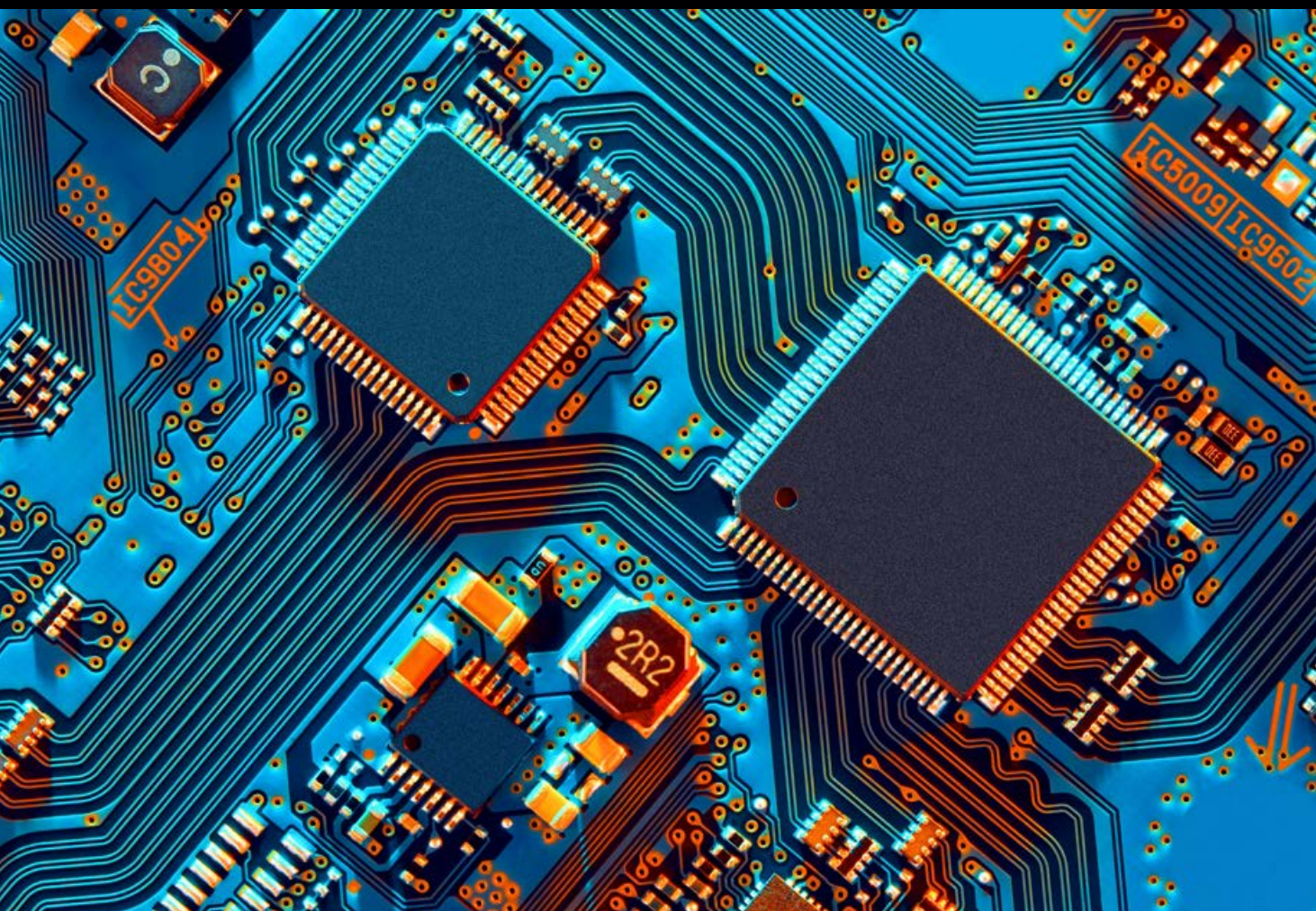


**BlackRock**

# **BlackRock Throgmorton Trust plc**

Annual Report and Financial Statements 30 November 2021





## Keeping in touch

We know how important it is to receive up-to-date information about the Company. To ensure that you are kept abreast of developments, please visit our website at <https://go.blackrock.com/LP=2142> to sign up to the Trust Matters newsletter. You will then receive the latest factsheets, market commentary and insights from your Portfolio Manager. You will also be notified of our upcoming events and webinars.

You can find further information about the Company on our website at [www.blackrock.com/uk/thrg](http://www.blackrock.com/uk/thrg)

General enquiries about the Company should be directed to the Company Secretary at: [cosec@blackrock.com](mailto:cosec@blackrock.com)



Use this QR code to take you to the Company's website where you can sign up to monthly insights and factsheets.







# Financial highlights

**935.00p<sup>1</sup>**

Ordinary share price

**+38.8%<sup>2,3</sup>**

**921.91p**

NAV per ordinary share

**+37.0%<sup>2,3</sup>**

**10.50p**

Total dividends

**+2.9%**

**12.15p**

Revenue earnings per share

**+84.9%**

**£935.1m**

Net assets

**+56.8%**

NAV per share outperformed Benchmark Index<sup>4</sup> by

**12.5%<sup>3,5</sup>**

Share price outperformed Benchmark Index<sup>4</sup> by

**14.3%<sup>3</sup>**

Percentage comparisons are year-on-year against 30 November 2020.

<sup>1</sup> Mid-market.

<sup>2</sup> Performance figures are calculated in Sterling terms with dividends reinvested.

<sup>3</sup> Alternative Performance Measures. See Glossary on pages 129 to 131.

<sup>4</sup> The Company uses the Numis Smaller Companies plus AIM (excluding Investment Companies) Index as its Benchmark Index.

<sup>5</sup> Calculated on NAV per ordinary share performance versus the Benchmark Index performance, both in Sterling terms with dividends reinvested.



Digital transformation is a long-term structural trend that we have sought exposure to in recent years, and one that has been accelerated by the COVID-19 pandemic. In particular, we believe the growth outlook has notably improved in digital payments, software-as-a-service, and cloud-enabled audio and visual communications.

# Why BlackRock Throgmorton Trust plc?

## Investment objective

The Company's objective is to provide shareholders with long-term capital growth and an attractive total return through investment primarily in UK smaller and mid-capitalisation companies traded on the London Stock Exchange.

## Reasons to invest



### Outperforming asset class

The Company offers investors exposure to primarily UK smaller and mid-capitalisation companies, an asset class that has historically outperformed larger companies by 4.3%<sup>1</sup> per annum.



### Active management

Smaller and mid-capitalisation companies operate in a less efficient and under-researched area of the market, which makes it an attractive environment for active managers.



### Additional alpha

We are able to increase our long exposure where we see opportunity and can also short companies that we find unattractive, enabling the Company to profit if their share prices rise or fall in each case. This provides a differentiated source of alpha.



### Flexible market exposure

The Company has an enhanced toolkit for generating outperformance. Leverage enables us to increase overall gross market exposure whilst varying the net exposure through time, with the aim of enhancing returns over the long-term.



### Broader exposure

The Company is able to invest in AIM and also has the ability to invest up to 15% of gross assets in companies listed overseas, further expanding our investment universe and providing differentiation from other trusts in the market.



### Proven track record

Proven strategy with a long-term track record of over +7.1% per annum outperformance over our Benchmark Index.<sup>2</sup>

<sup>1</sup> Source: Datastream. For the period 1955 to 2021, Numis Smaller Companies Index plus AIM (excluding Investment Companies) Index (previously known as Hoare Govett). Barclays Equity Total Return (December 1955 to December 2006), representative of smaller company performance. FTSE All-Share Total Return (January 2007 to November 2021), representative of larger company performance.

<sup>2</sup> Since BlackRock was appointed as Manager on 1 July 2008.



