plc and Consistent Unit Trust Management Ltd.

Helen Galbraith (nee Driver)
Chairman of the Audit Committee
Appointed on 6 May 2020 and as Chairman of the Audit Committee on 27 July 2021.

Experience and contribution: Helen has over 20 years' experience in the Insurance and Asset Management industry as Head of Investor Relations at Aviva plc, Head of Global Equities at Aviva Investors and managing UK equities as Investment Director at Standard Life Investments. Helen is the founder of Moneyready, an online financial education platform for young people.

Other appointments: Helen is currently a non-executive director of Schroder UK Mid Cap Fund PLC and a non-executive director and Chair of Orwell Housing Association.

Stephen Mitchell
Senior Independent Director and Chairman of the Engagement and Remuneration Committee
Appointed on 6 May 2020 and as Senior Independent Director on 20 July 2022 and as Chairman of the Engagement and Remuneration Committee on 2 December 2020.

Experience and contribution: He has worked in investments for 40 years, most recently as a global equity specialist, previously on Japanese and Asia-Pacific equities. He worked at Flemings then JPMorgan Asset Management and Private Bank for 24 years, subsequently at Caledonia Investment Trust running a global equity income fund and then Jupiter Asset Management. Latterly he also covered investment strategy and multi-asset allocation.

Other appointments: Stephen is currently a Trustee of National Trust for Scotland and chair of its investment committee, and a member of the investment committee at Westminster Almshouses.

Angus Pottinger
Non-Executive Director
Appointed on 24 November 2022.

Experience and contribution: He has worked in financial services for over 35 years, including most recently 22 years in Invesco's investment trust team, where he was Head of Investment Company Services, specifically in charge of accounting, company secretarial and administration functions. Prior to that he was a corporate broker at Merrill Lynch.

Other appointments: Angus is currently a trustee of the Invesco UK pension scheme.

All Directors are members of the Audit Committee, the Engagement and Remuneration Committee and Nomination Committee.
No Director holds a directorship elsewhere in common with other members of the Board.

Report of the Directors

The Directors submit the Annual Report and Financial Statements of the Company for the year to 31 March 2023. The Directors' biographies, Corporate Governance Statement, the Report of the Nomination Committee, the Report of the Engagement and Remuneration Committee, the Report of the Audit Committee and the Directors' Remuneration Report form part of this Report of the Directors.

Statement Regarding Annual Report and Financial Statements

The Directors consider that, following a detailed review and advice from the Audit Committee, the Annual Report and Financial Statements for the year to 31 March 2023, 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. The Audit Committee reviewed the draft Annual Report and Financial Statements for the purpose of this assessment and, in reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment industry in general and investment companies in particular. The outlook for the Company can be found on pages 6, 7 and 13. Principal risks and uncertainties can be found on pages 25 to 27 with further information in note 21 to the financial statements. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

Results and Dividends

The results for the year are set out in the financial statements on pages 60 to 78. The return to shareholders was £(583,000).

The Company has paid quarterly interim dividends in the year ended 31 March 2023 as follows:

Interim Dividend Payments

	Payment date	Rate per Ordinary share
Fourth interim for 2022	6 May 2022	1.55p
First interim for 2023	5 August 2022	1.32p
Second interim for 2023	4 November 2022	1.32p
Third interim for 2023	3 February 2023	1.32p

Dividend payments in the prior year ended 31 March 2022 are set out in note 9 to the financial statements.

A fourth interim dividend of 1.55p per Ordinary share was paid on 5 May 2023 to Ordinary shareholders on the register at close of business on 11 April 2023. This dividend, together with the first three interim dividends of 1.32p per Ordinary share paid during the year, make a total dividend (for the financial year to 31 March 2023) of 5.51p per Ordinary share. This represents an increase of 1.1% over the 5.45p per Ordinary share paid in respect of the previous financial year.

At the same time as dividend payments are made to Ordinary shareholders, capital repayments of the same amount are made to B shareholders from the special capital reserve.

As set out in the Company's dividend/capital repayment policy on page 29, payments are made quarterly and the Company does not currently pay a final dividend that would require formal shareholder approval at the AGM. This enables the fourth interim dividend/capital repayment to be made in May and earlier than would be possible if classed as a final dividend/capital repayment and subject to shareholder approval at the AGM in July.

As an alternative, the Board proposes to seek formal shareholder approval at the AGM, and in future years, to continue quarterly payments (**Resolution 9**).

Principal Activity and Status

The Company is registered in Scotland as a public limited company in terms of the Companies Act 2006 (number: SC314671) and is an investment company under section 833 of the Companies Act 2006.

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs ('**HMRC**'), subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. As a result, it is not liable to corporation tax on capital gains. The Company intends to conduct its affairs so as to enable it to comply with the requirements.

The Company is required to comply with company law, the rules of the Financial Conduct Authority, and other legislation and regulations including UK-adopted International Accounting Standards and its own Articles of Association.

The Company is a member of the Association of Investment Companies (the '**AIC**').

Subsidiary Company

The Company has a 100% interest in Investors Securities Company Limited (number: SC140578), a company which deals in investments. In the year to 31 March 2023, Investors Securities Company Limited made a profit before taxation of £nil (2022: £nil).

Investors Securities Company Limited did not trade during the year to 31 March 2023 and it has not been consolidated in the financial statements in accordance with section 405 of the Companies Act 2006 on grounds of materiality.

Accounting and Going Concern

Shareholders will be asked to approve the adoption of the Annual Report and Financial Statements at the AGM (**Resolution 1**).

The financial statements start on page 60 and the unqualified Independent Auditor's Report on the financial statements is on pages 52 to 59. The significant accounting policies of the Company are set out in note 1 to the financial statements.

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern.

As an investment company, investing primarily in listed securities, most of the Company's principal risks and uncertainties are market-related. An explanation of these risks and how they are managed is set out on pages 25 to 27. The Board has, in particular, considered the impact of increased market volatility since the COVID-19 pandemic and more recently, due to macroeconomic and geopolitical concerns, but does not believe the Company's ability to continue as a going concern is affected.

The Company's investment objective and investment policy, which is described on pages 8 and 29 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The value of these investments exceeds the Company's liabilities by a significant margin. The Company retains title to all assets held by its custodian, and has an agreement relating to its borrowing facility with which it has complied during the year. Cash is only held with banks approved and regularly reviewed by the Manager.

As part of the going concern review, the Directors noted that a borrowing facility of a £15 million revolving credit facility is committed to the Company until 28 September 2025 and loan covenants are reviewed by the Board on a regular basis. Further details are set out in note 16 to the financial statements.

Note 21 to the financial statements sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

The Directors believe, having assessed the principal risks and other matters, in light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets and revenue and expenditure projections, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

The Company's longer term viability is considered in the 'Viability assessment and statement' on page 28.

The Company does not have a fixed life. However, in the event that the net asset value total return performance of the Company is less than that of the FTSE All-Share Index over the relevant three year period, in accordance with the Company's articles of association, shareholders will be given the opportunity to vote on whether the Company should continue in existence, by ordinary resolution at the Company's Annual General Meeting.

At the AGM held on 20 July 2022, an ordinary resolution that the Company should continue in existence, was passed. Also, a special resolution that new articles of association be approved and adopted was passed, which included reducing the performance measurement period from five years to three years, as referenced above.

Statement of Disclosure of Information to the Auditor

Each of the Directors confirm that, so far as he or she is aware, there is no information relevant to the preparation of the Annual Report and Financial Statements of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Re-appointment of Auditor

Deloitte LLP was re-appointed as the Company's auditor at the Annual General Meeting on 20 July 2022 and it has expressed its willingness to continue in office as the Company's auditor. A resolution proposing its re-appointment and authorising the Directors to determine its remuneration will be submitted at the Annual General Meeting (**Resolution 8**).

Further information in relation to the re-appointment can be found on page 47.

Capital Structure and Voting Rights

The Company's capital structure is explained in the 'Capital Structure' section on page 84 of this Annual Report and details of the share capital, including voting rights, are set out in note 17 to the financial statements. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting.

At 31 March 2023 there were 102,067,144 Ordinary shares of 0.1p each listed, of which 16,994,491 were held in treasury and 32,076,703 B shares of 0.1p each listed, of which 1,367,953 were held in treasury. At 31 March 2023, the total listed share capital of the Company was represented 76.1 per cent by Ordinary shares and 23.9 per cent by B shares.

There are: no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. Pursuant to the Company's loan facility agreement, repayment may be required in the event of a change in control of the Company. There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

Substantial Interests in Share Capital

At 31 March 2023 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure Guidance and Transparency Rules):

	Ordinary Shares	
	Number held	Percentage held*
1607 Capital Partners, LLC	8,500,000	10.0
D. C. Thomson & Company Limited	7,944,896	9.3
Thomson Leng Provident Fund	3,800,000	4.5

* Based on 85,072,653 Ordinary Shares in issue as at 31 March 2023.

	B Shares	
	Number held	Percentage held*
D. C. Thomson & Company Limited	2,241,623	7.3

* Based on 30,708,750 B Shares in issue as at 31 March 2023.

Since 31 March 2023 the Company received the following notification of voting rights: 1607 Capital Partners, LLC 3,655,300 Ordinary shares (4.3%).

The Company has not received any other notification of any changes in these voting rights and no new holdings have been notified since 31 March 2023 up to the date of this report.

Manager's Savings Plans

Approximately 43% of the Company's total share capital is held through the Manager's savings plans. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the savings plans. Instead the nominee company holding these shares votes in line with any voting directions received from the underlying planholders. Where no instruction is received from any underlying planholder, the voting rights attached to their shares will not be exercised.

Borrowings

During the year, the Company refinanced its borrowing facilities which matured on 28 September 2022. It now has a £15 million unsecured revolving credit facility with The Royal Bank of Scotland International Limited, of which £12 million was drawn down at the year-end. Further information is included in note 16 to the financial statements.

Directors' Remuneration Report

At the AGM held on 27 July 2020, shareholders approved the Directors' Remuneration Policy. It is a requirement that shareholder approval is sought at least every three years and therefore shareholders will be asked to approve the Directors' Remuneration Policy at the forthcoming AGM (**Resolution 2**).

There have been no material changes to the policy since approved by shareholders at the AGM held on 27 July 2020.

The Directors' Remuneration Report, which can be found on pages 48 to 50, provides detailed information on the remuneration arrangements for the Directors of the Company and includes the Directors' Remuneration Policy. Shareholders will be asked to approve the Annual Report on Directors' Remuneration (**Resolution 3**) at the AGM on 20 July 2023.

Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole. It is intended that this policy will continue for the three year period ending at the AGM in 2026.

Director Election and Re-Elections

Biographical details of the Directors, all of whom are non-executive, can be found on page 31 and are incorporated into this report by reference.

With the exception of John Evans, who retired following the AGM on 20 July 2022 and Angus Pottinger, who was appointed on 24 November 2022, all of the Directors held office throughout the year under review. In accordance with the Company's Articles of Association, any Director appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election. Accordingly, Angus Pottinger will retire at the AGM, being the first such meeting following his appointment and, being eligible, offers himself for election (**Resolution 6**).

As explained in more detail under the Corporate Governance Statement on pages 39 to 41, the Board has agreed that all Directors will retire annually. Accordingly, Helen Galbraith, Stephen Mitchell and Andrew Watkins will retire at the AGM and, being eligible, offer themselves for re-election (**Resolutions 4, 5 and 7**).

The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below.

- **Resolution 4** relates to the re-election of Helen Galbraith who was appointed on 6 May 2020 and has over 20 years' experience in the Insurance and Asset Management industry. She also has relevant accounting experience and is a Chartered Financial Analyst.
- **Resolution 5** relates to the re-election of Stephen Mitchell who was appointed on 6 May 2020 and has worked in investments for over 40 years most recently as a global equity specialist.
- **Resolution 6** relates to the election of Angus Pottinger who was appointed on 24 November 2022 and has worked in financial services for over 35 years, including most recently 22 years in Invesco's investment trust team, where he was Head of Investment Company Services, specifically in charge of accounting, company secretarial and administration functions.
- **Resolution 7** relates to the re-election of Andrew Watkins who was appointed on 29 June 2017 and has extensive experience and knowledge of investment trusts and the sector having been Head of Client Relations for Investment Trusts at Invesco until his retirement in 2017.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Chairman and the Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role and, having considered the Directors' other time commitments and Board positions are satisfied that each Director has the capacity to be fully engaged with the Company's business. In addition, the Board believes that each Director is independent in character and judgement, that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board. Additional information on diversity and tenure is set out on pages 30 and 42. The Chairman and the Board therefore believes that it is in the interests of shareholders that each of those Directors seeking election and re-election are elected/re-elected.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with, and accepted, the terms of a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Director has a sufficient understanding of the Company and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Directors' Interests and Letters of Indemnity

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year.

The Company has entered into letters of indemnity in favour of each of the Directors and these were in force throughout the year ended 31 March 2023 and, in the case of Angus Pottinger, from his appointment on 24 November 2022. The letters give each Director the benefit of an indemnity to the extent permitted by the Companies Act 2006 against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. During the year, the Company refreshed its letters of indemnity with each of the Directors to account for legislative updates and changes in market practice. A copy of each letter of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Board therefore has procedures in place for the authorisation and review of potential conflicts relating to the Directors.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. Other than authorisation of Directors' other directorships, no authorisations have been sought. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

Safe Custody of Assets

The Company's investments are held in safe custody by JPMorgan Chase Bank (the '**Custodian**'). Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades and the value and location of the securities held.

Depositary

JPMorgan Europe Limited (the '**Depositary**') acts as the Company's depositary in accordance with the Alternative Investment Fund Managers Directive ('**AIFMD**'). The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include, but are not limited to, cash monitoring, ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the custodian and monitoring the Company's compliance with investment and leverage limit requirements. The Depositary receives for its services a fee of 0.01% per annum on the value of the Company's net assets, payable monthly in arrears.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

Management and Management Fees

The Manager provides management, administration, marketing, accounting and company secretarial services to the Company. A summary of the investment management agreement between the Company and the Manager in respect of the services provided is given in note 4 to the financial statements. The Manager is the Company's AIFM, for which it does not receive any additional remuneration.

Since the end of the year, the Engagement and Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the investment management agreement and the fees payable to the Manager, together with the standard of other services provided, which include administration, marketing, accounting and company secretarial services. Following this review, which included a comparison against the terms of appointment of investment managers for similar investment companies, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of shareholders as a whole.

Other Companies Act 2006 Disclosures

- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retiral by rotation, the Articles of Association provide that each Director is required to retire at the third Annual General Meeting after the Annual General Meeting at which last elected. As mentioned earlier in this Report, the Board has agreed that all Directors will retire annually.
- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chairman's Statement on pages 6 and 7 and the Manager's Review on page 13.

Environmental, Social and Governance

Details of the Company's Environmental, Social and Governance policies including voting on portfolio investments is set out on pages 19 to 22.

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company.

Greenhouse Gas Emissions & Taskforce for Climate Related Financial Disclosures ('TCFD')

All of the Company's activities are outsourced to third parties, it has no employees and all of its Directors are non-executive. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

Under Listing rule 15.4.29(R), the Company, as a listed closed-end investment company, is exempt from complying with the TCFD, however the Company has disclosed its assessment of the weighted-average carbon intensity of its investments on page 22.

Modern Slavery Act 2015

As an investment company with no employees or customers and which does not provide goods or services in the normal course of business, the Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a human trafficking statement. The Company's own supply chain which consists predominantly of professional advisers and service providers in the financial services industry, which is highly regulated, is considered to be low risk in relation to this matter. A statement by the Manager under the Act has been published on its website columbiathreadneedle.co.uk

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 21 to the financial statements.