A member of the Association of Investment Companies

Further details about the Company, including the latest annual and half yearly financial reports, fact sheets and stock exchange announcements, are available on the website at [blackrock.com/uk/thrg](https://blackrock.com/uk/thrg)

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# Performance record

	As at 30 November 2021	As at 30 November 2020
Net assets (£'000) <sup>1</sup>	935,148	596,215
Net asset value per ordinary share (pence)	921.91	681.24
Ordinary share price (mid-market) (pence)	935.00	682.00
Benchmark Index <sup>2</sup>	18,968.77	15,232.31
Premium to cum income net asset value <sup>3</sup>	1.4%	0.1%
Average premium to cum income net asset value for the year <sup>3</sup>	1.2%	0.2%
<b>Performance (with dividends reinvested)</b>		
Net asset value per share <sup>3</sup>	+37.0%	+9.1%
Ordinary share price <sup>3</sup>	+38.8%	+8.2%
Benchmark Index <sup>2</sup>	+24.5%	+3.8%

	For the year ended 30 November 2021	For the year ended 30 November 2020	Change %
<b>Revenue</b>			
Net revenue profit after taxation (£'000)	11,446	5,379	+112.8%
Revenue return per ordinary share (pence) <sup>4</sup>	12.15	6.57	+84.9%
<b>Dividends per ordinary share (pence)</b>			
Interim	2.50	2.50	+0.0%
Final	8.00	7.70	+3.9%
<b>Total dividends paid and payable</b>	<b>10.50</b>	<b>10.20</b>	<b>+2.9%</b>

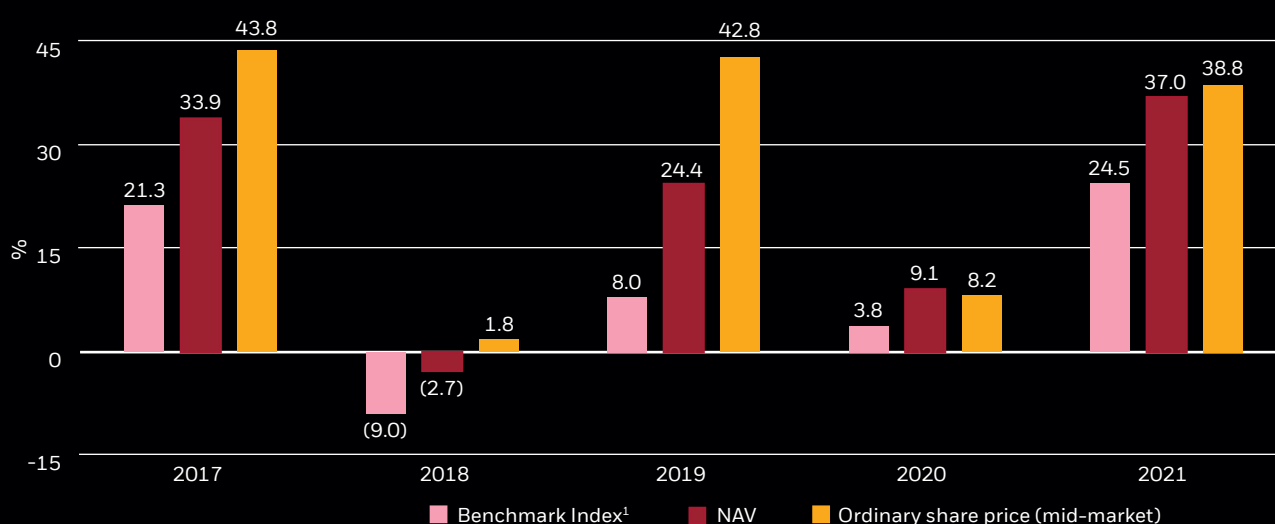
<sup>1</sup> The change in net assets reflects market movements, dividends paid and share issues during the year.

<sup>2</sup> The Company's Benchmark Index is the Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

<sup>3</sup> Alternative Performance Measures, see Glossary on pages 129 to 131.

<sup>4</sup> Further details are given in the Glossary on page 131.

## Annual performance for the five years to 30 November 2021



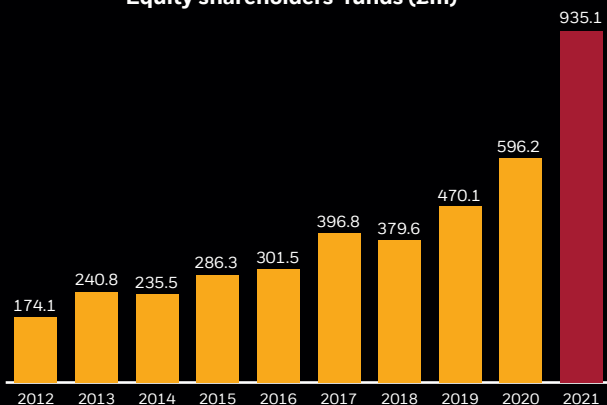
Annual performance figures to 30 November change %, calculated in Sterling terms with dividends reinvested.

Sources: BlackRock and Datastream.

<sup>1</sup> The Company's Benchmark Index is the Numis Smaller Companies plus AIM (excluding Investment Companies) Index. With effect from 22 March 2018, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index replaced the Numis Smaller Companies excluding AIM (excluding Investment Companies) Index as the Company's Benchmark Index. From 1 December 2013 to 21 March 2018, the Company's Benchmark Index was the Numis Smaller Companies excluding AIM (excluding Investment Companies) Index. Prior to 1 December 2013, the Company's Benchmark Index was the Numis Smaller Companies plus AIM (excluding Investment Companies) Index. The performance of the Benchmark Indices during these periods has been blended to reflect these changes.

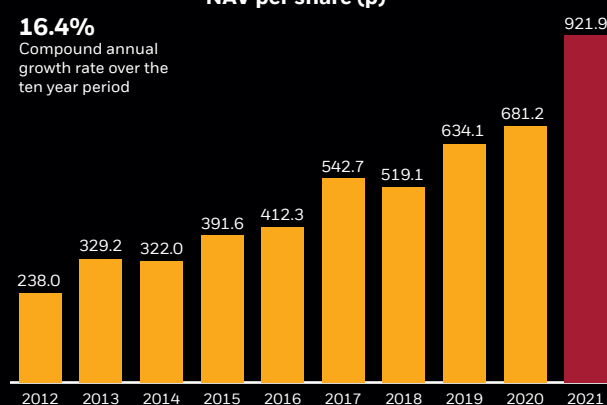
# Ten year record

Equity shareholders' funds (£m)



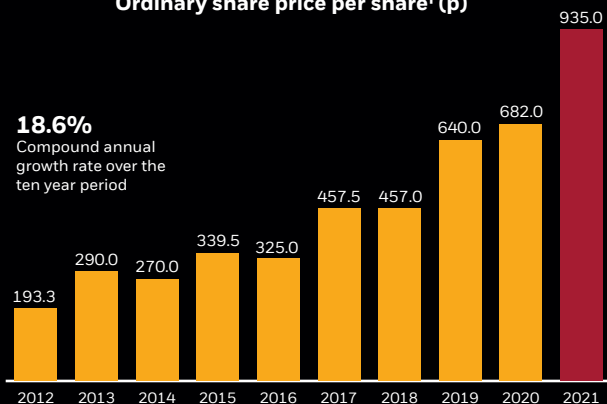
NAV per share (p)

**16.4%**  
Compound annual growth rate over the ten year period

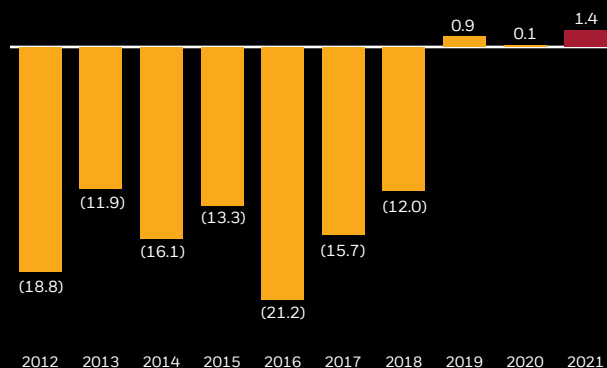


Ordinary share price per share<sup>1</sup> (p)

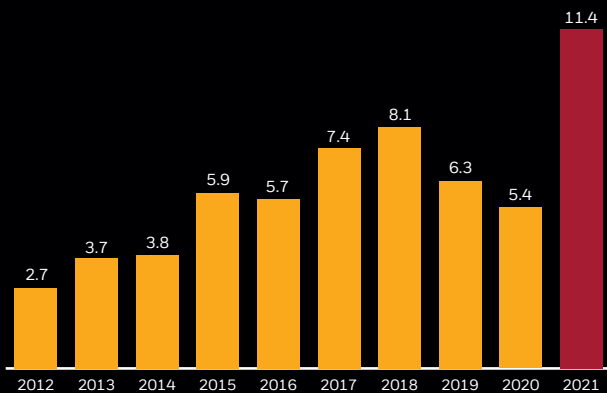
**18.6%**  
Compound annual growth rate over the ten year period



Share price (discount)/premium to NAV<sup>2</sup> (%)

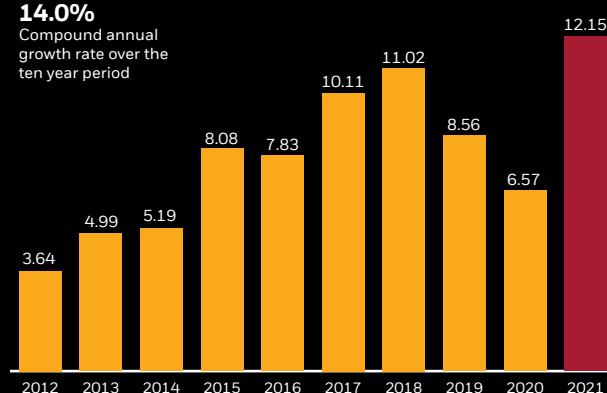


Net revenue profit after taxation (£m)