Annual General Meeting

The Company is required by law to hold an Annual General Meeting ('**AGM**') and it will be held at Exchange House, Primrose Street, London, EC2A 2NY on 20 July 2023 at 12 noon. The Notice of Annual General Meeting is set out on pages 80 to 83. Philip Webster, the Portfolio Manager will give a presentation at the AGM and there will also be an opportunity to ask questions. If you are unable to attend the AGM, you may submit any questions you may have with regard to the resolutions proposed at the AGM or the performance of the Company, in advance of the meeting to the following email address: UKHITCoSec@columbiathreadneedle.com. The Portfolio Manager's presentation will be available to view on the Company's website, ctukhighincome.co.uk, following the meeting.

The AGM is scheduled to be held in person and voting on all resolutions will be conducted by way of a poll. Shareholders are encouraged to exercise their votes either through the Registrar's online portal or by completing and returning their Form of Proxy or Form of Direction. The results of the poll will be announced via a regulatory announcement and posted on the Company's website at ctukhighincome.co.uk after the meeting. Any changes to the AGM arrangements will be announced via a regulatory announcement and will be included on the Company's website.

Resolutions 10 to 13 are explained below.

Directors' Authority to Allot Shares (Resolutions 10 and 11)

The Directors are seeking authority to allot Ordinary shares and B shares.

Resolution 10 (authority to allot shares) will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,253 consisting of 4,253,000 Ordinary shares and new B shares up to an aggregate nominal amount of £1,535 consisting of 1,535,000 B shares, being approximately 5 per cent of the total issued Ordinary shares and B shares respectively (excluding treasury shares) as at 31 May 2023. This authority therefore authorises the Directors to allot up to 5,788,000 shares in aggregate representing approximately 5 per cent of the total share capital in issue (excluding treasury shares).

Resolution 11 (power to disapply pre-emption rights) will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,253 and new B shares up to an aggregate nominal amount of £1,535, being 4.2 per cent and 4.8 per cent of the total issued Ordinary shares and B shares respectively (including treasury shares) as at 31 May 2023, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 5,788,000 shares in aggregate for cash on a non pre-emptive basis representing 4.3 per cent of the total share capital in issue (including treasury shares). These authorities will continue until the earlier of 30 September 2024 and the conclusion of the Company's next Annual General Meeting.

The Directors have no current intention to exercise these authorities and will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in Resolutions 10 and 11 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

Directors' Authority to Buy Back Shares (Resolution 12)

At the Annual General Meeting held on 20 July 2022 shareholders gave the Company authority to make market puchases of up to 14.99% of each of the issued Ordinary shares and issued B shares (in each case, excluding shares held in treasury). During the year to 31 March 2023 the Company purchased through the market for treasury 100,000 Ordinary shares of 0.1p each, representing 0.1% of the Ordinary shares in issue at the previous year end, for a total consideration of £79,000 in accordance with the Company's discount management policy. During the year to 31 March 2023, the Company did not purchase through the market any B shares of 0.1p each for treasury. Subsequent to the year end, no Ordinary shares or B shares have been purchased through the market between 31 March 2023 and 31 May 2023.

The current authority of the Company to make market purchases of up to 14.99% of each of the issued Ordinary shares and issued B shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and **Resolution 12**, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99% of each of the issued Ordinary shares and issued B shares (in each case, excluding treasury shares) of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 0.1p per share nor more than the higher of (a) 5 per cent above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will be purchased with cash and will either be held in treasury or cancelled. This authority will expire on the earlier of 30 September 2024 and the conclusion of the next Annual General Meeting of the Company.

There is no limit on the number of shares that a company can hold in treasury at any one time and the Board has not set a limit on the number of shares that can be held in treasury by the Company.

There were 115,781,403 Ordinary shares and B shares in issue (excluding treasury shares) as at 31 May 2023; of which 85,072,653 (73.5 per cent) are Ordinary shares and 30,708,750 (26.5 per cent) are B shares. At that date, the Company held 16,994,491 Ordinary shares (16.7 per cent of the total Ordinary share capital) in treasury and 1,367,953 B shares (4.3 per cent of the total B share capital) in treasury.

The Company therefore in aggregate holds 18,362,444 shares in treasury representing 15.9 per cent of the total share capital in issue (excluding treasury shares).

Treasury Shares (Resolution 13)

The Board continues to believe that the effective use of treasury shares assists the liquidity in the Company's securities and management of the discount by addressing imbalances between demand and supply for the Company's securities.

Resolution 13, if passed, will enable the Company to sell shares from treasury without having first to make a pro rata offer to existing shareholders. This authority will be limited to shares representing approximately 8.3 per cent and 9.6 per cent of the Company's issued Ordinary share capital and B share capital respectively (including treasury shares) as at the date of passing of the resolution. The sale of shares from treasury is to be at a price not less than the net asset value per share of the Ordinary shares (in the case of a sale of Ordinary shares) or B shares (in the case of a sale of B shares).

Recommendation

The Board considers that the passing of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and it unanimously recommends that all shareholders vote in favour of those resolutions. The Directors intend to vote in favour of each of the resolutions in respect of their own beneficial holdings of 55,732 Ordinary shares, representing approximately 0.05% of the issued share capital of the Company as at the date of this document. Information on shareholder voting rights is set out in the Notes to the Annual General Meeting.

Individual Savings Accounts

The Company's shares are qualifying investments for Individual Savings Accounts. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

By order of the Board
For Columbia Threadneedle Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
31 May 2023

Corporate Governance Statement

The biographical details of the Directors responsible for the governance of your Company are set out on page 31. Committee membership is also included and the respective terms of reference and biographies are also available on the Company's website ctukhighincome.co.uk

In maintaining the confidence and trust of the Company's shareholders, the Board sets out to adhere to the highest standards of corporate governance, business and ethics transparency and it remains committed to doing so. As the Board believes that good governance creates value, it expects the companies in which it invests to apply similar standards.

Governance Overview

Throughout the financial year, an Audit Committee, Engagement and Remuneration Committee and Nomination Committee were in place. The role and responsibilities of these committees are set out in their respective reports, which follow, and their terms of reference are also available on the Company's website. Since the retirement of John Evans on 20 July 2022 (who was not a member of the Audit Committee), each of the committees comprises all of the Directors. The Board considers that, given its size, it would be unnecessarily burdensome to establish separate committees which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

As set out in the Strategic Report, the Board has appointed the Manager to manage the investment portfolio as well as to carry out the day to day management and administrative functions. Reporting from the Manager is set out on pages 11 to 15 and in the Report of the Audit Committee in respect of internal controls on pages 44 to 47. The Board's evaluation of the Manager and its alignment with the values of the Board can be found on pages 8 and 9.

The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable laws, regulations and best practice requirements are complied with. The proceedings at all Board and committee meetings are fully recorded through a process that allows any Director's concerns to be recorded by the Company Secretary in the minutes.

Compliance with the AIC Code of Corporate Governance (the 'AIC Code')

The Board has considered and support the principles and recommendations of the AIC Code published in February 2019. The AIC code addresses the principles and provisions set out in the UK Corporate Governance Code (the "**UK Code**") as well as setting out additional provisions on issues that are of specific relevance to investment companies. There are also two main differences. In the AIC Code, both the nine year limit on chair tenure and the restriction on the chair of the Board being a member of the Audit Committee have been removed.

John Evans was appointed to the Board on 8 May 2013 and then as Chairman on 9 July 2019. Therefore, having served on the Board for more than nine years, he retired following the conclusion of the AGM on 20 July 2022. Following John Evans' retirement, Andrew Watkins was then appointed Chairman. Andrew Watkins was appointed to the Board on 29 June 2017 and has therefore served for less than nine years. The tenure policy relating to the Directors, which includes the Chairman, is set out on page 30.

None of the Directors standing for re-election at the forthcoming AGM has served in excess of nine years.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. By reporting against the AIC Code, the Company meets its obligations in relation to the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are not relevant to it as an externally managed investment company.

The Board believes that the Company has complied with the recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions of the UK Code set out below, has thereby complied with the relevant provisions of the UK Code:

- the role of the Chief Executive;
- executive directors' remuneration;
- the need for an internal audit function;
- membership of the Audit Committee by the Chairman of the Board; and
- workforce engagement.

For the reasons set out in the AIC Code, the Board considers these provisions as not being relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's daily management and administrative functions have been delegated to the Manager. As a result, the Company has no executive Directors, employees or internal operations. As explained in the Report of the Audit Committee, Andrew Watkins, the current Chairman of the Board is also a member of the Audit Committee, as permitted by the AIC Code. Therefore, with the exception of the need for an internal audit function, which is addressed on page 46, we have not reported further in respect of these provisions.

The AIC code can be found on theaic.co.uk and the UK code on frc.org.uk.

Company Purpose

The Company's purpose, values and culture and the basis on which it aims to generate value over the longer term is set out within the Purpose, Strategy and Business Model on pages 8 to 9. How the Board seeks to promote the success of the Company is set out on pages 23 and 24.

Board Leadership

The Board consists solely of non-executive Directors and following John Evans' retirement on 20 July 2022, Andrew Watkins was appointed as Chairman. The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which is reviewed periodically.

The Board currently meets at least five times a year and at each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager.

An investment management agreement between the Company and its Manager, Columbia Threadneedle Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors.

Division of Board Responsibilities

As an externally managed investment company, all the Directors are non-executive and there are no employees. Andrew Watkins, as Chairman, is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. The Chairman sets the agenda for all Board meetings under a regular programme of matters in conjunction with the Company Secretary. There is a strong working relationship with the Manager and the Portfolio Manager and related personnel attend the meetings throughout the year and report to the Board. Discussions are held in a constructive and supportive manner with appropriate challenge and strategic guidance and advice from the Board whenever necessary, consistent with the culture and values.

Until 20 July 2022 and his appointment as Chairman, Andrew Watkins was the Senior Independent Director. From this date Stephen Mitchell then became the Senior Independent Director. He acts as an experienced sounding board for the Chairman or as an intermediary for other Directors and shareholders. He also leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors, may at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. No such advice was taken during the year under review. The Company maintains appropriate directors' and officers' liability insurance.

Under the Articles of Association of the Company, the number of Directors on the Board may be no less than two and no more than seven. Directors may be appointed by the Company by ordinary resolution or by the Board. Any Director appointed by the Board would hold office only until the next general meeting and then be eligible for re-election by shareholders. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

Full details of the duties of Directors are provided at the time of appointment. New Directors receive an induction from the Manager on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to laws, regulations and best practice requirements from the Company Secretary and other parties, including the AIC. All of the Directors consider that they have sufficient time to discharge their duties.

All Directors are considered by the Board to be independent of the Company's Manager and the Board believes that each Director is independent in character and judgement and that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

Directors' attendance during the year ended 31 March 2023

	Board of Directors	Audit Committee	Engagement and Remuneration Committee	Nomination Committee
No. of meetings	**5**	**2**	**1**	**3**
A K Watkins	5	2	1	3
J M Evans[(1)]	2	n/a	1	1
H M Galbraith	5	2	1	3
S J Mitchell	5	2	1	3
A W Pottinger[(2)]	2	1	–	–

[(1)] Retired on 20 July 2022

[(2)] Appointed on 24 November 2022

During the year, additional meetings were also held to approve matters such as the interim dividends and capital repayments and a new borrowing facility.

Composition and Succession

The composition of the Board and Committees together with the experience of the members is set out on page 31. The Company's diversity and tenure policy is set out on page 30.

Having served on the Board for more than nine years, John Evans retired following the conclusion of the AGM on 20 July 2022. During the year, the Nomination Committee undertook a recruitment process to appoint a new non-executive director and Angus Pottinger was appointed with effect from 24 November 2022. The process followed is set out in the Report of the Nomination Committee on page 42. This formed part of the Board's succession plan which has enabled the retirement of the longer serving Directors while balancing the need to ensure an adequate level of continuity and experience on the Board.

Board Evaluation and Effectiveness

During the year the performance of the Board and Committees, including the performance of each individual Director, was evaluated through a formal assessment process, led by Andrew Watkins, the Chairman. The performance of the Chairman was evaluated by the other Directors under the leadership of Stephen Mitchell, the Senior Independent Director. This process involved discussions with individual Directors, individual feedback from the Chairman to each of the Directors and discussion of the points arising amongst the Directors.

Following this process, it was concluded that the performance of each Director and the Chairman continues to be effective and each remain committed to the Company and that the Board oversees the management of the Company effectively and has the requisite skills and expertise to safeguard shareholders' interests.

The conclusion from the assessment process was also that the Audit Committee, Nomination Committee and Engagement and Remuneration Committee were operating effectively, with the right balance of membership, experience and skills.

Audit, Risk Management and Internal Control

The Board has a well established and effective Audit Committee, the report of which is set out on pages 44 to 47. The report includes how the Board oversees the risk management and internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Details of the principal risks and uncertainties are set out on pages 25 to 27 and further information on the Company's risk management and internal control framework can be found on pages 44 to 46.

The rationale for the Company not having established its own internal audit function is also explained.

The report of the Audit Committee explains how the independence and effectiveness of the external auditor is assessed and how the Board satisfies itself on the integrity of financial statements. The report also covers the process under which the Board satisfied itself that the Annual Report and Financial Statements, taken as a whole, presents a fair balanced and understandable assessment of the Company's position and prospects.

Relations with Shareholders and Stakeholders

Communication with the Company's key stakeholders, who are its shareholders, the Manager, bankers and other key service providers is set out on page 9.

Remuneration

Information on the remuneration arrangements for the non-executive Directors of the Company can be found in the Directors' Remuneration Report on pages 48 to 50 and in note 6 to the financial statements.

The remuneration policy is explained on page 48 and that, as non-executive Directors, their fees are set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the contribution towards the delivery of the investment objective. While there are no executive Directors and no employees, shareholders should expect that the fees paid to the Manager are aligned with the Company's purpose, values and the successful delivery of its long-term strategy.

Share Capital and Companies Act 2006 Disclosures

Details of the Company's capital structure is set out on page 84 and details of substantial interests in the Company's share capital and other Companies Act 2006 Disclosures are included on pages 34 and 36.

By order of the Board
For Columbia Threadneedle Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
31 May 2023

Report of the Nomination Committee

Composition of the Committee

The Committee comprises the full Board and is chaired by Andrew Watkins. Angus Pottinger joined the Committee with effect from 24 November 2022, when he was appointed as a non-executive director. The Committee's terms of reference can be found on the website at ctukhighincome.co.uk

Role of the Committee

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition and it takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, diversity (including gender, race, ethnicity, socio-economic background, religion, sexual orientation, age or physical ability), independence and knowledge of the Company within the Board and ensuring succession planning is carefully managed.

The Committee met on three occasions during the year and considered and reviewed the following matters:

- the size of the Board and its composition, particularly in terms of succession planning and the experience and skills of individual Directors and diversity of the Board as a whole;
- tenure;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment; and
- future retirement of Directors.

Diversity and Tenure

The Company's Board diversity and tenure policy is shown on page 30 and recruitment searches are open to a diverse range of candidates. Other than the diversity targets set out in the Listing Rules, the Directors have not set any measurable objectives in relation to diversity of the Board and will always appoint the best qualified person for the role.

The Board believes that a Director's tenure does not necessarily reduce his or her contribution or ability to act independently and that continuity and experience can add significantly to the strength of investment trust Boards where the characteristics and relationships tend to differ from those of other companies. However, the Board is committed to maintaining the highest levels of corporate governance in terms of independence and would expect that, Directors would normally serve for not more than nine years, however this may be adjusted for reasons of flexibility and continuity.

Appointments and Succession Planning

Appointments of all new non-executive Directors are made on a formal basis, using professional search consultants as appropriate, with the Nomination Committee agreeing the selection criteria and the method of recruitment, selection and appointment.

A succession plan, to allow for the retirement of the longer serving Directors, has been in progress over the last few years. The emphasis has been on ensuring the highest level of skills, knowledge and experience of the Board and when recruiting a new Director consideration is given to the current skills and experience of the Board and the remaining tenure of each Director. This assists in identifying the desired attributes of the new Director and ensures that the Board continues to comprise individuals with appropriate and complementary skills and experience and continuity.

Having served on the Board since 8 May 2013, John Evans retired as a non-executive Director and Chairman of the Company, following the AGM held on 20 July 2022. Andrew Watkins then became the Chairman of the Board and also of the Nomination Committee.

As shareholders supported the resolution at the AGM, that the Company should continue in existence, the Nomination Committee then undertook a recruitment process, to appoint a new non-executive Director. An external search agency, Trust Associates (which has no connection to the Company or the Directors), was engaged to assist with the process. The Committee defined the criteria that was required and the selection process took into consideration the applications received and interviews with the short-listed candidates.

Following the recruitment process it was agreed to appoint Angus Pottinger as a non-executive Director of the Company with effect from 24 November 2022.

Committee Evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 41. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

Andrew Watkins
Chairman of the Nomination Committee
31 May 2023

Report of the Engagement and Remuneration Committee

Composition of the Committee

The Committee comprises the full Board and is chaired by Stephen Mitchell. Angus Pottinger joined the Committee with effect from 24 November 2022, when he was appointed as a non-executive director. The Committee's terms of reference can be found on the website at ctukhighincome.co.uk

Role of the Committee

The Committee meets at least annually and its role is to review the terms and conditions of the Manager's appointment and the services it and other key service providers provide and the fees charged, and also to review the remuneration of Directors.

The Committee met on one occasion during the year.

Manager Evaluation Process and Re-appointment

Since the end of the year, the Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the skills, experience and depth of the Manager's team involved in managing the Company's assets and its ability to produce satisfactory investment performance in the future.

Investment performance is also considered by the Board at every meeting, with a formal evaluation by the Committee each year. For the purposes of its ongoing monitoring, the Board receives reports from the Manager on investment activity, attribution, gearing, risk and performance. This enables the Board to assess the sources of positive and negative contribution to returns in terms of gearing and stock selection. While shorter term data is important, the assessment of the Manager's performance is now considered over a three year period, looking at comparisons against the benchmark and a peer group of other UK Equity Income investment companies. The period of three years matches the period between shareholder continuation votes, in the event that the NAV total return performance of the Company is less than that of the FTSE All-Share Index over the relevant three year period. This allows the Board to assess the management of the investment portfolio against the Company's investment objective on an ongoing basis together with performance against the Company's key performance indicators. The most recent performance period ended on 31 March 2022 and as the NAV total return was less than the total return for the FTSE All-Share Index over this period, a Resolution that the Company continue in existence was proposed and passed by shareholders at the AGM on 20 July 2022.

The annual evaluation that took place in May 2023 included a presentation from the Portfolio Manager and the Manager's Head of Investment Trusts. This included reporting on the investment performance and its ability to successfully deliver the investment strategy for shareholders. The Manager also reported on the strength of its current business, progress on the integration of its business with that of Columbia Threadneedle Investments, the resources and opportunities that can be expected as part of the enlarged business and the continued support of the investment trust business.

The Committee also considered the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include ESG, marketing, company secretarial and accounting services.

During the year, a change to the investment management fee was agreed between the Board and the Manager and with effect from 1 April 2022 the investment management fee was reduced from 0.65% to 0.60% per annum on the net asset value of the Company.

Following this review, it was the Committee's view that the continuing appointment of the Manager on the terms agreed was in the best interests of shareholders as a whole. The Board ratified this recommendation.

Review of Directors' Fees

The Company Secretary, Columbia Threadneedle Investment Business Limited, provides information on comparative levels of Directors' fees in advance of the Committee considering the level of Directors' fees. Following a review for the forthcoming year to 31 March 2024 the Committee concluded the amount paid to Directors would increase, by £2,250 per annum for the Chairman, by £2,000 per annum for the Audit Committee chairman and by £1,500 per annum for each of the other Directors. It is anticipated that these fees will then remain unchanged for the subsequent financial year to 31 March 2025.

Committee Evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 41. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

Stephen J Mitchell
Chairman of the Engagement and Remuneration Committee
31 May 2023

Report of the Audit Committee

Composition of the Committee

The Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience.

The Audit Committee is chaired by Helen Galbraith who is a Chartered Financial Analyst and has recent and relevant financial experience. The Audit Committee operates within clearly defined terms of reference and now comprises the full Board. Until his retirement on 20 July 2022, John Evans who was Chairman of the Board, was not a member of the Audit Committee. Angus Pottinger joined the Audit Committee with effect from 24 November 2022, when he was appointed as a non-executive Director. These directors have a combination of relevant financial, investment and business experience and specifically with respect to the investment trust sector and accordingly have sufficient experience to discharge their responsibilities. Given the relevant experience of Andrew Watkins, who became the Chairman of the Board (following the retirement of John Evans), his continued independence and valued contribution, the Audit Committee considers it appropriate that he is a member. Details of the members can be found on page 31 and the Committee's terms of reference are available on the Company's website ctukhighincome.co.uk

The performance of the Committee was evaluated as part of the Board appraisal process.

Role of the Committee

The duties of the Audit Committee include ensuring the integrity of the financial reporting and financial statements of the Company, reviewing the annual and interim financial statements, the risk management and internal controls processes, and the terms of appointment and remuneration of the auditor, Deloitte LLP ('**Deloitte**'), including its independence and objectivity. It also provides a forum through which the Auditor reports to the Board of Directors and meets at least twice a year including at least two meetings with Deloitte.

The Audit Committee met on two occasions during the year and the attendance of each of the members is set out on page 41. In the due course of its duties, the Committee had direct access to Deloitte and senior members of the Manager's Fund Management, Investment Trust and Operational Risk Management teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- the annual and half-yearly results announcements, and annual and half-yearly reports and financial statements;
- the accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;
- the principal and emerging risks and uncertainties faced by the Company and the effectiveness of the Company's internal control and risk management environment;
- consideration of the assumptions underlying the Board's statements on going concern and viability;
- the effectiveness of the external audit process and any related non-audit services and the independence and objectivity of Deloitte, it's re-appointment, remuneration and terms of engagement;
- the policy on the engagement of Deloitte to supply non-audit services and approval of any such services;
- the implications of proposed new accounting standards and regulatory changes;
- the need for the Company to have its own internal audit function;
- the ISAE/AAF and SSAE16 reports or their equivalent from the Manager, the Custodian and other significant third party service providers;
- whether the Annual Report and Financial Statements as a whole is fair, balanced and understandable;
- the operational arrangements and performance of the Manager and other third party service providers in terms of business continuity; and
- the implications of the acquisition of BMO GAM (EMEA) (which included the Company's investment manager), by Columbia Threadneedle Investments in terms of the integration of its systems, risk management and internal control infrastructure with Columbia Threadneedle Investments.

With regard to the change of ownership of BMO GAM (EMEA) that took effect in November 2021, the Audit Committee has received confirmation from the Manager that the existing systems and controls are unchanged and have continued to operate effectively throughout the year under review and thereafter without any material change to the date of this report. The integration of BMO GAM (EMEA) and Columbia Threadneedle Investments is now well advanced, but the Audit Committee continues to monitor it closely from a risk management and internal control perspective.

During the preparation of both the half-yearly report for the six month period ended 30 September 2022 and the Annual Report and Financial Statements for the year ended 31 March 2023, the Committee has considered the impact of the war in Ukraine and macroeconomic and geopolitical concerns upon the risks, operations and accounting basis of the Company. As noted within Principal Risks and Uncertainties and Viability Statement on pages 25 to 28 the Directors have reviewed the risk register of the Company and agreed that the overall risk from some of its principal risks remain heightened. Following the COVID-19 pandemic, most staff at the Manager have continued to operate a "hybrid" working arrangement, sharing their working time between their office and working remotely. The necessary arrangements for remote working are now well established and the Committee continues to monitor this and is confident that the Company continues to operate as normal with service levels maintained.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 51.

On broader control policy issues, the Committee has considered and is satisfied with the Code of Conduct and the Anti-Bribery and Anti-Corruption Operating Directive to which the Manager's employees are subject. The Board is responsible for ensuring appropriate procedures and processes are in place to enable issues of concern to be raised. The Committee has also considered the Manager's Whistleblowing Policy, under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Risk Management

The Board has established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the related guidance issued by the Financial Reporting Council.

The Manager's Operational Risk Management team provides regular control reports to the Audit Committee and the Board covering risk and compliance and any significant issues of direct relevance to the Company are required to be reported to the Audit Committee and Board without delay.

For the management of risk, a key risk summary is produced to help identify the risks to which the Company is exposed, the controls in place and the actions being taken to mitigate them. The Audit Committee and Board has a robust process for considering the resulting risk control assessment and reviews the significance of the risks and reasons for any changes.

The Company's principal risks and uncertainties and their mitigations are set out on pages 25 to 27 with additional information provided in note 21 to the financial statements. The integration of these risks into the consideration of the Viability Statement on page 28 was also fully considered and the Audit Committee concluded that the Board's Statement was soundly based. The period of three years was also agreed as being appropriate for the reasons given in the Statement.

Internal Controls

The Board has overall responsibility for the Company's system of risk management and internal control, for reviewing its effectiveness and ensuring that risk management and internal control processes are embedded in the daily operations, which are managed by the Manager.

The Audit Committee has reviewed and reported to the Board on these controls which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable.

Control of the risks identified, including financial, operational, compliance and overall risk management, is exercised by the Audit Committee and the Board through regular reports provided by the Manager. The reports cover investment performance, attribution, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrator of the Manager's savings plans and other relevant issues.

At each Board meeting, the Board monitors the investment performance of the Company in comparison to its objective and relevant equity market indices. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investments guidelines and, if appropriate, approves changes to such policy and guidelines.

The system of risk management and internal control is designed to manage, rather than eliminate risk and, by its nature, can only provide reasonable, but not absolute, assurance against material misstatement, loss, or fraud. Further to the review by the Audit Committee, the Board has assessed the effectiveness of the Company's internal control systems.

The assessment included a review of the Manager's risk management infrastructure and the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/20 for the year to 31 October 2022 (the '**ISAE/AAF Report**') that has been prepared for its investment trust clients. The Audit Committee also received confirmation from the Manager that, subsequent to this date, there had been no material changes to the control environment. Containing a report and an unqualified opinion from independent reporting accountants KPMG LLP, it sets out the Manager's control environment and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by the Manager's Group Audit and Risk Committee, which, for the year to 31 October 2022, received regular internal audit reports from its Risk and Control Services function. Procedures are also in place to capture and evaluate any failings and weaknesses within the Manager's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Audit Committee and Board Meeting by the Manager. No failings or weaknesses material to the overall control environment and financial statements in respect of the Company were identified in the year under review nor to the date of this report.

The Audit Committee also reviewed appropriate reports on the internal controls of other significant service providers, such as the Custodian and Registrar, and was satisfied that there were no material exceptions.

The review procedures have been in place throughout the financial year and up to the date of approval of the financial statements, and the Board is satisfied with their effectiveness.

Through the reviews and reporting arrangements set out above and by direct enquiry of the Manager and other relevant parties, the Audit Commitee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the financial year or to the date of this report.

The Audit Committee has reviewed the need for an internal audit function. Based on review, observation and enquiry, the Audit Committee and the Board have concluded that the systems and procedures employed by the Manager provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained. In addition, the Company's financial statements are audited by an external Auditor. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

Significant Matters Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
Investment Portfolio Valuation	
Possibility of incorrect valuation of the investment portfolio.	The Company's accounting policy is stated in note 1 to the financial statements. The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the Manager and Depositary. The Audit Committee reviewed the Manager's annual ISAE/AAF Report, as referred to on page 45, which is reported on by independent external accountants and details the systems, processes and controls around the daily pricing of equity securities. The Manager has provided further assurance that controls have operated satisfactorily since that date.
Misappropriation of Assets	
Misappropriation or non-existence of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed the Manager's ISAE/AAF Report, as referred to on page 45, which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Audit Committee also reviewed the Custodian's semi-annual internal controls report, which is reported on by independent external accountants, and which provides details regarding its control environment. The Depositary has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the period to 31 March 2023.
Income Recognition	
Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Audit Committee reviewed the Manager's ISAE/AAF Report, as previously referred to, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget for the year and discussed the accounting treatment of all special dividends received with the Manager.
Investment Trust Tax Status	
As an investment trust company, the Company is exempt from taxation arising on capital gains. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.	The Audit Committee reviewed the Company's ongoing compliance with the investment trust conditions set out in Section 1158 of the Corporation Tax Act 2010. In particular, the Audit Committee ensured that the retained revenue after tax for the year was less than 15 per cent of the Company's total income.

The Audit Committee read and discussed this Annual Report and Financial Statements and concluded that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance objective and strategy.

External Audit Process and Significant Matters Considered by the Audit Committee

In carrying out its responsibilities, the Audit Committee has considered the planning arrangements, scope, materiality levels and conclusions of the year end 31 March 2023 external audit of the financial statements. The table on page 46 describes the significant matters considered by the Audit Committee in relation to the financial statements for the year and how these were addressed.

The Audit Committee met in May 2023 to discuss the draft Annual Report and Financial Statements, with representatives of Deloitte and the Manager in attendance and Deloitte presented their year-end report to the Audit Committee. At the conclusion of the audit, Deloitte did not report any audit differences in excess of their reporting threshold of £0.05 million, nor any differences below that level which would warrant disclosure on qualitative grounds. In addition Deloitte did not highlight any other issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. Deloitte issued an unqualified audit report which is included on pages 52 to 59.

Non-audit Services

The Committee regards the continued independence of the Auditor to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external Auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the Auditor is not considered to be expert providers of the non-audit services;
- the provision of such services by the Auditor creates a conflict of interest for either the Board or the Manager; and
- the services are considered to be likely to inhibit the Auditor's independence or objectivity as Auditor.

In particular, the Committee has a policy that the accumulated costs of all non-audit services sought from the Auditor in any one year should not exceed 30% of the likely audit fees for that year and not exceed 70% of the average audit fee for the previous three years.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee. Deloitte did not receive any fees for non-audit services during the year (2022: £nil).

Auditor Assessment, Independence and Re-appointment

The Audit Committee reviews the re-appointment of the Auditor every year and has been satisfied with the effectiveness of Deloitte's performance on the audit just completed.

As part of the review of auditor independence and effectiveness, Deloitte has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating Deloitte, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that Deloitte continues to provide effective independent challenge in carrying out its responsibilities. Deloitte's fee for the audit (excluding VAT) was £33,500 (2022: £31,500).

Following professional guidelines, the Senior statutory auditor rotates at least every five years. Michael Caullay, the current senior statutory auditor was engaged for the first time during the current year ended 31 March 2023, which was Deloitte's sixth year as Auditor. The Audit Committee also considered the evaluation of Deloitte's audit performance through the Audit Quality Review performed by the Financial Reporting Council.

On the basis of this assessment, the Audit Committee has recommended the re-appointment of Deloitte to the Board.

Helen Galbraith
Chairman of the Audit Committee
31 May 2023

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 March 2023, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 52 to 59.

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Engagement and Remuneration Committee is responsible for determining the level of Directors' fees and its report is set out on page 43.

Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should be set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole, their responsibilities, duties and time commitment required and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and Committee meetings, including those treated as a benefit in kind subject to tax and national insurance.

The Company has not received any views from its shareholders in respect of the levels of Directors' remuneration. It is a requirement that shareholder approval of the policy is sought at least every three years and this policy will be put to shareholders for approval at the forthcoming AGM (**Resolution 2**) and it is intended that the policy will continue for the three year period ending at the AGM in 2026.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £175,000 per annum in aggregate and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office during business hours.