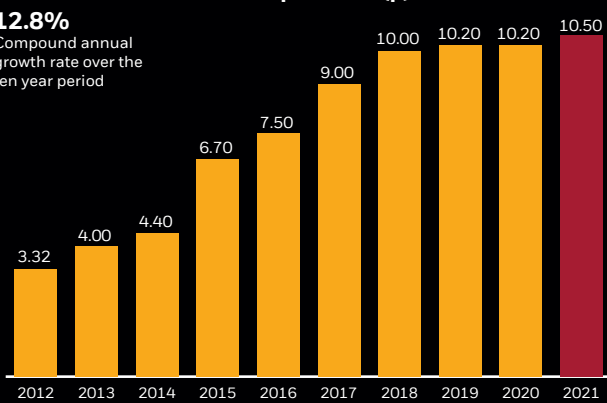
Revenue return per ordinary share (p)

**14.0%**  
Compound annual growth rate over the ten year period



Dividends per share (p)

**12.8%**  
Compound annual growth rate over the ten year period



Change in NAV per share (with dividends reinvested)<sup>2</sup> (%)



<sup>1</sup> Mid-market price.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 129 to 131.

# Chairman's statement

## Year's highlights

- **Strong investment performance maintained in the year to 30 November 2021:**
  - NAV outperformed the Benchmark Index over one year by 12.5% and the share price outperformed the same index over one year by 14.3%
  - NAV has outperformed the Benchmark Index by 46.4% over three years, by 88.4% over five years and by 251.5% over ten years
  - Share price has outperformed the Benchmark Index by 74.8% over three years, by 159.8% over five years and by 372.7% over ten years
  - The Company is one of the strongest performers in its peer group over all time periods
- Share price has remained close to NAV through most of a challenging year. The 12-month average premium as at 30 November 2021 was 1.2% (average premium 2020: 0.2%)
- Promoted to the FTSE 250 during the financial year.
- 13.9m new shares raising £125.0m have been issued
- Final dividend declared of 8.00p per share (2020: 7.70p)



**Christopher Samuel**  
Chairman

## Overview

After last year's extremes of volatility, a more sedate year might have been anticipated; however, this was not to be. Although stock markets started the financial year flush with the optimism of several successful vaccine trials, few would have predicted that we would end it in the grip of another new variant with all the attendant uncertainty and disruptions to activity and supply chains this entails.

January 2021 saw a market correction as the rates of COVID-19 infections rose sharply and lockdown measures were tightened and extended. However, the UK market then returned seven consecutive months of positive performance as the success of the vaccine roll-out in the UK started to take effect and market sentiment improved. More recently, a surge in inflation and the prospect of higher interest rates has added to the mood of uncertainty, something the Portfolio

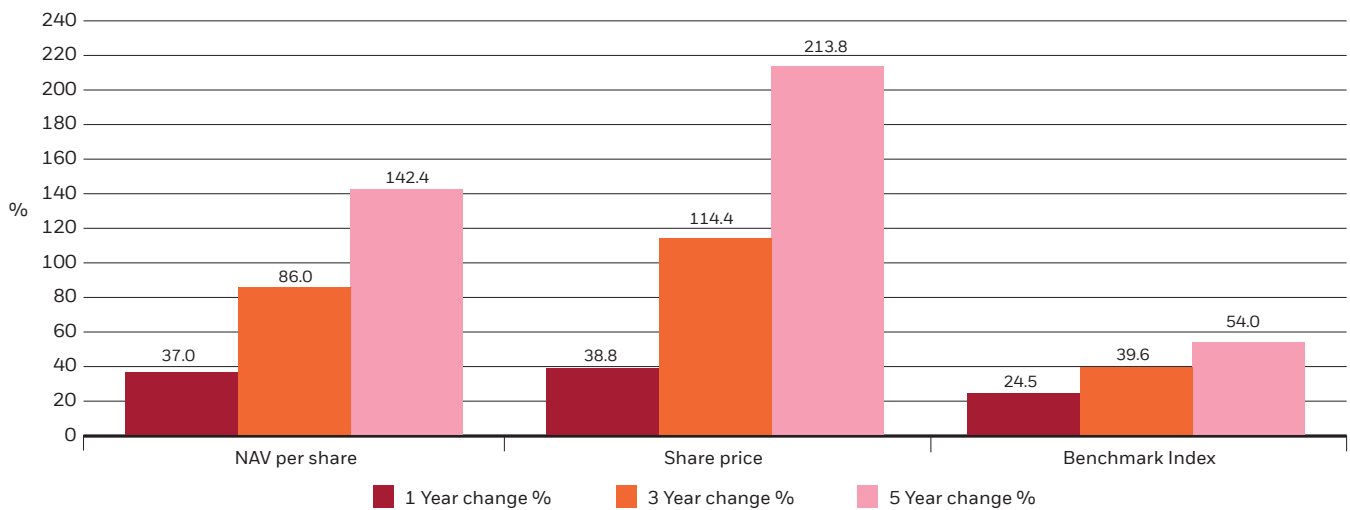
Manager says more about in his report on pages 15 to 19.

Despite the turmoil, it has been another extremely successful year for your Company, reinforcing the long-term strategy of the BlackRock Emerging Companies team to focus on high quality, differentiated growth companies capable of disrupting existing markets and driving industry change. The pandemic has reinforced the strength of this approach by accelerating trends already underway and polarising the prospects of companies with strong and weak franchises. Resolution to the Brexit discussions at the end of 2020 also helped by removing some of the Brexit related scepticism which has blighted UK equities in recent years.

It has also been encouraging that this outperformance has occurred in a period when cyclical 'value' shares have made much of the running. While in the short term the market remains



## Performance record to 30 November 2021 (with dividends reinvested)



vulnerable to sharp reversals and spikes in volatility, as we have seen in recent weeks, we remain convinced that our Manager's strategy, of owning high quality, dynamic and advantaged growth companies for the long term, continues to be attractive.

Your Company was one of very few investment companies in the sector trading on a premium during the year and issued a total of 13.9m new ordinary shares, raising total gross proceeds of £125m in the twelve months to 30 November 2021.

I am also pleased to report that the issue of new shares in response to market demand, accompanied by strong investment performance, resulted in the Company becoming a constituent of the FTSE 250 Index in September 2021.

### Market background

The financial year to 30 November 2021 has once again been overshadowed by the continuing disruption caused by the COVID-19 pandemic. The UK market nonetheless generated strong returns as the economy was supported by Government stimulus, a successful vaccine roll-out and, at the start of the year, the conclusion of a trade and co-operation agreement with the EU.

Although UK small and mid-cap companies generally performed well during the period, we witnessed a pronounced rotation from growth to cyclical value stocks in response to the economic reopening. Despite our emphasis on growth, it was pleasing to see the Company outperform its Benchmark Index in both the first and second half of the year, testament to the diversity and resilience of the portfolio and of the underlying portfolio companies' ability to make headway despite the macroeconomic challenges.

Another key feature of the year under review was the surge in inflation as fuel, energy and commodity prices spiked, amid COVID-19 related supply chain bottlenecks, which threatened to derail the recovery. Although some market commentators believe this increase in UK inflation is transitory, annual inflation reached 5.1% in November, significantly above the Bank of England's 2% target. In December 2021 the Bank's monetary policy committee took the decision to raise interest rates marginally from 0.10% to 0.25%.

### Performance

Over the twelve months to 30 November 2021, the Company's NAV returned 37.0%, compared with a total return of 24.5% from the Company's Benchmark Index, the Numis Smaller Companies

# Chairman's statement

continued

plus AIM (excluding Investment Companies) Index. This outperformance of the Benchmark Index by 12.5% is a considerable achievement given the challenging economic and political backdrop during the period. The share price returned +38.8% delivering an outperformance of 14.3% during the year as the Company's premium to NAV rose slightly from a premium of 0.1% to a premium of 1.4%.

As a result, the Company retains one of the strongest long-term track records in the UK smaller companies investment trusts sector with NAV outperforming the Benchmark Index by 46.4% over three years, by 88.4% over five years and by 251.5% over ten years. The share price outperformed the Benchmark Index by 74.8% over three years, 159.8% over five years and 372.7% over ten years.

Since the year end, interest rate uncertainty and the tensions in Ukraine have weighed upon sentiment in recent months with the effect that the NAV has decreased by 8.4% to the close of business on 2 February 2022 compared to the Benchmark Index which has decreased by 2.8% (all figures in Sterling terms with dividends reinvested). The share price over the same period has decreased by 9.1%. Further information on post year end performance can be found in the Investment Manager's report on pages 15 to 19.