The dates on which each Director was appointed to the Board are set out under their biographies on page 31. The terms of appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire periodically and, if they wish, to offer themselves for re-election by shareholders, at least every three years after that. However, in accordance with the recommendations of the UK Code and the AIC Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. With the exception of Angus Pottinger (who was appointed with effect from 24 November 2022), all the Directors were last re-elected at the AGM held on 20 July 2022 and all will stand for election or re-election at the AGM on 20 July 2023. There is no notice period and no provision for compensation upon termination of appointment.

Voting at Annual General Meeting on Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting held on 27 July 2020. 97.0% of votes were in favour of the resolution and 3.0% of votes were against.

Annual Statement

As Chairman of the Engagement and Remuneration Committee, I confirm that throughout the year to 31 March 2023, Directors' fees were unchanged.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year, the Engagement and Remuneration Committee concluded that the amount paid to Directors would increase by £2,250 per annum for the Chairman, by £2,000 per annum for the Audit Committee chairman and by £1,500 per annum for each of the other Directors. It is anticipated that these fees will then remain unchanged for the subsequent financial year to 31 March 2025.

Based on this, Directors' fees for the financial year to 31 March 2024 would be as follows:

Director	31 March 2024 £	31 March 2023* £	31 March 2022* £
Chairman	41,250	39,000	39,000
Audit Committee chairman	34,500	32,500	32,500
Director	27,500	26,000	26,000

* Actual Directors' fees for the years ended 31 March 2023 and 31 March 2022 respectively.

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 March 2023 and 2022 and can expect to receive the fees indicated for 2024 as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)

	Fees (audited)			Taxable benefits[1] (audited)			Total (audited)			Anticipated fees[2]
Director	31 March 2023 £	31 March 2022 £	% change	31 March 2023 £	31 March 2022 £	% change	31 March 2023 £	31 March 2022 £	% change	31 March 2024 £
A K Watkins (Chairman)[3]	35,118	26,000	+35.1	368	–	+100.0	35,486	26,000	+36.5	41,250
J M Evans[3]	11,887	39,000	-69.5	–	1,387	-100.0	11,887	40,387	-70.6	n/a
H M Galbraith	32,500	30,461	+6.7	276	–	+100.0	32,776	30,461	+7.6	34,500
S J Mitchell	26,000	26,000	0.0	276	–	+100.0	26,276	26,000	+1.1	27,500
J Le Blan[4]	n/a	10,529	n/a	n/a	–	n/a	n/a	10,529	n/a	n/a
A W Pottinger[5]	9,207	n/a	n/a	–	n/a	–	9,207	n/a	n/a	27,500
Total	**114,712**	**131,990**	**-13.1**	**920**	**1,387**	**-33.7**	**115,632**	**133,377**	**-13.3**	**130,750**

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.
(2) Fees expected to be payable to the Directors during the year ended 31 March 2024. Taxable benefits are also anticipated but are not currently quantifiable.
(3) J M Evans was the Chairman until he retired following the AGM on 20 July 2022. A K Watkins was then appointed Chairman.
(4) Retired as a non-executive director on 27 July 2021.
(5) Appointed as a non-executive director on 24 November 2022.

Annual Percentage Change

The table below sets out the annual percentage change in fees for each director who served in the year under review.

Director	2023 (audited) %	2022 (audited) %	2021 (audited) %
A K Watkins	+35.1[1]	+10.6	0.0
J M Evans	-69.5[2]	+13.0	+9.4
H M Galbraith	+6.7	+43.5[3]	n/a
S J Mitchell	0.0	+22.5[4]	n/a
A W Pottinger	n/a[5]	n/a	n/a

(1) Appointed as Chairman following the AGM on 20 July 2022.
(2) Retired as Chairman following the AGM on 20 July 2022.
(3) Appointed as a non-executive director on 6 May 2020 and became Chairman of the Audit Committee on 27 July 2021.
(4) Appointed as a non-executive director on 6 May 2020.
(5) Appointed as a non-executive director on 24 November 2022.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration (excluding taxable benefits), other expenses and shareholder distributions:

	31 March 2023 £	31 March 2022 £	Change %
Aggregate Directors' Remuneration	114,712	131,990	-13.1
Management fee and other expenses	1,016,000	1,130,000	-10.1
Distributions paid to Shareholders	6,382,000	6,176,000	+3.3
Aggregate cost of shares repurchased	79,000	–	+100.0

Directors' Shareholdings (audited)

There is no requirement under the Company's Articles of Association for the Directors to hold shares in the Company. The Directors who held office at the year end and their interests in the shares of the Company at 31 March 2023 (all of which were beneficially held) were as follows:

	31 March 2023		31 March 2022	
Director	Ordinary Shares	B Shares	Ordinary Shares	B Shares
A K Watkins (Chairman)	16,057	–	10,000	–
H M Galbraith	12,000	–	12,000	–
S J Mitchell	12,675	–	12,675	–
A W Pottinger	15,000	–	n/a	n/a

There have been no changes in any of the Directors' interests in the shares of the Company between 31 March 2023 and 31 May 2023.

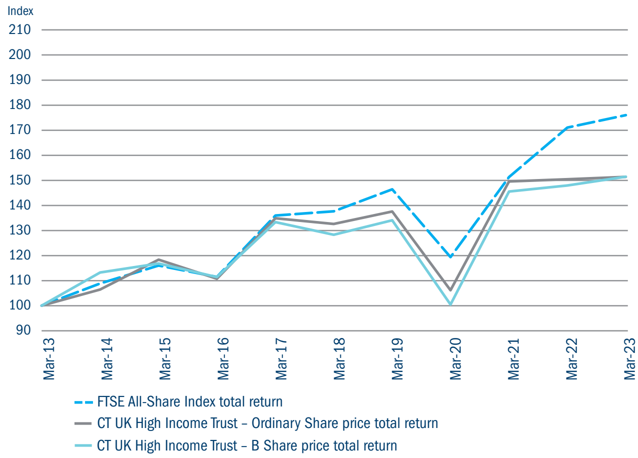
Company Performance

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Manager.

The following graph compares, for the required ten year period to 31 March 2023, the total return (assuming all dividends and capital repayments are reinvested) to Ordinary shareholders and B shareholders compared to the total return on the FTSE All-Share Index. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that up to 20% of the Company's assets were held in higher yielding securities towards the start of this period.

An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price Total Return and the FTSE All-Share Index Total Return Performance Graph (rebased to 100 at 31 March 2013)



Source: Refinitiv Eikon

Voting at Annual General Meeting on Annual Remuneration Report

At the Company's last Annual General Meeting, held on 20 July 2022, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2022. 94.8% of votes were in favour of the resolution and 5.2% were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting (**Resolution 3**).

On behalf of the Board
Stephen J Mitchell
Director
31 May 2023

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable United Kingdom law and UK-adopted International Accounting Standards. The Directors are also required to prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement.

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-adopted International Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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 Annual Report and Financial Statements is published on the ctukhighincome.co.uk website which is maintained by Columbia Threadneedle Investments. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of the Company's website and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statements under the Disclosure Guidance and Transparency Rules in respect of the Annual Report and Financial Statements

Each of the Directors listed on page 31 confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Strategic Report and the Report of the Directors 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 they face; and
- taken as a whole, the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the Company.

On behalf of the Board
Andrew Watkins
Chairman
31 May 2023

Independent Auditor's Report

to the members of CT UK High Income Trust PLC (Formerly BMO UK High Income Trust PLC)

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of CT UK High Income Trust PLC (the 'Company'):

- **give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;**
- **have been properly prepared in accordance with United Kingdom adopted international accounting standards and the Statement of Recommended Practice issued by the Association of Investment Companies in July 2022 "Financial Statements of Investment Trust Companies and Venture Capital Trusts"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Cash Flow Statement;
- the Statement of Changes in Equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and the Statement of Recommended Practice issued by the Association of Investment Companies in July 2022 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation and ownership of quoted investments.
Materiality	The materiality that we used in the current year was £1.04m which was determined on the basis of 1% of net assets at 31 March 2023.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach for the current year.

4. Conclusions relating to going concern

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

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

- assessing the directors' considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the relevance and reliability of underlying data and key assumptions, such as cash flows and liquidity assumptions used in the prepared forecasts;
- assessing whether the Company has complied with the revolving credit facility agreement for its borrowing to assess the continued availability of the borrowing facility;
- assessing the impact of market volatility due to macroeconomic and geopolitical concerns, and by looking at business continuity plans; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

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

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

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

5. Key audit matters

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

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

5.1 Valuation and Ownership of quoted investments

Key audit matter description	As an investment entity, the Company holds quoted investments of £112.8m (2022: £111.1m) which make up 96.63% of total assets, being £116.7m (2022: £119.3m) as at 31 March 2023. Quoted investments represent the most quantitatively significant financial statement line on the statement of financial position and are all classified as level 1 in the hierarchy of fair value measurements. Quoted investments are valued at the closing bid price at the year end. There is a risk that the investment valuation and ownership of quoted investments is manipulated by applying an incorrect share price or number of shares owned. This could result in material misstatement of the net asset value of the Company. The financial reporting process is outsourced to Columbia Threadneedle Investment Business Limited ("the Manager"), who have in turn delegated certain accounting responsibilities to State Street Bank and Trust Company ("State Street"), who maintain the underlying accounting records for investment transactions and related balances. The safeguarding of the assets has been outsourced to JP Morgan Chase Bank ("JP Morgan"). Refer to note 1 (Investments) to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 11 to the financial statements. The valuation of investments is included in the Audit Committee report as a significant reporting matter on page 46.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the valuation and ownership of investments at 31 March 2023: • obtained an understanding of relevant controls at State Street over the ownership and valuation of quoted investments, and relied on the operating effectiveness of these controls; • independently tested 100% of the investment portfolio values to the closing bid prices published by an independent pricing source; • confirmed the ownership of 100% of investments at the year-end date by obtaining independent third party confirmations directly from JP Morgan; and • tested the movement in the Company's quoted investment portfolio from purchases and sales during the year, and tested the recording of a sample of sales and purchases by agreeing payments and receipts to the bank statements. In addition, we performed the following procedures to assess whether the investment portfolio was actively traded and designated with the correct fair value hierarchy: • we assessed the post year-end volume of trade in order to identify investments that are not actively traded; and • tested the completeness and accuracy of disclosures in relation to fair value measurements and liquidity risk.
Key observations	Based on the work performed we concluded that the valuation and ownership of quoted investments is appropriate.

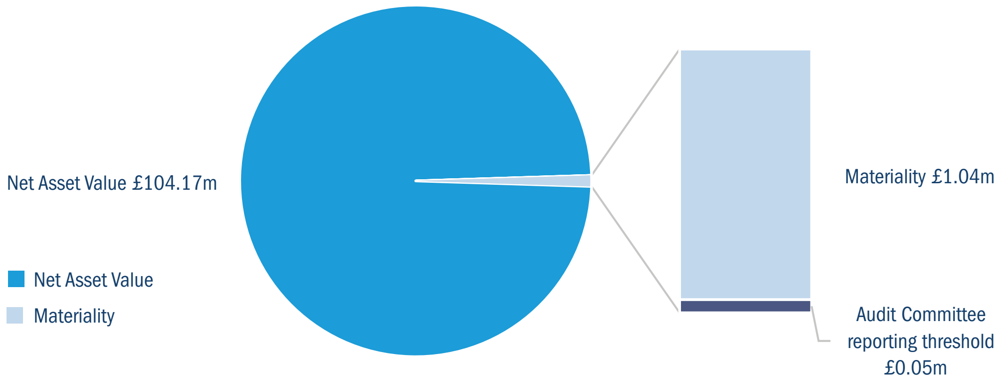
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£1.04m (2022: £1.11m)
Basis for determining materiality	1% of net assets (2022: 1% of net assets).
Rationale for the benchmark applied	Net assets has been selected as it is considered the most relevant benchmark for investors and is the key driver of shareholder value.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

i. the quality of the control environment at service organisations;

ii. the fact that management have expressed willingness to investigate and correct any known misstatements, if applicable; and

iii. the fact that there were no corrected or uncorrected misstatements above our reporting threshold during the prior year audit.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £52,000 (2022: £55,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Overview
Strategic Report
Governance Report
Auditor's Report
Financial Report
Notice of Meeting
Other Information

7. An overview of the scope of our audit

7.1. Scoping

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

7.2. Our consideration of the control environment

As part of our audit, we assessed the controls in place at the Manager and also the relevant controls in place at State Street. We have reviewed the external assurance report of State Street to assess the control environments in place and the extent relevant to our audit. As part of this, we relied upon the controls report of State Street and adopted a controls reliance approach with respect to valuation and ownership of investments.

7.3. Our consideration of climate related risks

In planning our audit, we have considered the potential impact of climate change on the business and its financial statements. The Company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 19. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the account balances and classes of transactions. We have read the disclosures in the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

11.1 Identifying and assessing potential risks related to irregularities

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

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

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

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. This included the requirements of the United Kingdom's Financial Conduct Authority (FCA).

11.2 Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

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

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

- **the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and**
- **the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.**

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

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

- **the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified on Page 33 of Annual Report;**
- **the directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate on Page 28 of Annual Report;**
- **the directors' statement on fair, balanced and understandable on Page 32 of Annual Report;**
- **the board's confirmation that it has carried out a robust assessment of the emerging and principal risks on Page 28 of Annual Report;**
- **the section of the annual report that describes the review of effectiveness of risk management and internal control systems on Page 25 of Annual Report; and**
- **the section describing the work of the audit committee on Page 44 of Annual Report.**

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors’ remuneration

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

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were first appointed by the members of the Company on 29 June 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 March 2018 to 31 March 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

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

16. 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.

Michael Caullay (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
31 May 2023

Statement of Comprehensive Income

For the year to 31 March

Notes		Revenue Year to 31 March 2023 £'000	Capital Year to 31 March 2023 £'000	Total Year to 31 March 2023 £'000	Revenue Year to 31 March 2022 £'000	Capital Year to 31 March 2022 £'000	Total Year to 31 March 2022 £'000
	Capital losses on investments						
11	Losses on investments held at fair value through profit or loss	–	(4,177)	(4,177)	–	(1,087)	(1,087)
	Exchange gains/(losses)	3	(16)	(13)	–	5	5
	Revenue						
2	Income	5,007	–	5,007	5,013	–	5,013
	Total income	5,010	(4,193)	817	5,013	(1,082)	3,931
	Expenditure						
4	Investment management fee	(183)	(427)	(610)	(227)	(529)	(756)
5	Other expenses	(521)	–	(521)	(506)	–	(506)
	Total expenditure	(704)	(427)	(1,131)	(733)	(529)	(1,262)
	Profit/(loss) before finance costs and tax	4,306	(4,620)	(314)	4,280	(1,611)	2,669
	Finance costs						
7	Interest on bank loans	(67)	(155)	(222)	(78)	(183)	(261)
	Total finance costs	(67)	(155)	(222)	(78)	(183)	(261)
	Profit/(loss) before tax	4,239	(4,775)	(536)	4,202	(1,794)	2,408
8	Taxation	(47)	–	(47)	(24)	–	(24)
	Profit/(loss) and total comprehensive income/(expense) for the year	4,192	(4,775)	(583)	4,178	(1,794)	2,384
10	**Earnings per share**	3.62p	(4.12)p	(0.50)p	3.61p	(1.55)p	2.06p

The total column of this statement represents the Company's Income Statement and Statement of Comprehensive Income, prepared in accordance with UK-adopted International Accounting Standards. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

The accompanying notes on pages 64 to 78 are an integral part of these financial statements.