A recent piece of research produced by Kepler Partners, who also write research commissioned by BlackRock on behalf of the Company, also highlights the Company's consistency of returns. Commenting on what they term the 'batting average', essentially a measure of how often an investment manager beats the benchmark over certain rolling time periods, they note the Company's consistent strong performance, as demonstrated by the chart below.



WINDOW	PERIODS	WON	LOST	WIN RATE	AVG. EXCESS RETURN (%)
1 month	159	100	59	63%	0.6
3 months	157	125	32	80%	1.9
1 year	148	140	8	95%	8.4
3 years	124	124	0	100%	30.0
5 years	100	100	0	100%	63.3

Data: 01/07/2008 to 30/09/2021. Source: Morningstar, Kepler Partners. Past performance is not a reliable indicator of future results



As I reported last year, the Company's strong performance has once again been recognised through industry awards. I am very pleased to report that the Company won the AJ Bell Online Personal Wealth Award 2021 – Best Investment Trust for Growth, and the AJ Bell Investment Trust Award 2021 in the UK Smaller Companies Active category for the second year in a row. The Company was also awarded Kepler's growth rating which is based on long-term, risk adjusted performance and is awarded to the investment trust Kepler view as 'best in class'.

All of which means that our Portfolio Manager, Dan Whitestone, and his team, are to be congratulated once again on what has been another impressive year, particularly given the challenging circumstances.

Further information on portfolio performance, positioning and the outlook for the forthcoming year can be found in the Investment Manager's report on pages 15 to 19.

# **We believe that the Company's ability to raise capital under the current challenging conditions is further evidence of shareholders' ongoing support of, and investors' interest in, both the Company's investment strategy and our Manager.**

## **Share price discount/premium**

During the year to 30 November 2021 the Company's share price discount/premium to NAV ranged between a discount of 3.2% and a premium of 2.9% and ended the year at a premium of 1.4% (30 November 2020: premium of 0.1%). The 12-month average premium as at 30 November 2021 was 1.2% (average premium 2020: 0.2%) versus the AIC UK Smaller Companies investment trust sector average discount of 8.4%.

As at 2 February 2022 the Company's shares were trading at a premium of 0.6%.

Despite what has been a challenging and volatile year it is pleasing to note that the Company's premium has been relatively stable and shares have traded within a tight range for most of the year.

Further information in relation to the discount can be found on page 41.

## **Share issuance**

The Board believes that it is in shareholders' interests that the share price does not trade at an excessive discount or premium to Net Asset Value. While the Company has not needed to buy back shares during the year to avoid an excessive discount from arising, it has, where deemed to be in shareholders' long-term interests, exercised its powers to issue shares. This has not only avoided an excessive premium developing but also benefits shareholders because all such share issuance was carried out at a premium to Net Asset Value, the fixed costs of the Company are spread over a larger asset base and the increased size of the Company should improve the liquidity in the Company's shares.

We believe that the Company's ability to raise capital in the current challenging market conditions is further evidence of shareholders'

ongoing support of, and investors' interest in each of, the Company's investment proposition, the BlackRock Emerging Companies team and investment processes, and our Portfolio Manager.

This demand necessitated calling a General Meeting of the Company's shareholders on 4 October 2021 to renew the Board's authority to sell shares from treasury and/or to issue new shares, on a non-pre-emptive basis representing up to 10% of the Company's issued share capital and also to seek an additional authority to allot up to a further 10% of the Company's issued share capital. Resolutions renewing these powers were supported by the vast majority of shareholders with an excess of 94% of votes in favour of the resolutions.

Your Board, in conjunction with the Portfolio Manager, regularly reviews whether the Company is of a size, or growing at a pace, which could negatively impact the ability of the Manager to generate performance. The current view remains that there is capacity to grow the share capital of the Company to the level for which authority was approved in October 2021; allowing for issuance since October 2021, this represents an increase of approximately 15% of the Company's current issued share capital.

In recent years issuance has exceeded the 10% authority requested at the AGM and we have therefore had to convene special General Meetings to request further authority. To minimise the cost to shareholders, the Company is, as in October 2021, seeking shareholder authority at the forthcoming Annual General meeting to issue and allot new shares for all the remaining capacity, in this case 15%. These issuance and allotment authorities are, as in October 2021, structured as four separate resolutions;

two seek to renew the Board's power to sell shares from Treasury and/or to issue new shares, and do so on a non-pre-emptive basis up to 10% of the Company's issued share capital, with two equivalent resolutions for a further 5%.

It should be noted that these powers, if approved, will be in substitution of, and not in addition to, the authority given to issue shares at the General Meeting in October 2021 meaning that, if approved, shareholders will be enabling the Company to grow to approximately the same size as was planned in October 2021. As always, any shares issued will be a premium to the NAV per share.

The Board believes these resolutions are in shareholders' best interests and therefore, once again, encourages shareholders to support them.

The extent and speed of further issuance, especially given the recent volatility in markets, will be kept under review. There can therefore be no certainty that issuance will continue at the same level; this in turn means that, while the Board continues to believe it is in shareholders' interests that the share price does not trade at an excessive discount, it accepts that shareholders may be best served in the future with less new issuance, something that could result in the Company's shares trading at a higher premium to net asset value.

The Board however continues to believe that it is in shareholders' interests that the share price does not trade at an excessive discount to net asset value. Therefore, where deemed to be in shareholders' long-term interests, it may exercise its powers to buy back shares with the objective of ensuring that an excessive discount does not arise.



# Chairman's statement

continued

## Revenue return and dividends

The revenue return per share for the year amounted to 12.15 pence per share, compared with 6.57 pence per share for the previous year. This represents an impressive increase of 84.9% versus the prior year and results from increases in both ordinary and special dividends received during the period compared to the depressed levels of a COVID-19 impacted 2020. In 2019, the last full year before portfolio companies were impacted by COVID-19, the revenue return per share amounted to 8.56p, an increase of 41.5%.

The Board recognises that, although the Company's objective is capital growth, shareholders value consistency in the dividends paid by the Company; the Directors are therefore pleased to declare a proposed final dividend of 8.00 pence per share for the year ended 30 November 2021 (2020: 7.70p). This, together with the interim dividend of 2.50 pence per share paid on 27 August 2021, would give a total dividend for the year of 10.50 pence per share, increasing the total dividend distributed to shareholders in the prior financial year. This dividend will be paid on 31 March 2022, subject to shareholder approval at the forthcoming AGM, to shareholders on the Company's register on 18 February 2022.

## Corporate governance

The Board takes its governance responsibilities very seriously and follows best practice requirements as closely as possible. The revised UK Code of Corporate Governance (the UK Code), published in 2018, requires enhanced disclosure setting out how we, as Directors, have fulfilled our duties in considering the wider interests of stakeholders in promoting the success of the Company. Details of these are included on page 40.

The Board is pleased to see your Company continue to grow during the year and in September 2021 it became a constituent of the FTSE 250 Index as a result of the growth in its market capitalisation. This is a significant milestone for the Company

and brings with it some additional corporate governance obligations. Having considered the provisions and application of the UK Code as it does each year, and as announced in the half yearly report, the Board resolved to appoint an existing Director, Louise Nash, as the Company's Senior Independent Director and establish a new Remuneration Committee to be chaired by Angela Lane. The appointment of a Senior Independent Director and the establishment of the Remuneration Committee became effective from 1 February 2021.

Further information on the duties and responsibilities of the Remuneration Committee and the Senior Independent Director can be found in the Directors' Report on pages 56 to 64.

## Our approach to ESG integration

Environmental, Social, and Governance (ESG) issues have remained at the forefront of industry debate this year and funds with an ESG focus have dominated fund flows. BlackRock remains at the centre of many these debates, stressing that portfolio companies should clearly articulate their strategies to achieve net zero carbon emissions by 2050, and through their regular engagement, to encourage strong corporate governance and social responsibility.

At BlackRock, consideration of ESG issues is built into the investment process and climate risk is considered to be a key part of investment risk, an approach your Board supports. The style of our Portfolio Manager naturally steers away from extractive industries, where innovative and disruptive business models are rare, although it should be noted that the Company does not have an explicit mandate for sustainable, ESG or impact-focused investment, nor has it adopted exclusionary screens. The Portfolio Manager's integration of ESG factors in his analysis is though an important lens through which to identify long term winners, just as poor ESG outcomes provide a useful tool in establishing candidates for the short book.

## Board composition

The Board currently consists of six independent Non-Executive Directors. The Board's policy on Director tenure and succession planning can be found in the Corporate Governance Statement on pages 65 to 69.

Further details of all the Directors can be found in their biographies on pages 35 to 37.

## Investment policy

The Company's exposure to private investments has in the past been made indirectly through holding a UK listed investment company. To date, the Board has agreed with the Investment Manager that any direct private investments may only be made if approved by the Board.