Statement of Financial Position

As at 31 March

Notes		2023 £'000	2022 £'000
	Non-current assets		
11	Investments held at fair value through profit or loss	**113,018**	111,362
	Current assets		
13	Receivables	**1,394**	3,210
14	Cash and cash equivalents	**2,288**	4,686
		3,682	7,896
	Total assets	**116,700**	119,258
	Current liabilities		
15	Payables	**(529)**	(543)
16	Bank loans	**(12,000)**	(7,500)
		(12,529)	(8,043)
	Total liabilities	**(12,529)**	(8,043)
	Net assets	**104,171**	111,215
	Equity attributable to equity shareholders		
17	Share capital	**134**	134
18	Share premium	**153**	153
	Capital redemption reserve	**5**	5
	Buy back reserve	**80,315**	80,394
	Special capital reserve	**10,012**	11,704
	Capital reserves	**9,823**	14,598
	Revenue reserve	**3,729**	4,227
	Equity shareholders' funds	**104,171**	111,215
19	**Net asset value per Ordinary share**	**89.97p**	95.97p
19	**Net asset value per B share**	**89.97p**	95.97p

Company Number: SC314671

Approved by the Board and authorised for issue on 31 May 2023 and signed on its behalf by:

Andrew Watkins, Director

The accompanying notes on pages 64 to 78 are an integral part of these financial statements.

Cash Flow Statement

For the year to 31 March

Notes		Year to 31 March 2023 £'000	Year to 31 March 2022 £'000
	Cash flows from operating activities		
	(Loss)/profit before taxation	**(536)**	2,408
	Adjustments for:		
11	Losses on investments held at fair value through profit or loss	**4,177**	1,087
	Exchange losses/(gains)	**13**	(5)
2	Interest income	**(70)**	(5)
	Interest received	**70**	5
2	Dividend income	**(4,937)**	(5,008)
	Dividend income received	**4,698**	4,935
	Increase in receivables	**(64)**	(5)
	(Decrease)/increase in payables	**(15)**	2
	Finance costs	**222**	261
	Overseas tax suffered	**(76)**	(49)
	Cash flows from operating activities	**3,482**	3,626
	Cash flows from investing activities		
11	Purchases of investments	**(45,856)**	(10,594)
	Sales of investments	**42,153**	19,264
	Cash flows from investing activities	**(3,703)**	8,670
	Cash flows before financing activities	**(221)**	12,296
	Cash flows from financing activities		
9	Dividends paid on Ordinary shares	**(4,690)**	(4,540)
9	Capital returns paid on B shares	**(1,692)**	(1,636)
17	Shares purchased for treasury	**(79)**	–
	Interest on bank loans	**(203)**	(249)
	Drawdown/(repayment) of bank loans	**4,500**	(3,500)
	Cash flows from financing activities	**(2,164)**	(9,925)
	Net (decrease)/increase in cash and cash equivalents	**(2,385)**	2,371
	Cash and cash equivalents at the beginning of the year	**4,686**	2,310
	Effect of movement in foreign exchange	**(13)**	5
	Cash and cash equivalents at the end of the year	**2,288**	4,686
	Represented by:		
	Cash at bank	**199**	77
	Short term deposits	**2,089**	4,609
		2,288	4,686

The accompanying notes on pages 64 to 78 are an integral part of these financial statements.

Statement of Changes in Equity

For the year to 31 March

Notes		Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
	Balance as at 31 March 2022	**134**	**153**	**5**	**80,394**	**11,704**	**8,001**	**6,597**	**4,227**	**111,215**
	Movement during the year ended 31 March 2023									
	(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**(36)**	**(4,739)**	**4,192**	**(583)**
	Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**–**	**–**	**(36)**	**(4,739)**	**4,192**	**(583)**
	Transactions with owners of the Company recognised directly in equity									
17	Shares bought back for treasury	**–**	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**	**(79)**
9	Dividends paid on Ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,690)**	**(4,690)**
9	Capital returns paid on B shares	**–**	**–**	**–**	**–**	**(1,692)**	**–**	**–**	**–**	**(1,692)**
	Balance as at 31 March 2023	**134**	**153**	**5**	**80,315**	**10,012**	**7,965**	**1,858**	**3,729**	**104,171**

Notes		Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
	Balance as at 31 March 2021	134	153	5	80,394	13,340	3,083	13,309	4,589	115,007
	Movement during the year ended 31 March 2022									
	Profit/(loss) for the year	–	–	–	–	–	4,918	(6,712)	4,178	2,384
	Total comprehensive income/ (expense) for the year	–	–	–	–	–	4,918	(6,712)	4,178	2,384
	Transactions with owners of the Company recognised directly in equity									
9	Dividends paid on Ordinary shares	–	–	–	–	–	–	–	(4,540)	(4,540)
9	Capital returns paid on B shares	–	–	–	–	(1,636)	–	–	–	(1,636)
	Balance as at 31 March 2022	134	153	5	80,394	11,704	8,001	6,597	4,227	111,215

The accompanying notes on pages 64 to 78 are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

A summary of the principal accounting policies is set out below.

Basis of Preparation

The financial statements of the Company have been prepared on a going concern basis and in accordance with the Companies Act 2006 and UK-adopted International Accounting Standards.

The Company's subsidiary undertaking Investors Securities Company Limited has not been consolidated in the financial statements as it is exempt in accordance with section 405(2) of the Companies Act 2006 on grounds of materiality. Investors Securities Company Limited has been classified at fair value through profit or loss in the Statement of Financial Position.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") is consistent with the requirements of UK-adopted International Accounting Standards, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) because that is the currency of the primary economic environment in which the Company operates. They are rounded to the nearest thousand except where otherwise indicated.

The Board confirms that no significant accounting judgements or estimates have been applied to the financial statements and therefore there is not a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is included in the Report of the Directors on page 33.

The accounting policies adopted are consistent with those of the previous financial year, and no new standards have been adopted in the current year.

Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 Corporation Tax Act 2010.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as fair value through profit or loss. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities are designated as fair value through profit or loss on initial recognition.

1. Accounting policies (Continued)

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unlisted investments, including the subsidiary, are valued at fair value by the Directors on the basis of all information available to them at the time of valuation.

Where securities are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item. On derecognition any gain or loss arising is transferred from the Capital reserve – Investments Held to Capital reserve – Investments Sold.

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The Company's investment in its subsidiary is included in Level 3 and is valued at its equity value.

Receivables
Receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash in banks and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are initially recorded at the proceeds received, net of issue costs.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Payables
Payables are not interest bearing and are stated at their nominal value.

1. Accounting policies (Continued)

Reserves

(a) Share premium – the surplus of net proceeds received from the issue of new shares over the par value of such shares is credited to this account. The majority of the balance of this account which arose as a result of the issue of new shares at launch was subsequently cancelled by the Court of Session to create the Buyback reserve and Special capital reserve. These reserves are explained below. To the extent that the consideration received exceeds the value at which the shares were initially bought into treasury, the gain arising on the resale of shares from treasury will be credited to the share premium account. The share premium account is non-distributable.

(b) Capital redemption reserve – the nominal value of any of the shares bought back for cancellation is added to this reserve. This reserve is non-distributable.

(c) Buyback reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the A Shares. Available as distributable profits to be used for the buy back of shares. The cost of any shares bought back is deducted from this reserve. The cost of any shares resold from treasury is added back to this reserve. (The A shares were subsequently renamed Ordinary shares).

(d) Special capital reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the B shares. Available for paying capital returns on the B shares.

(e) Capital reserves

Capital reserve – investments sold – gains and losses on realisation of investments are dealt with in this reserve together with the proportion of management fees, interest and taxation allocated to capital. This reserve also includes dividends of a capital nature.

Capital reserve – investments held – increases and decreases in the valuation of investments held are accounted for in this reserve, together with unrealised exchange differences on forward foreign currency contracts.

The Company's Articles of Association allow distributions to be made from realised capital reserves where the balance on this reserve is positive.

(f) Revenue reserve – the net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve. Available for paying dividends on the Ordinary shares.

Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

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

Special dividends of a non-capital nature are recognised through the revenue column of the Statement of Comprehensive Income. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

Interest income from fixed interest securities is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Other investment income and deposit interest are included on an accruals basis.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (Continued)

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under section 1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Expenses and interest

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income except where incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio taking account of the expected long term split of returns as follows:

– Interest payable on the bank loans is recognised on an effective yield basis and allocated 30 per cent to revenue and 70 per cent to capital.

– Management fees have been allocated 30 per cent to revenue and 70 per cent to capital.

Foreign currency

Transactions denominated in foreign currencies are expressed in pounds sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Non-monetary non current assets held at fair value through profit and loss and denominated in foreign currencies are reported at the rates of exchange prevailing when the fair value was assessed. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

Rates of exchange at 31 March	2023	2022
Euro	**1.1381**	1.1834
Swiss Franc	**1.1296**	1.2117

2. Income

	2023 £'000	2022 £'000
Income from investments		
UK dividend income	**3,884**	3,920
UK dividend income – special dividends	**99**	656
Overseas dividend income	**880**	305
Property income distributions	**74**	127
	4,937	5,008
Other income		
Interest on cash and cash equivalents	**70**	5
Total income	**5,007**	5,013
Total income comprises:		
Dividends	**4,937**	5,008
Interest on cash and cash equivalents	**70**	5
Total income	**5,007**	5,013
Income from investments:		
Listed	**4,937**	5,008

3. Operating segments

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, of investing in equity and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value as calculated under UK-adopted International Accounting Standards and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

4. Investment management fee

	Revenue £'000	Capital £'000	2023 Total £'000	Revenue £'000	Capital £'000	2022 Total £'000
Investment management fee	**183**	**427**	**610**	227	529	756

The Company's investment manager is Columbia Threadneedle Investment Business Limited. The contract between the Company and Columbia Threadneedle Investment Business Limited may be terminated at any date by either party giving six months' notice of termination. In the event of the Company terminating the contract by giving less than six months' notice, Columbia Threadneedle Investment Business Limited is entitled to compensation calculated as a proportion of the fees payable by the Company in respect of the previous financial year.

With effect from 1 April 2022, the Manager receives an investment management fee of 0.60% per annum of the net asset value of the Company payable quarterly in arrears. Prior to 1 April 2022, the investment management fee was 0.65% per annum of the Company's net asset value.

The investment management fee for the quarter ended 31 March 2023 of £154,000 (2022: £178,000) is due to the Company's investment manager at the year end.

5. Other expenses

	2023 £'000	2022 £'000
Auditor's remuneration:		
– for audit services[1]	**40**	38
Broker and professional fees	**76**	49
Custody and depository	**20**	20
Directors' fees for services to the Company (Note 6)	**115**	132
Marketing	**56**	88
Printing and postage	**51**	41
Registrar's fees and expenses	**42**	33
Revolving credit facility committment fee	**44**	20
Subscription and listing fees	**41**	46
Sundry expenses	**36**	39
Total other expenses	**521**	506

All expenses are stated gross of irrevocable VAT, where applicable.

(1) Auditor's remuneration for audit services, exclusive of VAT, amounts to £33,500 (2022: £31,500).

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £39,000 per annum (2022: £39,000).

Other Directors' emoluments amounted to £26,000 (2022: £26,000) each per annum, with the chairman of the Audit Committee receiving an additional £6,500 (2022: £6,500) per annum. Full details are provided in the Directors' Remuneration Report on pages 48 to 50.

7. Finance costs

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Finance costs attributable to term loan	**30**	**69**	**99**	62	146	208
Finance costs attributable to revolving credit facility	**37**	**86**	**123**	16	37	53
Total finance costs	**67**	**155**	**222**	78	183	261

Finance costs have been allocated 30 per cent to revenue and 70 per cent to capital in accordance with the Company's accounting policies.

8a. Tax on ordinary activities

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Overseas taxation	**47**	**–**	**47**	24	–	24
Total taxation charge (see note 8(b))	**47**	**–**	**47**	24	–	24

8b. Factors affecting tax charge for current year

A reconciliation of the current tax charge for the current year is set out below:

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Profit/(loss) before tax	**4,239**	**(4,775)**	**(536)**	4,202	(1,794)	2,408
Profit/(loss) multiplied by the effective rate of corporation tax of 19.0% (2022: 19.0%)	**805**	**(907)**	**(102)**	798	(341)	457
Effects of:						
Non taxable dividend income	**(924)**	**–**	**(924)**	(927)	–	(927)
Expenses not utilised in the year	**119**	**111**	**230**	129	135	264
Overseas taxation suffered	**47**	**–**	**47**	24	–	24
Non taxable capital losses	**–**	**796**	**796**	–	206	206
Total taxation (see note 8(a))	**47**	**–**	**47**	24	–	24

The deferred tax asset of £3,701,000 (2022: £3,400,000) in respect of unutilised expenses at 31 March 2023 has not been recognised as it is uncertain that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted. The deferred tax asset has been calculated at the prospective UK corporation tax rate of 25% which takes effect from 1 April 2023 (2022: 25% main rate of corporation tax).

9. Dividends and capital repayments

	Payment date	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Amounts recognised as distributions to shareholders in the year:							
For the year ended 31 March 2022							
Fourth interim dividend at 1.55p (2021: 1.43p) per Ordinary share	6-May-22	**1,320**	**–**	**1,320**	1,218	–	1,218
Fourth capital repayment at 1.55p (2021: 1.43p) per B share	6-May-22	**–**	**476**	**476**	–	439	439
For the year ended 31 March 2023							
First interim dividend at 1.32p (2022: 1.29p) per Ordinary share	5-Aug-22	**1,124**	**–**	**1,124**	1,099	–	1,099
First capital repayment at 1.32p (2022: 1.29p) per B share	5-Aug-22	**–**	**405**	**405**	–	396	396
Second interim dividend at 1.32p (2022: 1.29p) per Ordinary share	4-Nov-22	**1,123**	**–**	**1,123**	1,099	–	1,099
Second capital repayment at 1.32p (2022: 1.29p) per B share	4-Nov-22	**–**	**406**	**406**	–	396	396
Third interim dividend at 1.32p (2022: 1.32p) per Ordinary share	3-Feb-23	**1,123**	**–**	**1,123**	1,124	–	1,124
Third capital repayment at 1.32p (2022: 1.32p) per B share	3-Feb-23	**–**	**405**	**405**	–	405	405
		4,690	**1,692**	**6,382**	4,540	1,636	6,176
Amounts relating to the year but not paid at the year end:							
Fourth interim dividend at 1.55p (2022: 1.55p) per Ordinary share	5-May-23	**1,319**	**–**	**1,319**	1,320	–	1,320
Fourth capital repayment at 1.55p (2022: 1.55p) per B share	5-May-23	**–**	**476**	**476**	–	476	476
		1,319	**476**	**1,795**	1,320	476	1,796

As shown in the preceding table, the Directors have declared a fourth interim dividend and capital repayment in respect of the year ended 31 March 2023 of 1.55p per share, which was paid on 5 May 2023 to shareholders on the register on 11 April 2023. Although these payments relate to the year ended 31 March 2023, under UK-adopted International Accounting Standards they will be accounted for in the period during which they are paid.

9. Dividends and capital repayments (continued)

The dividends paid and payable in respect of the financial year ended 31 March 2023, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2023 £'000
Revenue available for distribution by way of dividends for the year	**4,192**
First of four interims for the year ended 31 March 2023 of 1.32p per share	**(1,124)**
Second of four interims for the year ended 31 March 2023 of 1.32p per share	**(1,123)**
Third of four interims for the year ended 31 March 2023 of 1.32p per share	**(1,123)**
Fourth of four interims for the year ended 31 March 2023 of 1.55p per share*	**(1,319)**
Transferred from revenue reserve	**(497)**

*based on 85,072,653 Ordinary shares in issue at the record date of 11 April 2023.

10. Earnings per share

The Company's earnings per share are based on the loss for the year of £(583,000) (year to 31 March 2022: profit of £2,384,000) and on 85,118,954 Ordinary shares (2022: 85,172,653) and 30,708,750 B shares (2022: 30,708,750), being the weighted average number of shares in issue of each share class during the year.

The Company's revenue earnings per share are based on the revenue profit for the year of £4,192,000 (year to 31 March 2022: £4,178,000) and on the weighted average number of shares in issue as above.

The Company's capital earnings per share are based on the capital loss for the year of £(4,775,000) (year to 31 March 2022: loss £(1,794,000)) and on the weighted average number of shares in issue as above.

11. Investments held at fair value through profit or loss

	2023 £'000	2022 £'000
Listed securities	**112,768**	111,112
Subsidiary undertaking	**250**	250
	113,018	111,362

	Listed/ Quoted (Level 1) £'000	Subsidiary/ Unlisted (Level 3)* £'000	Total £'000
Cost brought forward	104,515	250	104,765
Gains brought forward	6,597	–	6,597
Fair value of investments at 31 March 2022	111,112	250	111,362
Purchases at cost	45,856	–	45,856
Sales proceeds	(40,023)	–	(40,023)
Gains on investments sold in year	562	–	562
Losses on investments held at year end	(4,739)	–	(4,739)
Fair value of investments at 31 March 2023	112,768	250	113,018
Cost at 31 March 2023	110,910	250	111,160
Gains at 31 March 2023	1,858	–	1,858
Fair value of investments at 31 March 2023	112,768	250	113,018

* Level 3 is the investment in the subsidiary undertaking, Investors Securities Company Limited, which is valued at its net asset value and for which observable market data is not applicable.

11. Investments held at fair value through profit or loss (Continued)

	2023 £'000	2022 £'000
Equity investments	**113,018**	111,362
Gains on investments sold in year	**562**	5,625
Losses on investments held at year end	**(4,739)**	(6,712)
Total losses in year	**(4,177)**	(1,087)

The Company incurred transaction costs of £171,500 (2022: £31,500) on the purchase of assets and £18,000 (2022: £8,900) on the sale of assets in the year.

Gains on investments sold in the year represents the difference between the net proceeds of sale and the book cost of the investments sold. Investments sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Losses on investments held at year end represents the decrease in the difference between the book cost of investments held and their market value at 31 March 2023 compared with the difference between the book cost of investments held and their market value at 31 March 2022.

12. Significant interests

As at 31 March 2023, the Company's subsidiary undertaking which deals in investments is:

	Country of incorporation or Registration	Class of Capital	Share Capital and Reserves £'000	Profit for the year £'000	% of Class held	% of Equity held	Valuation at 31.03.23 and 31.03.22 £'000
Investors Securities Company Limited	Scotland	Ordinary	250	–	100	100	250

The registered office of Investors Securities Company Limited is 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG.

At 31 March 2023, no investments were held by the dealing subsidiary and it did not trade during the year. The accounts of this subsidiary have not been consolidated with those of the Company as, in the opinion of the Directors, it is not material.

13. Receivables

	2023 £'000	2022 £'000
Income receivable from shares and securities	**1,175**	936
Due from brokers in settlement of sales of investments	**–**	2,130
Withholding tax recoverable	**140**	111
Sundry debtors and prepayments	**79**	33
	1,394	3,210

14. Cash and cash equivalents

All cash balances in the current and prior year were held in cash, current accounts or in banks on short term deposits with an original maturity of three months or less at the year end.

15. Payables

	2023 £'000	2022 £'000
Loan from subsidiary undertaking repayable on demand	**250**	250
Investment management fee payable to the manager	**154**	178
Loan Interest	**3**	2
Accrued expenses	**122**	113
	529	543

16. Bank loans

	2023 £'000	2022 £'000
Revolving credit facility	**12,000**	–
£7.5 million term loan maturing 28 September 2022	**–**	7,500
	12,000	7,500

At 31 March 2023, the Company has an unsecured revolving credit facility ("RCF") with The Royal Bank of Scotland International Limited for £15 million which is available until 28 September 2025. At 31 March 2023, £12 million was drawn down.

The loan agreement contains certain financial covenants with which the Company must comply. These include a financial covenant with respect to the ratio of the Adjusted Portfolio Value (as defined in the loan agreement) to the level of debt and also that the Adjusted Portfolio Value does not fall below £50 million. The Company complied with the required financial covenants throughout the period since drawdown.

Until 28 September 2022, the Company had a £7.5 million unsecured term loan from Scotiabank Europe plc at a fixed interest rate of 2.58% per annum. It also had a £7.5 million unsecured multicurrency revolving credit facility ('RCF') with Scotiabank (Ireland) Designated Activity Company. On 28 September 2022 both loan facilities matured and the £7.5 million unsecured term loan was repaid to Scotiabank Europe plc. At that time, £nil was drawn down under the RCF.

17. Share capital

Allotted, issued and fully paid

	Number	Listed £	Number	Held in Treasury £	Number	In Issue £
Ordinary shares of 0.1p each						
Balance at 1 April 2022	102,067,144	102,067	(16,894,491)	(16,894)	85,172,653	85,173
Repurchased to be held in treasury	–	–	(100,000)	(100)	(100,000)	(100)
Balance at 31 March 2023	102,067,144	102,067	(16,994,491)	(16,994)	85,072,653	85,073
B shares of 0.1 pence each						
Balance at 1 April 2022	32,076,703	32,077	(1,367,953)	(1,368)	30,708,750	30,709
Balance at 31 March 2023	32,076,703	32,077	(1,367,953)	(1,368)	30,708,750	30,709
Total at 31 March 2023	**134,143,847**	**134,144**	**(18,362,444)**	**(18,362)**	**115,781,403**	**115,782**

During the year the Company bought back 100,000 Ordinary shares (2022: nil Ordinary shares) to hold in treasury at a cost of £79,000 (2022: £nil). During the year the Company bought back nil B shares (2022: nil B Shares).

At 31 March 2023 the Company held 16,994,491 Ordinary shares (2022: 16,894,491 Ordinary shares) and 1,367,953 B shares (2022: 1,367,953 B shares) in treasury.

17. Share capital (Continued)

Shareholder entitlements

The Company has two classes of shares: Ordinary shares and B shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital repayments. Ordinary shares are entitled to all dividends paid by the Company and no dividends may be paid to B shareholders. B shareholders are entitled to capital repayments from the Company at an amount per share equal to, but not exceeding, any dividend paid per share to Ordinary shareholders. The capital repayments are paid out of the special capital reserve and accordingly will only be able to be paid for so long as the amount of the special capital reserve remains sufficient. If and when this reserve is exhausted, the Articles of Association provide that all the Ordinary shares and all the B shares automatically convert into Ordinary shares with identical rights.

The net asset value attributable to each class of share is the same. Apart from voting rights entitlements at separate class meetings, every Ordinary share and every B share carries equal voting rights. Upon a winding up or reconstruction of the Company, each Ordinary share and each B share shall have an equal right to share in the residual assets of the Company.

18. Share premium account and reserves

In 2007, the Court of Session confirmed the cancellation of the entire amount originally standing to the credit of the share premium account and the creation of two distinct reserves, the first reserve relating to that part of the cancelled share premium account arising from premiums paid on the A shares (the "buy back reserve") and the second reserve relating to that part of the cancelled share premium account arising from premiums paid on the B shares (the "special capital reserve").

The Company will apply these two reserves as follows:

- the buy back reserve will be available as distributable profits to be used for the buy back of both Ordinary shares and B shares; and
- the special capital reserve will be used for the purpose of paying capital repayments on the B shares.

Capital management

The Company's capital is represented by the issued share capital, share premium account, capital redemption reserve, buy back reserve, special capital reserve, capital reserve – investments sold, capital reserve – investments held and revenue reserve. Details of the movement through each reserve are shown in the Statement of Changes in Equity. The Company is not subject to any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Purpose, Strategy and Business Model and Principal Policies and the Report of the Directors. In order to maintain an optimal capital structure through varying market conditions the Company has the ability to:

- issue and buyback share capital within limits set by the shareholders in general meeting;
- borrow money in the short and long term;
- pay dividends to Ordinary shareholders out of current year revenue earnings as well as out of the brought forward revenue reserve; and
- pay capital repayments to B shareholders out of the special capital reserve.

The Company's Articles of Association allow distributions to be made from realised capital reserves where the balance on this reserve is positive.

The Company has the power under its Articles to borrow an amount up to 100 per cent of the Company's Adjusted Capital and Reserves. The Directors currently intend that the aggregate borrowings of the Company will be limited to approximately 20 per cent of the Company's gross assets immediately following drawdown of any new borrowings. The Directors will, however, retain flexibility to increase or decrease the level of gearing to take account of changing market circumstances and in pursuit of the Company's investment objectives.

19. Net asset value per share

	2023	2022
Net assets attributable at the year end	**£104,171,000**	£111,215,000
Equity shares in issue at the year end[1]	**115,781,403**	115,881,403
Net asset value per Ordinary/B share	**89.97p**	95.97p

[1] Consisting of 85,072,653 Ordinary Shares and 30,708,750 B Shares (2022: 85,172,653 Ordinary Shares and 30,708,750 B Shares), being the number of shares in issue at the year end.

The Company's shares may also be traded as units, each unit consisting of three Ordinary shares and one B share. The basic net asset value per unit as at 31 March 2023 was therefore 359.88p (2022: 383.88p).

The Company's treasury net asset value per share, incorporating the 16,994,491 Ordinary shares and 1,367,953 B shares held in treasury at the year end (2022: 16,894,491 Ordinary shares and 1,367,953 B shares), was 89.97p (2022: 95.97p). The Company's treasury net asset value per unit at the end of the year was 359.88p (2022: 383.88p). The Company's current policy is to only re-sell shares held in treasury at a price not less than the net asset value per share.

20. Changes in liabilities arising from financing activities

	2023 £'000	2022 £'000
Opening liabilities from financing activities	**7,500**	11,000
Cash-flows:		
Drawdown of revolving credit facility	**12,000**	2,000
Repayment of revolving credit facility	**–**	(5,500)
Repayment of bank loan	**(7,500)**	–
Closing liabilities from financing activities	**12,000**	7,500

21. Financial instruments

The Company's financial instruments comprise equity investments, cash balances, receivables and payables that arise directly from its operations and borrowings. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings to achieve enhanced returns. The downside risk of borrowings can be mitigated by raising the level of cash balances held.

The Company may use derivatives for efficient portfolio management from time to time. No derivative financial instruments were used during the current year or prior year. The Company may also write call options over some investments held in the investment portfolio. There were no call options written during the current year or prior year.

The fair value of the financial assets and liabilities of the Company at 31 March 2023 is not materially different from their carrying value in the financial statements.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk.

The Board reviews and agrees policies for managing its risk exposure. These policies are summarised as follows and have remained unchanged for the year under review.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's principal financial assets are bank balances and cash and other receivables, whose carrying amounts in the Statement of Financial Position represent the Company's maximum exposure to credit risk in relation to financial assets. The Company did not have any exposure to any financial assets which were past due or impaired at the current or prior year end.

21. Financial instruments (Continued)

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. A list of pre-approved counterparties used in such transactions is maintained and regularly reviewed by the Manager, and transactions must be settled on a basis of delivery against payment. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the acceptable quality of the brokers used. The rate of default in the past has been insignificant.

All of the investments of the Company, are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to the securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports as described in the Report of the Audit Committee.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings, normally rated A or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

The Company has no significant concentration of credit risk with exposure spread over a number of counterparties and financial institutions.

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. Other external events such as protectionism, inflation or deflation, economic recessions and terrorism could also affect share prices in particular markets. The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Purpose, Strategy and Business Model on pages 8 and 9 and Principal Policies on pages 29 and 30. The Board sets policies for managing this risk and meets regularly to review full, timely and relevant information on investment performance and financial results. The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment performance is discussed in more detail in the Manager's Review and further information on the investment portfolio is set out in the sections of this report entitled 'Classification of Investments' and 'Investment Portfolio'.

Any changes in market conditions will directly affect the profit or loss reported through the Statement of Comprehensive Income. A 20 per cent increase in the value of the investment portfolio as at 31 March 2023 would have increased net assets and income for the year by £22,604,000 (2022: an increase of 20 per cent in the Investment Portfolio would have increased net assets and income by £22,272,000). A decrease of 20 per cent (2022: 20 per cent) would have had an equal but opposite effect.

The calculations above are based on investment valuations at the respective statement of financial position dates and are not representative of the year as a whole, nor are they reflective of future market conditions.

Disclosure of the hierarchy of fair value measurements for financial instruments, as required by IFRS 13, is provided in note 11 and in the accounting policies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the liquid nature of the portfolio of investments and the level of cash and cash equivalents ordinarily held. Cash balances are held with a spread of reputable banks with a credit rating of normally A or higher, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

In certain circumstances, the terms of the Company's bank facility entitle the lender to demand early repayment and, in such circumstances, the Company's ability to maintain dividend levels and the net asset value attributable to equity shareholders could be adversely affected. Such early repayment may be required on the occurrence of certain events of default which are customary for facilities of this type. These include events of non payment, breach of other obligations, misrepresentations, insolvency and insolvency proceedings, illegality and a material adverse change in the financial condition of the Company.

21. Financial instruments (Continued)

The remaining contractual maturities of the financial liabilities at 31 March 2023, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than two years £'000	More than two years but less than five years £'000	Total £'000
31 March 2023					
Current liabilities					
Payables	279	–	–	–	279
Revolving credit facility	12,000	–	–	–	12,000
31 March 2022					
Current liabilities					
Payables	293	–	–	–	293
Bank loans	48	7,548	–	–	7,596

The figures in the above table are on a contractual maturity basis and therefore include interest payments where applicable.

Interest rate risk

Some of the Company's financial instruments are interest bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate. The Company's exposure to floating interest rates gives cashflow interest rate risk and its exposure to fixed interest rates gives fair value interest rate risk.

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which was 4.25 per cent at 31 March 2023 (2022: 0.75 per cent).

Considering the effect on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the year by £23,000 (year to 31 March 2022: £47,000). A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the net cash balances at the respective statement of financial position date and are not representative of the year as a whole, nor are they reflective of future market conditions.

When the Company draws down amounts under its revolving credit facility, interest is payable based on SONIA (which can vary on a daily basis) plus a margin. In the prior year, interest was based on LIBOR and was fixed at the time of drawdown.

Fixed rate

At 31 March 2023 and 31 March 2022 the Company's investment portfolio did not contain any fixed interest or floating rate interest assets. Details of the Company's investment portfolio are given in note 11 and in the section of this report entitled 'Classification of Investments' and 'Investment Portfolio'. At 31 March 2023 the Company had no fixed interest liabilities.

	2023 £'000	2023 Weighted average interest rate	2023 Average duration until maturity	2022 £'000	2022 Weighted average interest rate	2022 Average duration until maturity
Fixed interest liabilities:						
Term loan	–	–%	– years	7,500	2.58%	0.5 years

During the year, the £7.5 million term loan which carried a fixed interest rate of 2.58% per annum matured and was repaid on 28 September 2022.

21. Financial instruments (Continued)

Foreign currency risk

It is not the Company's policy to hedge any overseas currency exposure on equity investments. Foreign currency exposure (which includes Euro and Swiss Franc denominated equity investments) at 31 March 2023 and 31 March 2022 was as follows:

	Investments £'000	2023 Net Current Assets £'000	Total £'000	Investments £'000	2022 Net Current Assets £'000	Total £'000
Swiss Franc	**5,548**	**91**	**5,639**	3,851	26	3,877
Euro	**13,370**	**99**	**13,469**	14,634	80	14,714
Total	**18,918**	**190**	**19,108**	18,485	106	18,591

Total losses in the year from foreign exchange transactions and balances held in cash were £13,000 (2022 gains: £5,000).

At 31 March 2023, if the value of sterling had weakened against the Euro and Swiss Franc by 10 per cent the impact on the profit or loss and the net asset value would have been an increase of £2,217,000 (2022: £2,054,000). If the value of sterling had strengthened against the Euro and Swiss Franc by 10 per cent the effect the impact on the profit or loss and the net asset value would have been a decrease of £1,814,000 (2022: £1,680,000).