The Board recognises that a number of growth companies of the type favoured by the Portfolio Manager appear to be staying private for longer, a trend that could continue. In addition, the Board is aware that by participating in a pre-IPO (Initial Public Offering) round as opposed to say up to two years' later in an IPO, the Portfolio Manager is often more likely to get both the size of holding sought and at a more reasonable valuation.

Your Board is also aware that BlackRock has significant investment capabilities to make private investments and that it is seeing an increasing number of attractive opportunities in this area and wants the Portfolio Manager, in the best interests of shareholders, to be able to include these in the portfolio if he chooses so to do. It should be noted that the timescales and confidentiality requirements of private fundraising often make it impractical for the Portfolio Manager to seek prior Board approval for such direct private investments.

The Board has accordingly given the authority, with effect from the date of publication of the Annual Report, for the Portfolio Manager to make direct private investments, based in any jurisdiction, of up to 2.5% of net assets at the time of investment without prior approval from the Board. The Board

## **Your Portfolio Manager continues to seek out exciting, high quality, companies with strong management teams, differentiated products and services, and those with strong and dominant market positions.**

has also agreed that the Company may invest more than 2.5%, but no more than 3.75%, of its net assets (both measured at the time of investment), in direct unquoted securities in circumstances where such investment is in an existing investee company and, in the Portfolio Manager's opinion, a failure of the Company to make such 'follow on' investment would have a material adverse effect on the value of the Company's investment in such investee company.

This proposed change therefore will not alter the nature of the companies the Company can invest in but will ensure that the Portfolio Manager can, in the best interests of shareholders, respond to opportunities BlackRock finds to make investments where the company is private and the investment is best made directly.

Principally due to the percentage restrictions described above, the Board do not deem this to be a material change in investment policy; shareholder approval is therefore not required. Full details are set out in the Amended Investment policy section in the Strategic report on pages 38 and 39.

The Board stresses that there are no immediate plans to make such investments but wants to ensure that the Portfolio Manager is able to take such opportunities if and when they present themselves.

### **Directors' Remuneration**

As I mentioned in my statement in the half yearly report, having now entered the FTSE 250 and in light of the increasing governance and regulatory responsibilities of a Company of our size and complexity, the Board appointed two additional non-executive Directors during the year.

Having reviewed the Directors' fees the Board is therefore seeking shareholder approval to increase the maximum limit on aggregate Directors' fees payable in any one year. This will ensure that there is sufficient headroom to accommodate the additional Directors. The change proposed is set out in more detail in the Directors' Report on page 60.

### **Annual general meeting**

The Board is pleased to announce that it is its intention that the Company's Annual General Meeting will be held in person on Thursday, 24 March 2022 at 11.00 a.m. at the offices of BlackRock at 12 Throgmorton Avenue, London, EC2N 2DL. Details of the business of the meeting are set out in the Notice of Annual General Meeting on pages 134 to 137 of this Annual Report.

At present UK Government restrictions on public gatherings are no longer in force in connection with COVID-19 and the AGM can be held in the normal way with physical attendance by shareholders. However, shareholders should be aware that it is possible that such restrictions could be reimposed prior to the date of the AGM.

Shareholders who intend to attend the AGM should ensure that they have read and understood the requirements for entry to the AGM. These requirements, along with further information on the arrangements for the AGM, can be found in the Directors' Report on page 62.

In the absence of any reimposition of restrictions, the Board very much looks forward to meeting with shareholders at the AGM.

### **Outlook**

The COVID-19 pandemic has continued to have a negative impact on the global economy and stock markets in which we invest. Despite a successful vaccine roll-out in the UK, market sentiment has continued to be heavily influenced by fluctuating infection levels, driven by the emergence of new variants and the ever-present threat of a reimposition of more stringent government restrictions. Supply constraints have also pushed inflation to levels not seen in recent years, with considerable uncertainty as to how long this will persist. The duration of the pandemic is of course difficult to predict, although what is clear is that the longer-term impact on how we live our lives, how businesses and public services operate and how governments will seek to regain equilibrium in their finances will affect us all for many years to come.

# Chairman's statement

continued

However, as the world seeks to establish some form of normality, and as we learn to live with and adapt to the ongoing COVID-19 related disruption, your Portfolio Manager believes that UK small and mid-sized companies will continue to provide a great number of exciting investment opportunities. In fact, in many cases the innovative and flexible companies within our portfolio have benefitted from the accelerated rate of change during the pandemic.

As you will read in Dan Whitestone's report which follows, he is optimistic about the outlook for the portfolio and believes strongly that a focus on stock and industry specifics can triumph over the current challenging macroeconomic conditions, COVID-19 related or otherwise, over the long term, as proved to be the case this year.

Your Portfolio Manager therefore continues to seek out exciting, high quality, companies with strong management teams, differentiated products and services, and those with strong and dominant market positions. He is also focused on identifying companies leading industry change, the "disruptors".

In a time when COVID-19 is accelerating corporate digitalisation and changes to consumption, we continue to believe that our Portfolio Manager's investment approach offers significant opportunity for the medium to long-term investor. The Board is confident that, in Dan Whitestone and BlackRock, we have a team which has the resources, investment processes, insights and capability to continue to deliver on the Company's investment objective as we move into 2022 and beyond.

## **CHRISTOPHER SAMUEL**

Chairman

4 February 2022







### **Watches of Switzerland**

Watches of Switzerland was the top contributor to performance during the period under review. Record sales and profits and multiple upgrades to forward guidance leave the luxury watch retailer well placed for international expansion.

PHOTO COURTESY OF WATCHES OF SWITZERLAND

# Investment Manager's report



**Dan Whitestone**  
Portfolio Manager

**We've long argued that stock and industry specific outcomes are the most important driver of returns for our investment philosophy and this Company, and we can think of no better evidence to support that than outperformance in 2020 and 2021.**

## **Market review and overall investment performance**

Global stock markets have made strong progress over the past 12 months as the announcement of effective vaccines at the end of 2020 fuelled optimism around an economic recovery. During the year countries around the world began lifting the restrictions that had impacted so many businesses across a raft of industries throughout 2020 and the world started to return to a new level of normality. In truth, the equity market rise over the full year masks the path the market has taken during 2021. The recovery has not been linear, and there have been bouts of extreme market volatility. Investor sentiment has jumped continuously between optimism about the recovery, to fears of new variants of COVID-19 and the potential impact on the global economy. This occurred first with the emergence of the Delta variant and more recently the highly contagious Omicron variant where transmission accelerated over the Christmas period, a time of year that is so crucial to many businesses including pubs, restaurants and retailers that rely on a seasonal boost from Christmas shoppers.

To add to the COVID-19 debate logistics issues, supply chain disruption, labour shortages, and rising inflation have all contributed to higher intra-month volatility during the year, with investors constantly grappling with the duration and impact of these factors on economic growth and corporate profitability. These factors are important inputs that determine therefore the likely path for monetary policy in the near future and this has led to some sharp factor/style rotations within equity markets. Fortunately, within the small and mid-cap space, which we believe is home to some excellent and differentiated companies, these rotations have presented us with some fantastic opportunities throughout the year.

## **Performance review**

The Company has had another strong year and successfully navigated the challenging environment returning a total return of 37.0%. This is a significant outperformance of its Benchmark Index of +12.5% net of fees. While performance has predominantly been driven by the long book, it has been pleasing to see a positive contribution from the short book which is especially hard to achieve in a strongly positive market. We believe this result once again reflects the power of stock specifics in generating outperformance for our clients and ultimately stems from a rigorous investment approach based on core beliefs, and an approach which remains consistent over time despite swings in newsflow and short-term sentiment.



# Investment Manager's report

continued

Once again the largest contributors to performance came from a broad range of companies across different industries, many of which have delivered for this Company for several years but still outperform against their financial objectives and in many cases upgrade their future year guidance for profits.

**Watches of Switzerland** was the top contributor during the year. This is a retailer that has provided multiple strong updates with upgrades to forward guidance as it continues to benefit from the secular demand for luxury watches in a supply-constrained industry. They have been able to achieve record sales and profits despite most of their stores being closed through their financial year. This was achieved in part due to the strength of the category, but also due to this management team who have successfully navigated a difficult retailing environment by enhancing its business model through

digital “clientelling” – using software to enhance long-term relationships with their clients. We firmly believe Watches of Switzerland has emerged from COVID-19 with a significantly enhanced market position and strengthened its relationship with the luxury brands, which leaves the company well placed to pursue its international expansion ambitions.

**Impax Asset Management** continued to deliver impressive growth in assets under management and this growth looks well set to continue given the strength of its franchise, market leading investment performance and the structural growth/interest in sustainability which underpins the company's investment philosophy.