22. Related party and transactions with the Manager

The Directors of the Company are considered a related party. There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 48 to 50 and as set out in note 6 to the financial statements. There are no outstanding balances with the Board at year end.

The beneficial interests of the Directors in the Ordinary shares and B shares of the Company are disclosed on page 50.

Transactions between the Company and Columbia Threadneedle Investment Business Limited are detailed in note 4 on investment management fees and in note 15 in relation to fees owed to Columbia Threadneedle Investment Business Limited at the statement of financial position date. The existence of an independent Board of Directors demonstrated that the Company is free to pursue its own financial and operating policies and therefore under the AIC SORP, the Manager is not considered a related party.

23. Post-balance sheet events

Since 31 March 2023, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

AIFMD Disclosures

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Columbia Threadneedle Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from Columbia Threadneedle Investments on request.

The Company's maximum and average actual leverage levels at 31 March 2023 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	260%	260%
Actual	108%	111%

For the purposes of the 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 a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

Notice of Annual General Meeting

Notice is hereby given that the sixteenth Annual General Meeting of CT UK High Income Trust PLC will be held at Exchange House, Primrose Street, London EC2A 2NY, on 20 July 2023 at 12 noon for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 10 will be proposed as Ordinary Resolutions and Resolutions 11 to 13 as Special Resolutions:

Ordinary Resolutions

1. That the Annual Report and Financial Statements for the year to 31 March 2023 be received.
2. That the Directors' Remuneration Policy be approved.
3. That the Annual Report on Directors' Remuneration for the year ended 31 March 2023 be approved.
4. That Helen M Galbraith, who retires annually, be re-elected as a Director.
5. That Stephen J Mitchell who retires annually, be re-elected as a Director.
6. That Angus W Pottinger, who was appointed as a Director on 24 November 2022, be elected as a Director.
7. That Andrew K Watkins, who retires annually, be re-elected as a Director.
8. That Deloitte LLP be re-appointed as Auditor and the Directors be authorised to determine its remuneration.
9. That the Company's dividend/capital repayment policy with regard to quarterly payments as set out in the Annual Report and Financial Statements be approved.
10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Rights") provided that such authority shall be limited to the allotment of shares and the grant of Rights in respect of shares with an aggregate nominal value of up to £4,253 in respect of Ordinary shares of 0.1 pence each in the capital of the Company ("Ordinary Shares") and £1,535 in respect of B shares of 0.1 pence each in the capital of the Company ("B Shares"), such authority to expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2024, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require shares in the Company to be allotted or Rights to be granted after the expiry of such authority and the Directors shall be entitled to allot shares in the Company or grant Rights in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

11. That, subject to the passing of Resolution number 10 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act, provided that for the purposes of this resolution an allotment of equity securities shall be deemed not to include the sale of shares in the Company that immediately before the sale are held by the Company as treasury shares) for cash pursuant to the authority given by Resolution number 10 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

    (a) expires at the conclusion of the Company's next Annual General Meeting or on 30 September 2024, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,253 in respect of Ordinary Shares and £1,535 in respect of B Shares (being approximately 4.3 per cent of the total nominal value of the issued share capital of the Company (including treasury shares), as at 31 May 2023) at a price of not less than the net asset value per share of the existing Ordinary Shares (in the case of an allotment of Ordinary Shares) or B Shares (in the case of an allotment of B Shares).

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 0.1 pence each in the capital of the Company and fully paid B shares of 0.1p each in the capital of the Company ("Ordinary and/or B Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

    (a) the maximum aggregate number of Ordinary Shares and B Shares hereby authorised to be purchased is 14.99 per cent of the issued Ordinary Shares and 14.99 per cent of the issued B Shares (excluding Ordinary Shares and B Shares held in treasury) immediately prior to the passing of this resolution (see note 15);

    (b) the minimum price (excluding expenses) which may be paid for an Ordinary Share or B Share is 0.1 pence;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share or B Share shall not be more than the higher of:

        i. 5 per cent. above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of an Ordinary Share or B Share over the five business days immediately preceding the date of purchase; and

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

    (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2024 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares and/or B Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares and/or B Shares pursuant to any such contract.

13. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (as amended) (the "Act") to sell equity securities (within the meanings of sections 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £8,507 in respect of Ordinary Shares and £3,070 in respect of B Shares, representing approximately 8.3 per cent of the Company's Ordinary share capital in issue (including treasury shares) as at the date of the passing of this resolution and approximately 9.6 per cent of the Company's B share capital in issue (including treasury shares) as at the date of the passing of this resolution and shall expire on the earlier of 30 September 2024 or at the conclusion of the Company's next Annual General Meeting, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board
For Columbia Threadneedle Investment Business Limited
Company Secretary
Quartermile 4,
7a Nightingale Way
Edinburgh EH3 9EG
31 May 2023

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll). In the calculation of these time periods, no account is taken of any part of a day that is not a working day. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. 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. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each Ordinary shareholder is entitled to one vote per Ordinary share held and each B shareholder is entitled to one vote per B share held.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com. 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.

3. 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 (“Euroclear”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company’s agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. 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.

5. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12 noon on 18 July 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity’s associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. Shareholders can vote online by logging onto www.sharevote.co.uk. To use this service shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the accompanying Form of Proxy. Full details of the procedure are given on the website. Alternatively, shareholders who have already registered with Equiniti’s online portfolio service, Shareview, can vote by logging on to their portfolio at www.shareview.co.uk using your usual user ID and password. Once logged in simply click “view” on the “My Investments” page, click on the link to vote, then follow the on screen instructions.

7. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “Nominated Person”) may, 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 Annual General Meeting. 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.

   The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.30 p.m. on 18 July 2023 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30 pm on the day two days (excluding non-working days) prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30 p.m. on 18 July 2023 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30 pm on the day two days prior to any adjourned meeting (excluding non-working days), shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

9. As at 31 May 2023 (being the last business day prior to the publication of this notice) the Company’s issued share capital consists of 85,072,653 Ordinary Shares carrying one vote each and 30,708,750 B Shares carrying one vote each. The Company holds 16,994,491 Ordinary Shares and 1,367,953 B shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 31 May 2023 were 115,781,403 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

10. No Director has a contract of service with the Company. The Directors’ letters of appointment will be available for inspection at the Company’s registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and for 15 minutes prior to, and during, the Annual General Meeting.

11. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from ctukhighincome.co.uk.

12. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
    (a) answering the question 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.
13. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditor) setting out any matter relating to the audit of the Company's accounts including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.
14. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.
15. Following Resolution 12 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 12,752,300 Ordinary shares and 4,603,200 B shares (or, if less, 14.99 per cent. of the number of Ordinary shares and 14.99 per cent. of the number of B shares in issue (excluding treasury shares) immediately prior to the passing of the resolution).
16. Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 18 below, may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) the resolution must not be defamatory of any person, frivolous or vexatious, and (iii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than six weeks before the Meeting to which the requests relate.
17. Under Section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at Note 18 below, may, subject to certain conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) the matter of business must not be defamatory of any person, frivolous or vexatious; and (ii) the request: (a) may be in hard copy form or in electronic form; (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (c) must be accompanied by a statement setting out the grounds for the request; (d) must be authenticated by the person or persons making it; and (e) must be received by the Company not later than 6 weeks before the Meeting to which the requests relate.
18. In order to be able to exercise the members' right to require: (i) circulation of a resolution to be proposed at the Meeting (see Note 16); or (ii) a matter of business to be dealt with at the Meeting (see Note 17), the relevant request must be made by: (a) a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or (b) at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

Capital Structure At 31 March 2023

The Company has a capital structure comprising Ordinary shares and B shares. In addition, the Company has a bank borrowing facility.

The Company's capital structure offers shareholders the opportunity to receive quarterly returns in the form of either dividends, capital repayments, or both, to suit their own particular circumstances.

The Company has two classes of shares: Ordinary shares and B shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital repayments. Irrespective of these rights, the net asset value attributable to each class of shares is the same.

Only Ordinary shares carry a right to participate in dividends paid by the Company. B shares are not entitled to dividends but each B share instead carries the right to receive a capital repayment at the same time as, and in an amount equal to, each dividend paid in respect of Ordinary shares. The capital repayments are paid out of the special capital reserve and accordingly will only be able to be paid for so long as the amount of the special capital reserve remains sufficient. If and when this reserve is exhausted, the Articles of Association provide that all the Ordinary shares and all the B Shares automatically convert into Ordinary shares with identical rights.

The tax treatment on distributions received from Ordinary shares will be different from that on distributions received from B shares. Dividends paid on the Ordinary shares will be taxed on receipt in the normal way for dividends. Capital repayments received on B shares will fall to be taxed in accordance with the rules relating to the taxation of chargeable gains (see further information below) for non corporate holders (including individuals).

It is the Company's current policy to maintain the ratio of Ordinary shares to B shares (excluding shares held in Treasury) within the range 72.5% : 27.5% and 77.5% : 22.5%. The Board may if it considers it to be in the best interests of the Company, amend the ratio from time to time. However, the Board will always be mindful in setting the ratio of any impact on the level of revenue available for the Ordinary shares.

These two securities can be traded together in the form of a unit with each unit consisting of three Ordinary shares and one B share.

Bank Facility

The Company has a £15 million revolving credit facility available until 28 September 2025. The returns of both the Ordinary shares and B shares may be geared by this bank facility.

Further information on the B Shares

What is different about the B shares

The B shares are just like any other ordinary share except that, instead of dividends, B shareholders receive capital repayments, so B shareholders will receive the same amount of cash on a quarterly basis as Ordinary shareholders, but when it comes to the tax on these capital repayments the tax treatment will be different.

So a higher rate taxpayer, for example, will not be liable on receipt to the additional income tax that would normally be applicable on receipt of a dividend. This is because the capital repayment is taxed under UK Capital Gains Tax ('CGT') rules rather than Income Tax rules for non corporate holders (including individuals). When the B shares are disposed of the capital repayments received need to be taken into account as part of the CGT disposal calculation.

A summary of the tax treatment.

The capital repayments paid on the B shares will be taxed for individuals under CGT rules rather than Income Tax rules.

UK tax is not, in normal circumstances, due on receipt of the quarterly capital repayments and you do not need to include them on your tax return. Instead, when you dispose of B shares, an amount equivalent to the capital repayments you have received is deducted from the tax base cost as part of the CGT calculation. This treatment applies because the quarterly sums are treated as 'small capital receipts' under CGT rules; being either less than 5 per cent of the market value of the B shareholding at the date of receipt or less than £3,000.

An individual B shareholder's annual exempt amount for CGT purposes is not reduced or prejudiced by this treatment of capital repayments. Non UK resident shareholders will not be subject to UK tax on capital repayments, although local tax could arise.

This 'small capital receipt' treatment will only apply where, and to the extent that, the holding of B shares from which the capital return is derived has a positive tax base cost against which to offset the capital receipt. Where this is not the case, the receipt of a capital distribution may fall to be treated as a chargeable gain.

The above is based on an understanding of legislation and HM Revenue and Customs' practice at the time of publication. Tax rates and reliefs depend on the circumstances of the individual investor, are subject to government legislation and may change in the future. You should consult your tax adviser on your own individual tax circumstances.

Shareholder Information

Dividends and Capital Repayments

Dividends on Ordinary shares and capital repayments on B shares are paid quarterly in August, November, February and May each year. Shareholders who wish to have distributions paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited (see back cover page for contact details) on request. Where distributions are paid directly into shareholders' bank accounts, dividend and capital repayment tax vouchers are sent directly to shareholders' registered addresses.

Share Prices and Daily Net Asset Value

The Company's securities are listed on the London Stock Exchange. Prices are given daily in the Financial Times and other newspapers. The net asset value of the Company's shares are released to the market daily, on the working day following the calculation date. They are available, with other regulatory information through the National Storage Mechanism at data.fca.org.uk or can be obtained by contacting Columbia Threadneedle's Investor Services on 0345 600 3030.

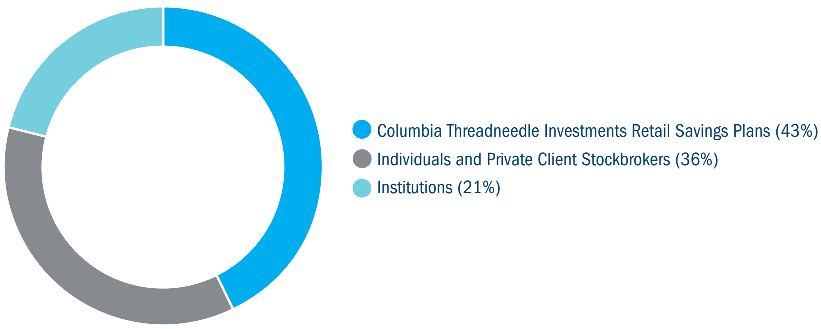
Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Equiniti Limited, under the signature of the registered holder.

Data protection

The Company is committed to protecting and respecting the confidentiality, integrity and security of the personal data it holds. For information on the processing of personal data, please see the privacy policy on the Company's website at ctukhighincome.co.uk.

Profile of the Company's Ownership
% of Shares held at 31 March 2023



Warning to shareholders – Boiler Room Scams

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from www.fca.org.uk to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("**FCA**")
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at www.fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Financial promotion

How to Invest

One of the most convenient ways to invest in CT UK High Income Trust PLC is through one of the Savings Plans run by Columbia Threadneedle Investments.

CT Individual Savings Account (ISA)
You can use your ISA allowance to make an annual tax efficient investment of up to £20,000 for the current tax year with a lump sum from £100 or regular savings from £25 a month. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

CT Junior Individual Savings Account (JISA)*
A tax efficient way to invest up to £9,000 per tax year for a child. Contributions start from £100 lump sum or £25 a month. JISAs or CTFs with other providers can be transferred to Columbia Threadneedle Investments.

CT Lifetime Individual Savings Account (LISA)
For those aged 18-39, a LISA could help towards purchasing your first home or retirement in later life. Invest up to £4,000 for the current tax year and receive a 25% Government bonus up to £1,000 per year. Invest with a lump sum from £100 or regular savings from £25 a month.

CT General Investment Account (GIA)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £100 lump sum or £25 a month.

CT Junior Investment Account (JIA)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £100 lump sum or £25 a month per account. You can also make additional lump sum top-ups at any time from £100 per account.

CT Child Trust Fund (CTF)*
If your child already has a CTF you can invest up to £9,000 per birthday year, from £100 lump sum or £25 a month. CTFs with other providers can be transferred to Columbia Threadneedle Investments.

*The CTF and JISA accounts are opened by parents in the child's name and they have access to the money at age 18. **Calls may be recorded or monitored for training and quality purposes.

Charges
Annual management charges and other charges apply according to the type of Savings Plan.

Annual account charge

ISA/LISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges

£12 per fund (reduced to £0 for deals placed through the online Columbia Threadneedle Investor Portal) for ISA/GIA/LISA/JIA and JISA. There are no dealing charges on a CTF.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits. Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales Cost & Charges disclosure related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you want to invest in. These can be found at ctinvest.co.uk/documents.

How to Invest
To open a new Columbia Threadneedle Savings Plan, apply online at **ctinvest.co.uk** Online applications are not available if you are transferring an existing Savings Plan with another provider to Columbia Threadneedle Investments, or if you are applying for a new Savings Plan in more than one name but paper applications are available at ctinvest.co.uk/documents or by contacting Columbia Threadneedle Investments.

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)
Email: **invest@columbiathreadneedle.com**

Existing Plan Holders

Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)
Email: **investor.enquiries@columbiathreadneedle.com**
By post: Columbia Threadneedle Management Limited, PO Box 11114, Chelmsford, CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre**

To find out more, visit **ctinvest.co.uk**

0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.

COLUMBIA THREADNEEDLE INVESTMENTS

Ten Year Record

Assets
at 31 March

£'000s	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total assets less current liabilities (ex bank loans)	139,498	144,552	144,886	134,528	149,649	129,825	127,605	97,021	126,007	118,715	**116,171**
Bank loans at fair value*	18,186	17,692	18,103	18,156	18,078	7,500	7,500	7,500	11,000	7,500	**12,000**
Net assets, debt at fair value	121,312	126,860	126,783	116,372	131,571	122,325	120,105	89,521	115,007	111,215	**104,171**

* includes interest rate swap, where applicable

Net Asset Value (NAV)*
at 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NAV per A/Ordinary share and per B share	97.9p	102.8p	103.6p	96.3p	111.1p	103.7p	102.4p	76.7p	99.3p	96.0p	**90.0p**
NAV High	98.5p	105.8p	107.5p	107.3p	112.3p	116.3p	115.3p	111.8p	103.9p	107.8p	**97.3p**
NAV Low	78.9p	93.0p	95.0p	87.3p	92.6p	101.1p	91.1p	66.3p	71.2p	84.4p	**79.5p**
NAV total return on 100p – 5 years											**113.6p**
NAV total return on 100p – 10 years											**150.2p**

* includes debt at fair value

Share Price – A/Ordinary Shares
at 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Middle market price per share	93.5p	95.0p	100.8p	89.8p	104.0p	96.5p	95.0p	69.5p	91.5p	87.0p	**82.0p**
Discount to NAV %	(4.5)%	(7.6)%	(2.7)%	(6.7)%	(6.4)%	(7.0)%	(7.2)%	(9.3)%	(7.8)%	(9.3)%	**(8.9)%**
Share price High	93.5p	97.5p	101.0p	100.0p	104.5p	108.0p	106.0p	102.0p	92.0p	100.0p	**90.0p**
Share price Low	76.5p	90.0p	87.5p	84.0p	87.5p	96.0p	86.3p	59.5p	64.0p	79.5p	**73.5p**
Share price total return on 100p – 5 years											**114.1p**
Share price total return on 100p – 10 years											**151.3p**

Share Price – B Shares
at 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Middle market price per share	94.5p	102.3p	100.8p	91.5p	104.3p	95.8p	95.0p	67.5p	91.5p	88.0p	**84.5p**
Discount to NAV %	(3.5)%	(0.5)%	(2.7)%	(5.0)%	(6.1)%	(7.7)%	(7.2)%	(11.9)%	(7.8)%	(8.3)%	**(6.1)%**
Share price High	94.5p	103.5p	102.3p	102.0p	104.3p	107.0p	107.0p	102.5p	92.0p	106.5p	**92.0p**
Share price Low	79.0p	90.5p	88.5p	84.5p	86.5p	95.8p	86.0p	58.0p	64.0p	82.0p	**79.0p**
Share price total return on 100p – 5 years											**118.0p**
Share price total return on 100p – 10 years											**151.3p**

Share Price – Units

at 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Middle market price per share	369.0p	375.0p	402.5p	354.0p	409.5p	397.0p	373.0p	273.0p	365.0p	336.0p	**323.0p**
Discount to NAV %	(5.7)%	(8.8)%	(2.9)%	(8.1)%	(7.9)%	(4.3)%	(8.9)%	(11.0)%	(8.1)%	(12.5)%	**(10.2)%**
Share price High	369.0p	375.0p	402.5p	400.5p	409.5p	425.0p	418.0p	403.0p	365p	398.0p	**350.0p**
Share price Low	300.0p	358.0p	349.5p	335.0p	336.5p	397.0p	335.0p	234.0p	258p	310.0p	**304.0p**
Share price total return on 100p – 5 years											**105.7p**
Share price total return on 100p – 10 years											**144.8p**

Revenue

For the year ended 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Available for A/Ordinary shares – £'000s	4,391	4,598	4,848	4,571	4,585	4,764	4,451	4,053	3,020	4,178	**4,192**
Revenue earnings per share	3.52p	3.73p	3.95p	3.74p	3.82p	4.03p	3.77p	3.46p	2.59p	3.61p	**3.62p**
Dividends per A/Ordinary share	4.28p	4.37p	4.48p	4.60p	4.72p	4.88p	5.04p	5.21p	5.30p	5.45p	**5.51p**
Capital repayments per B share	4.28p	4.37p	4.48p	4.60p	4.72p	4.88p	5.04p	5.21p	5.30p	5.45p	**5.51p**

Performance

(rebased at 100 at 31 March 2013)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NAV per A/Ordinary share, B share and Unit	100.0	105.0	105.8	98.4	113.5	105.9	104.6	78.3	101.4	98.1	**91.9**
Middle market price per A/Ordinary share	100.0	101.6	107.8	96.0	111.2	103.2	101.6	74.3	97.9	93.0	**87.7**
Middle market price per B share	100.0	108.3	106.7	96.8	110.4	101.4	100.5	71.4	96.8	93.1	**89.4**
Middle market price per Unit	100.0	101.6	109.1	95.9	111.0	107.6	101.1	74.0	98.9	91.1	**87.5**
Dividends per A/Ordinary share	100.0	102.1	104.7	107.5	110.3	114.0	117.8	121.7	123.7	127.3	**128.7**
Capital repayments per B share	100.0	102.1	104.7	107.5	110.3	114.0	117.8	121.7	123.7	127.3	**128.7**

Ongoing Charges

For the year ended 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expressed as a percentage of average net assets											
– excluding performance fees	1.15%	1.06%	1.05%	1.06%	1.11%	0.91%	0.98%	0.96%	1.04%	0.98%	**1.02%**
– including performance fees	1.15%	1.51%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

Gearing

at 31 March

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net gearing	10.1%	10.0%	7.9%	9.7%	3.5%	4.4%	4.3%	3.4%	7.2%	0.1%	**8.5%**

Alternative Performance Measures (“APMs’)

The Company uses the following Alternative Performance Measures (“APMs”):

Discount/premium – the share price of an Investment Trust is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value (NAV) per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium.

		At 31 March 2023			At 31 March 2022		
		Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Net asset value per share	(a)	**89.97p**	**89.97p**	**359.88p**	95.97p	95.97p	383.88p
Share price	(b)	**82.00p**	**84.50p**	**323.00p**	87.00p	88.00p	336.00p
Discount (c=(b-a)/(a))	(c)	**-8.9%**	**-6.1%**	**-10.2%**	-9.3%	-8.3%	-12.5%

Ongoing charges –all operating costs expected to be incurred in future and that are payable by the Company, expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non recurring costs and the costs of buying back or issuing shares.

Ongoing charges calculation

	Page	31 March 2023 £’000	31 March 2022 £’000
Total expenditure	60	**1,131**	1,262
Less management fee at rate of 0.65% of NAV		**–**	(756)
Add management fee at revised rate of 0.60% of NAV (see note 4)		**–**	667
Less revolving credit facility commitment fee	69	**(44)**	(20)
Less non-recurring expenses		**(21)**	(16)
Total	(a)	**1,066**	1,137
Average daily net assets	(b)	**104,494**	116,551
Ongoing charges (c = a/b)	(c)	**1.02%**	0.98%

Gearing – represents the excess amount above shareholders‘ funds of total investments, expressed as a percentage of the shareholders funds. If the amount calculated is negative, this is a ‘net cash’ position and no gearing.

		Page	31 March 2023 £’000	31 March 2022 £’000
Investments held at fair value through profit or loss	(a)	61	**113,018**	111,362
Net assets	(b)	61	**104,171**	111,215
Gearing (c = (a/b) – 1)%	(c)		**8.5%**	0.1%

Total return – the theoretical return to shareholders calculated on a per share basis by adding dividends/capital repayments paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends/capital repayments are assumed to have been re invested in the form of shares or net assets, respectively, on the date on which the shares were quoted ex dividend.

The effect of reinvesting these dividends/capital repayments on the respective ex dividend dates and the share price total returns and NAV total returns are shown below.

	31 March 2023		31 March 2022	
	Ordinary shares/ B shares	Units	Ordinary shares/ B shares	Units
NAV per share at start of financial year	**95.97p**	**383.88p**	99.25p	397.00p
NAV per share at end of financial year	**89.97p**	**359.88p**	95.97p	383.88p
Change in the year	**-6.3%**	**-6.3%**	-3.3%	-3.3%
Impact of dividend/capital repayment reinvestments†	**+5.9%**	**+5.9%**	+5.2%	+5.2%
NAV total return for the year	**-0.4%**	**-0.4%**	+1.9%	+1.9%

† During the year to 31 March 2023 dividends/capital repayments totalling 5.51p (Ordinary shares/B shares) and 22.04p (units) went ex dividend. During the year to 31 March 2022 the equivalent figures were 5.33p (Ordinary shares/B shares) and 21.32p (units).

	31 March 2023			31 March 2022		
	Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Share price per share at start of financial year	**87.0p**	**88.0p**	**336.0p**	91.5p	91.5p	365.0p
Share price per share at end of financial year	**82.0p**	**84.5p**	**323.0p**	87.0p	88.0p	336.0p
Change in the year	**-5.7%**	**-4.0%**	**-3.9%**	-4.9%	-3.8%	-7.9%
Impact of dividend/capital repayment reinvestment†	**+6.3%**	**+6.3%**	**+5.8%**	+5.5%	+5.4%	+5.3%
Share price total return for the year	**+0.6%**	**+2.3%**	**+1.9%**	+0.6%	+1.6%	-2.6%

† During the year to 31 March 2023 dividends/capital repayments totalling 5.51p (Ordinary shares/B shares) and 22.04p (units) went ex dividend. During the year to 31 March 2022 the equivalent figures were 5.33p (Ordinary shares/B shares) and 21.32p (units).

Yield – The total annual dividend/capital repayment expressed as a percentage of the year end share price.

		31 March 2023			31 March 2022		
		Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Annual dividend/capital repayment	(a)	**5.51p**	**5.51p**	**22.04p**	5.45p	5.45p	21.80p
Share price	(b)	**82.00p**	**84.50p**	**323.00p**	87.00p	88.00p	336.00p
Yield = (c=a/b)	(c)	**6.7%**	**6.5%**	**6.8%**	6.3%	6.2%	6.5%

Glossary of Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC – Association of Investment Companies, the trade body for listed closed-end Investment Companies.

AIFMD – the UK version of the Alternative Investment Fund Managers Directive (including all implementing and delegated legislation and as it forms part of UK law following Brexit). Issued by the European Parliament in 2012 and 2013, the Directive required that all investment vehicles in the European Union, including investment trusts, appoint a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an investment trust, nevertheless, remain fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

Ordinary Shares – a security issued by the Company. The net asset value attributable to each Ordinary share is equal to the Net Asset Value of the Company divided by the total number of Ordinary shares and B shares in issue. Therefore the net asset value attributable to each of the Ordinary shares and B shares is the same. The Ordinary shares are entitled to dividends paid by the Company.

Benchmark – from 5 July 2018 the FTSE All-Share Index is the benchmark against which the increase or decrease in the Company's net asset value is measured. This index represents the performance of all eligible companies listed on the London Stock Exchange's main market, which pass screening for size and liquidity. Prior to that the benchmark index was the FTSE All-Share Capped 5% Index. This Index averages the performance of 98% of the market value of all eligible companies listed on London Stock Exchange's main market and gives an indication of how this market has performed in any period. Constituents of the Index are capped at 5% of the total index quarterly to avoid over concentration in any one stock. As the investments within these indices are not identical to those of the Company, the indices do not take account of operating costs and the Company's strategy does not include replicating (tracking) these indices, there is likely to be some level of divergence between the performance of the Company and the Index.

B Shares – a security issued by the Company. The net asset value attributable to each B share is equal to the Net Asset Value of the Company divided by the total number of Ordinary shares and B shares in issue. Therefore the net asset value attributable to each of the Ordinary shares and B shares is the same. The B shares are entitled to capital repayments paid by the Company. These capital repayments will be paid at the same time as, and in an amount equal to, each dividend paid on the Ordinary shares.

Closed-end company – a company, including an investment trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and in which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open ended company or fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – a specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is JPMorgan Chase Bank.

Depositary – under AIFMD rules which have applied from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe keeping duties. The Depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Dividend Dates – reference is made in announcements of dividends to three dates. The “ex dividend” date is the date up to which the shareholder needs to hold the shares in order to be entitled to receive the next dividend. As it takes time for a stock purchase to be recorded on the register, dividends are actually paid to the holders of shares on the share register on the “record” date. If a share transfer prior to the ex-dividend date is not recorded on the register before the record date, the selling party will need to pass on the benefit or dividend to the buying party. The “ex-dividend” date is currently the business day prior to the record date. The “payment” date is the date that dividends are credited to shareholders’ bank accounts. This may be several weeks or even months after the record date.

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a “prior charge” over the assets of a company, ranking before shareholders in their entitlement to capital and/or income. They include: overdrafts and short and long term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a “net” or “effective” gearing percentage, or to be used to buy investments, giving a “gross” or “fully invested” gearing figure. Where cash assets exceed borrowings, the Company is described as having “net cash”. The Company’s maximum permitted level of gearing is set by the Board and is described within the Strategic Report.

Investment Company (Section 833) – UK company law allows an investment company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made capital losses in any year provided the Company’s assets remaining after payment of the dividend exceed 150% of the liabilities. An investment company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK corporation tax law allows an investment company (referred to in tax law as an investment trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 9 to the financial statements). The Report of the Directors contains confirmation of the Company’s compliance with this law and its consequent exemption from taxation on capital gains.

Manager – Columbia Threadneedle Investment Business Limited (formerly called BMO Investment Business Limited), which is ultimately owned by Columbia Threadneedle Investments, the global investment management business of Ameriprise Financial, Inc., a company incorporated in the United States. The responsibilities and remuneration of the Manager are set out in the Purpose, Strategy and Business Model, Report of the Directors and note 4 to the financial statements.

Market capitalisation – the stock market quoted price of the Company’s shares, multiplied by the number of shares in issue. If the Company’s shares trade at a discount to NAV, the market capitalisation will be lower than the Net asset value.

Net asset value (NAV) – the assets less the liabilities of the Company, as set out on the Statement of Financial Position, all valued in accordance with the Company’s Accounting Policies (see note 1 to the financial statements) and UK-adopted International Accounting Standards. The net assets correspond to equity shareholders’ funds, which comprise the share capital account, share premium, capital redemption reserve, buy back reserve, special capital reserve and capital and revenue reserves.

Net asset value (NAV), Debt at par – the Company’s bank loans are valued in the financial statements at par (the actual amount borrowed) and this NAV including this number is referred to as “NAV, Debt at par”.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive directors. Non-executive Directors’ remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Corporate Governance Statement.

Ongoing Charges – all operating costs expected to be incurred in future and that are payable by the Company, expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non recurring costs and the costs of buying back or issuing shares.

SORP – Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued by the AIC.

Units – a way of holding and trading in the Ordinary shares and B shares issued by the Company. Each unit consists of three Ordinary shares and one B share.

Corporate Information

Directors
A K Watkins (Chairman)
H M Galbraith (nee Driver)
S J Mitchell
A W Pottinger (appointed 24 November 2022)

Alternative Investment Fund Manager ('AIFM'), Investment Manager and Company Secretary
Columbia Threadneedle Investment Business Limited
6th Floor, Quartermile 4
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Edinburgh EH3 9EG

Broker
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40 Gracechurch Street
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Auditor
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110 Queen Street
Glasgow G1 3BX

Depositary
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Canary Wharf
London E14 5JP

Principal Bankers and Custodian
JPMorgan Chase Bank
25 Bank Street
Canary Wharf
London E14 5JP

Bankers
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Solicitors
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Annual Report and Financial Statements

31 March 2023

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