**Electrocomponents** has delivered strong results through the year, achieving double digit organic revenue growth from a combination of market share gains and end market recovery. Importantly, we believe Electrocomponents is another

company that has strengthened its market position during COVID-19 and is well placed to accelerate market share gains in the coming years. Other notable contributors during the period included **Tatton Asset Management**, **YouGov**, **Auction Technology Group**, and **IMIMobile**, a leading player in communications software, which soared after the company agreed to a takeover approach from US listed IT giant Cisco Systems.

It is worth noting that despite running with far fewer shorts than we would under more normal market conditions, the short book continued to deliver stock specific alpha, particularly towards the end of the year. This is demonstrated by our short position in a UK listed CFD trading business which contributed positively when the shares fell after the company issued a profit warning driven by lower activity levels as customer trading behaviour normalises post the pandemic.

▼ We believe veterinary services is one of a number of sectors to have experienced ‘Corporate Darwinism’ during the pandemic – an acceleration of significant shifts in market share as well-capitalised leaders compound their positions and weaker competitors leave the market.

PHOTO COURTESY OF CVS GROUP





↑ Communications software specialist IMIMobile was a notable contributor during the period, following a takeover approach from US listed IT giant Cisco Systems.  
PHOTO COURTESY OF IMIMOBILE

Detractors during the year have thankfully been limited and in many cases just reflect some mean reversion in share price performance after a particularly strong 2020, for instance **Games Workshop**. It is worth noting that we experienced two stock-specific disappointments during the year, namely US listed **Chegg** and the UK listed engineering business **Avon Protection** (formerly Avon Rubber). **Chegg** fell sharply after announcing that the current year sign-ups to its educational service had deteriorated and therefore profits would be considerably lower due to the operational gearing of the company. Many reasons for this sudden deterioration in trading have been provided, from lower than anticipated US college enrolments to changes in mix. This negative development certainly caught us (and management) off guard, and the position is currently under review as we assess whether this problem is transitory in nature. We discussed **Avon Protection** at length in the half-year report. The shares initially fell on the news that one of their products needed to be re-certified

and then disappointed further when the company warned that a short-term slowdown in defence spending would impact sales. While disappointing, we initially continued to believe in the long-term attractions of the business, as there was no change in Avon's competitive position and pricing power. We maintained the position; even though as an operationally geared business the impact on the shares was particularly negative. We changed our view in the final month of the year when the company announced that it was initiating a strategic review of its body armour business after the US Army contract was delayed again, following a failure in the testing process. At this point we became concerned that the long-term thesis for owning the shares had changed and as a result the position has been exited completely.

### **Portfolio positioning and outlook**

Whilst market volatility has increased recently due to rising COVID-19 infections and specific supply chain and cost challenges that have affected some companies, our overall view

remains positive for the outlook of the portfolio. It is our belief that many of our investments can thrive despite these issues, as the last two years have proved. Ultimately, this relates to the strong underlying demand for the products and services that our portfolio companies produce and the pricing power they command. It also reflects strong financial structures and years of investment in their products, plants, and people, which have strengthened their core proposition and enhanced their market position.

We have long argued that stock and industry specific outcomes are the most important driver of returns for our investment philosophy and this Company, and we can think of no better evidence to support this than the achieved outperformance in 2020 and 2021. In summary, the current market dynamics are not something to be fearful of and should be viewed as an opportunity for this Company and its stated investment strategy in seeking out the differentiated from the average in the pack.

# Investment Manager's report

continued

**We simply believe that the opportunities ahead for well financed differentiated growth companies which continue to deliver on their long-term strategies and are exposed to attractive long-term secular trends are extremely attractive regardless of the wider stock market environment.**

The net market exposure of the portfolio at around 118% remains comfortably above the long-term average but has come down a few percentage points in recent weeks as the Company enters more short positions. Despite our small positive gain in the short book in 2021, it has generally been an unrewarding experience for much of the last year as markets recovered and investors were more willing to look through disappointments. However, the rising tide of the stock market has lifted the valuations of many companies with unattractive business models that continue to face long-term structural pressures, and where more recently the twin headwinds of cost inflation and supply challenges create additional difficulties for such low margin 'undifferentiated' companies with limited pricing power. There is also a small, but growing, list of companies that "over-traded" through 2020 and we are now seeing a sharp reversal in trading patterns not currently reflected in analysts' forecasts. This is another area exercising our attention and where we have focused some of our short exposure.

Ultimately, we believe this will herald a period for more dispersion in our investment universe between winners and losers driven by increased bifurcation in financial outcomes and in turn share price performance. To clarify, the Company's overall net exposure of 118% should not be interpreted as a call on the stock market but, instead, a reflection of the conviction we have in our long book and the returns we consider our investments can generate. We simply believe that the opportunities ahead for well financed differentiated growth companies which continue to deliver on their long-term strategies and are exposed to attractive long-term secular trends are extremely attractive regardless of the wider stock market environment.

As mentioned in the half yearly report, we believe firmly that COVID-19 has driven an acceleration of profound seismic market share shifts intra-industry, which we think of as "Corporate Darwinism". Well capitalised

leaders benefit from a confluence of changing consumer and corporate behaviours as well as a structural withdrawal of capacity as weakened peers exit the market. We referred to notable beneficiaries of this earlier, such as **Watches of Switzerland** and **Electrocomponents** and there are many other examples encompassing a broad variety of industries including omni-channel retailers, and veterinary services.

We have also commented on our ongoing belief that COVID-19 has accelerated many long-term structural trends, most notably Digital Transformation as corporates continue to invest in their digital capabilities to drive demand and win market share, adapt to changes in customer behaviour, and remove costs and complexity from their operations. We have deliberately sought exposure to these trends in recent years and have increased our exposure recently, as in our view the growth outlook has improved, notably in digital payments, software-as-a-service, and cloud enabled audio and visual communications.

2022 has got off to a difficult start for equity markets. There have been some large moves in share prices in the 'growth' and 'value' categories and this has disproportionately impacted many of our growth-oriented UK listed mid-cap companies, some of which have fallen between 15 and 30%. Moves such as this, whilst painful, are alas not uncommon, and the severity of moves can be significantly exacerbated at times of lower liquidity (such as during the holiday season) or when there is a backdrop of limited corporate news flow. Indeed, where there has been corporate news we have generally found it to be very reassuring and for the most part it has confirmed our investment views; the companies themselves are often trading well with ongoing positive momentum in forecasts.

The reason for these large moves is due to market concerns of rising inflation and interest rates, which in some cases have the potential to erode corporate profitability. We believe this



risk is centred firmly on low margin businesses with limited pricing power and volume growth and where we have already seen evidence of pressure on profit forecasts. As discussed many times, these are businesses or industries we seek to avoid or short. Inflation can be accommodated more easily in businesses with high margins, volume growth and pricing power. These are exactly the companies we look to invest in, and while investors will inevitably worry about all companies for a while, we do expect our holdings to fare better in due course.

As to the impact of inflation on the interest rate curve, we acknowledge the relationship between interest rates and the discount rate, but this, we believe, is a much bigger problem for loss making, “jam-tomorrow” speculative companies. This has never been our area of focus but has indeed been the source of profitable shorts. The last few weeks have reaffirmed how indiscriminate the market can be at times, as there has been little distinction in the share price falls of “jam-tomorrow” loss-making speculative investments and the fast growing, highly cash generative companies priced at what we believe to be attractive valuations. Fortunately, this is the opportunity of equity markets.

Whilst we acknowledge the market’s immediate focus on inflation and its potential impact on interest rates, we think January is nothing more than a painful but temporary mark-to-market exercise in response to a more hawkish Fed rather than a permanent loss of capital for our clients. We are firm believers in our holdings and, whilst we acknowledge that in any given year we will make mistakes in individual holdings, and that not all our investments will deliver as planned, we also believe the majority will prosper. The valuations of many of our investments have fallen back in the last few weeks to levels we believe offer significant value, at a time when in many cases their market position and outlook has improved. Corporate results continue to reassure us and we think this bodes well for the months to come.

In summary, 2021 has been a successful year for the Company and our shareholders; the performance of the Company against the backdrop of multiple macro and political headwinds, most notably the market’s preference for “value” over “growth”, continues to demonstrate evidence for our belief that, over the long term, stock and industry specifics can triumph over macro factors. We thank shareholders for their ongoing support and enter 2022 with real optimism and conviction in the outlook for the Company.

**DAN WHITESTONE**

BlackRock Investment Management  
(UK) Limited  
4 February 2022







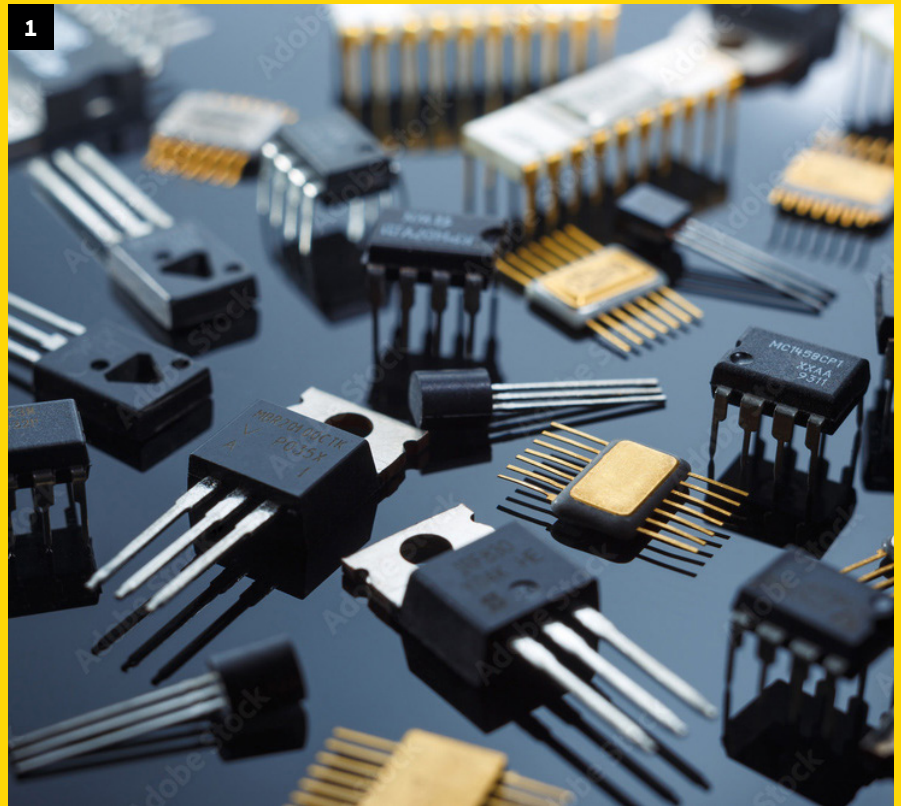


# Portfolio



Electrocomponents was the portfolio's largest holding at year end. The industrial and electronic product distributor delivered strong results through the year and we believe the company has strengthened its market position during the pandemic.

PHOTO COURTESY OF ELECTROCOMPONENTS



PHOTOS COURTESY OF WATCHES OF SWITZERLAND, INTEGRAFIN, OXFORD INSTRUMENTS, GAMES WORKSHOP.



# Portfolio of investments

## **1 ▲ Electrocomponents** (2020: 29th)

### Support Services

Market value: £32,274,000<sup>1</sup>

Share of net assets: 3.5% (2020: 1.4%)

Distributor of industrial and electronic products.

## **2 ▲ Watches of Switzerland** (2020: 3rd)

### Personal Goods

Market value: £30,419,000

Share of net assets: 3.3% (2020: 2.8%)

Retailer of luxury watches.

## **3 ▲ Gamma Communications\*** (2020: 4th)

### Mobile Telecommunications

Market value: £29,356,000<sup>1</sup>

Share of net assets: 3.1% (2020: 2.5%)

Provider of communication services to UK businesses.

## **4 ▲ Impax Asset Management\*** (2020: 9th)

### Financial Services

Market value: £26,843,000

Share of net assets: 2.9% (2020: 2.1%)

Provider of asset management services.

## **5 ▲ IntegraFin** (2020: 10th)

### Financial Services

Market value: £25,305,000<sup>1</sup>

Share of net assets: 2.7% (2020: 2.0%)

UK savings platform for financial advisors.

## **6 ▲ Oxford Instruments** (2020: 14th)

### Electronic & Electrical Equipment

Market value: £25,013,000<sup>1</sup>

Share of net assets: 2.7% (2020: 1.8%)

Designer and manufacturer of tools and systems for industry and research.

## **7 ▲ Auction Technology Group** (2020: n/a)

### General Retailers

Market value: £24,759,000<sup>1</sup>

Share of net assets: 2.7% (2020: n/a)

Operator of marketplaces for curated online auctions.

## **8 ► Dechra Pharmaceuticals** (2020: 8th)

### Pharmaceuticals & Biotechnology

Market value: £23,486,000

Share of net assets: 2.5% (2020: 2.2%)

Developer and supplier of pharmaceuticals and other products focused on the veterinary market.

## **9 ▼ Games Workshop** (2020: 1st)

### Leisure Goods

Market value: £22,710,000<sup>1</sup>

Share of net assets: 2.4% (2020: 3.4%)

Developer, publisher and manufacturer of miniature war games.

## **10 ▼ YouGov\*** (2020: 2nd)

### Media

Market value: £21,458,000

Share of net assets: 2.3% (2020: 2.9%)

Provider of survey data and specialist data analytics.

\* Traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

<sup>1</sup> Includes long derivative positions.

# Portfolio of investments

continued

#	Company	£'000	%	Description
11	<b>SigmaRoc*</b> Construction & Materials	18,313	2.0	Buy-and-build group targeting construction materials assets in the UK and Northern Europe
12	<b>CVS Group*</b> General Retailers	18,232	1.9	Operator of veterinary surgeries
13	<b>Pets at Home</b> General Retailers	18,106 <sup>1</sup>	1.9	Retailer of pet supplies
14	<b>Treatt</b> Chemicals	17,195	1.8	Developer and manufacturer of ingredients for the flavour and fragrance industry
15	<b>Breedon*</b> Construction & Materials	17,156 <sup>1</sup>	1.8	Supplier of construction materials
16	<b>Dunelm Group</b> General Retailers	17,118 <sup>1</sup>	1.8	Retailer of homeware products
17	<b>Baltic Classifieds Group</b> Software & Computer Services	16,359 <sup>1</sup>	1.8	Operator of online classified businesses in the Baltics
18	<b>Computacenter</b> Software & Computer Services	16,203 <sup>1</sup>	1.7	Computer services
19	<b>Sirius Real Estate</b> Real Estate Investment & Services	16,117	1.7	Owner and operator of business parks, offices and industrial complexes in Germany
20	<b>Ergomed*</b> Pharmaceuticals & Biotechnology	15,826 <sup>1</sup>	1.7	Provider of pharmaceuticals services
21	<b>Workspace Group</b> Real Estate Investment Trusts	14,771 <sup>1</sup>	1.6	Supplier of flexible workspace to businesses in London
22	<b>Tatton Asset Management*</b> Financial Services	14,703	1.6	Provider of discretionary fund management services to the IFA market
23	<b>Grafton Group</b> Support Services	14,634	1.6	Builders merchants in the UK, Ireland and Netherlands
24	<b>WH Smith</b> General Retailers	14,057	1.5	British retailer of books, stationery, magazines, newspapers and confectionery
25	<b>4imprint Group</b> Media	13,973	1.5	Supplier of promotional merchandise in the US
26	<b>DiscoverIE</b> Electronic & Electrical Equipment	13,860 <sup>1</sup>	1.5	International designer, manufacturer and supplier of customised electronics
27	<b>OSB Group</b> Financial Services	13,696	1.5	Specialist lending business
28	<b>Spectris</b> Electronic & Electrical Equipment	13,651	1.5	Supplier of productivity enhancing instrumentation and controls
29	<b>Mattioli Woods*</b> Financial Services	13,388 <sup>1</sup>	1.4	Provider of wealth management services
30	<b>XP Power</b> Electronic & Electrical Equipment	12,912	1.4	Leading provider of power solutions
31	<b>Next Fifteen Communications*</b> Media	12,868	1.4	Provider of digital communication products and services
32	<b>Learning Technologies*</b> Software & Computer Services	12,585	1.3	Provider of e-learning services
33	<b>Spirent</b> Technology Hardware & Equipment	12,243	1.3	Multinational telecommunications testing
34	<b>Safestore</b> Real Estate Investment Trusts	12,213	1.3	Provider of self-storage units
35	<b>Liontrust Asset Management</b> Financial Services	12,029	1.3	Provider of asset management services
36	<b>Euronext</b> Financial Services	11,697 <sup>1</sup>	1.3	European stock exchange
37	<b>Bytes Technology</b> Software & Computer Services	11,438	1.2	Specialist in software, security and cloud services
38	<b>Robert Walters</b> Support Services	10,829	1.2	Provider of specialist recruitment services
39	<b>Diploma</b> Support Services	10,808 <sup>1</sup>	1.2	Supplier of specialised technical products and services

#	Company	£'000	%	Description
40	<b>Morgan Sindall</b> Construction & Materials	10,298 <sup>1</sup>	1.1	Supplier of office fit out, construction and urban regeneration services
41	<b>Howden Joinery Group</b> General Retailers	9,700 <sup>1</sup>	1.0	Kitchen and joinery product supplier
42	<b>Genuit Group</b> Construction & Materials	9,575	1.0	Manufacturer of plastic piping systems
43	<b>Greggs</b> Food & Drug Retailers	9,239	1.0	Bakery chain
44	<b>Draper Esprit</b> Financial Services	8,879	1.0	Technology focused venture capital firm
45	<b>Luceco</b> Electronic & Electrical Equipment	8,646	0.9	Supplier & manufacturer of high quality LED lighting products
46	<b>Boku*</b> Support Services	8,615	0.9	Digital payments platform
47	<b>Team17*</b> Leisure Goods	8,305 <sup>1</sup>	0.9	Video game developer and publisher
48	<b>Cranswick</b> Food Producers	7,886	0.8	Producer of premium, fresh and added-value food products
49	<b>SThree</b> Support Services	7,732 <sup>1</sup>	0.8	Provider of specialist professional recruitment services
50	<b>Axon Enterprise</b> Support Services	7,728 <sup>1</sup>	0.8	US based provider of technology and weapons products
51	<b>Alliance Pharma*</b> Pharmaceuticals & Biotechnology	7,717	0.8	Distributor of pharmaceutical and healthcare products
52	<b>Xero</b> Software & Computer Services	7,645 <sup>1</sup>	0.8	Software company specialising in accounting for small businesses
53	<b>Chrysalis Investments</b> Financial Services	7,556	0.8	Closed end investment company investing in later stage private companies with long-term growth potential
54	<b>GB Group*</b> Software & Computer Services	7,550	0.8	Developer and supplier of identity verification solutions
55	<b>Future</b> Media	7,485	0.8	Multi-platform media business covering technology, entertainment, creative arts, home interest and education
56	<b>Londonmetric Property</b> Real Estate Investment Trusts	7,358 <sup>1</sup>	0.8	Investor in, and developer of property
57	<b>Young &amp; Co's Brewery*</b> Travel & Leisure	7,217	0.8	Owner and operator of pubs mainly in the London area
58	<b>Medpace Holdings</b> Healthcare Equipment & Services	7,131 <sup>1</sup>	0.8	Clinical research organization (CRO) conducting global clinical research for the development of drugs and medical devices
59	<b>Masimo</b> Healthcare Equipment & Services	7,077 <sup>1</sup>	0.8	Developer and manufacturer of noninvasive patient monitoring technologies
60	<b>Clarkson</b> Industrial Transportation	6,864	0.7	Provider of shipping services
61	<b>Polar Capital Holdings*</b> Financial Services	6,839	0.7	Provider of investment management services
62	<b>S4 Capital</b> Media	6,787	0.7	Digital advertising and marketing services business
63	<b>Qinetiq Group</b> Aerospace & Defence	6,740	0.7	Provider of scientific and technological services to the defence, security and aerospace markets
64	<b>The Pebble Group*</b> Media	6,671	0.7	Designer and manufacturer of promotional goods
65	<b>Johnson Service Group*</b> Support Services	6,655	0.7	Provider of textile services
66	<b>Vistry Group</b> Household Goods & Home Construction	6,649	0.7	UK housebuilder
67	<b>Craneware*</b> Software & Computer Services	6,589	0.7	Provider of financial business software for US hospitals
68	<b>Alfa Financial Software</b> Software & Computer Services	6,564	0.7	Provider of software to the finance industry

# Portfolio of investments

continued

#	Company	£'000	%	Description
69	<b>Tyman</b> Construction & Materials	6,552	0.7	Supplier of engineered components and access solutions to the construction industry
70	<b>MongoDB</b> Software & Computer Services	6,379 <sup>1</sup>	0.7	Global cloud-based database
71	<b>Dart Group*</b> Travel & Leisure	6,313	0.7	Low cost tour operator and airline
72	<b>Kainos Group</b> Software & Computer Services	6,099 <sup>1</sup>	0.7	Provider of digital technology solutions
73	<b>Serco Group</b> Support Services	6,064	0.7	Provider of public services across health, transport, immigration, defence, justice and citizen services
74	<b>Marshalls</b> Construction & Materials	6,003	0.6	British construction materials group
75	<b>Fevertree Drinks*</b> Beverages	5,969 <sup>1</sup>	0.6	Developer and seller of soft drinks and mixers
76	<b>Domo</b> Software & Computer Services	5,898 <sup>1</sup>	0.6	US based operator of mobile, cloud-based operating systems
77	<b>Accesso Technology*</b> Software & Computer Services	5,811 <sup>1</sup>	0.6	Provider of ticketing and virtual queuing solutions
78	<b>NCC Group</b> Software & Computer Services	5,801	0.6	Cyber security business
79	<b>TT Electronics</b> Electronic & Electrical Equipment	5,719	0.6	Global manufacturer of electronic components
80	<b>Restore*</b> Support Services	5,707	0.6	Records management business
81	<b>Judges Scientific*</b> Electronic & Electrical Equipment	5,384	0.6	Designer and producer of scientific instruments
82	<b>Advanced Medical Solutions Group</b> Healthcare Equipment & Services	5,381 <sup>1</sup>	0.6	Developer and manufacturer of advanced wound care solutions
83	<b>Moonpig</b> General Retailers	5,132 <sup>1</sup>	0.6	Internet based provider of personalised cards and gifts
84	<b>888</b> Travel & Leisure	5,060	0.6	Operator and platform for online gaming
85	<b>Hemnet</b> Real Estate Investment & Services	4,953 <sup>1</sup>	0.5	Online property portal operating in Sweden
86	<b>Genus</b> Pharmaceuticals & Biotechnology	4,947	0.5	Animal genetics company
87	<b>Joules*</b> General Retailers	4,935	0.5	Clothing retailer inspired by British country lifestyles
88	<b>Zotefoams</b> Chemicals	4,835 <sup>1</sup>	0.5	Manufacturer of polyolefin foams used in sport, construction, marine, automation, medical equipment and aerospace
89	<b>Balfour Beatty</b> Construction & Materials	4,800 <sup>1</sup>	0.5	Multinational infrastructure group
90	<b>Moneysupermarket.com</b> Software & Computer Services	4,787 <sup>1</sup>	0.5	Price comparison website specialising in financial services
91	<b>Eckoh*</b> Software & Computer Services	4,753	0.5	Global provider of secure payments products
92	<b>GlobalData*</b> Media	4,668 <sup>1</sup>	0.5	Data analytics and consulting
93	<b>Anpario*</b> Pharmaceuticals & Biotechnology	4,667	0.5	Manufacturer and distributor of natural animal feed additives for animal health, nutrition and biosecurity
94	<b>Porvair</b> Industrial Engineering	4,582	0.5	Specialist filtration and environmental technology
95	<b>Hill &amp; Smith Holdings</b> Industrial Metals & Mining	4,576	0.5	Supplier of infrastructure products and galvanizing services
96	<b>RVRC Holding</b> General Retailers	4,563 <sup>1</sup>	0.5	Active clothing retailer under the RevolutionRace brand



#	Company	£'000	%	Description
97	<b>Redrow</b> Household Goods & Home Construction	4,543	0.5	UK housebuilder
98	<b>Hollywood Bowl Group</b> Travel & Leisure	4,486 <sup>1</sup>	0.5	Operator of ten-pin bowling services
99	<b>Clipper Logistics</b> Support Services	4,437 <sup>1</sup>	0.5	Retail logistics business
100	<b>Kier Group</b> Support Services	4,361	0.5	UK construction, services and property group
101	<b>Animalcare Group*</b> Pharmaceuticals & Biotechnology	4,300	0.5	Veterinary pharmaceuticals business
102	<b>Helios Towers</b> Mobile Telecommunications	4,267	0.5	Provider of telecommunications infrastructure
103	<b>Aptitude Software</b> Software & Computer Services	4,106	0.4	Provider of specialist finance software and technology
104	<b>AJ Bell</b> Financial Services	4,056	0.4	UK savings platform for financial advisors & individual investors
105	<b>Activeops*</b> Software & Computer Services	4,028	0.4	Provider of management process automation solutions
106	<b>Five9</b> Software & Computer Services	4,026 <sup>1</sup>	0.4	Provider of cloud-based contact centre software
107	<b>AB Dynamics*</b> Industrial Engineering	3,577	0.4	Developer and supplier of specialist automotive testing systems
108	<b>MaxCyte*</b> Pharmaceuticals & Biotechnology	3,494	0.4	Clinical-stage global cell-based therapies and life sciences company
109	<b>Shoals Technologies</b> Support Services	3,443 <sup>1</sup>	0.4	Provider of electrical balance of system solutions
110	<b>Renishaw</b> Electronic & Electrical Equipment	3,226	0.3	Engineering and scientific technology company
111	<b>Gooch &amp; Housego*</b> Electronic & Electrical Equipment	3,212	0.3	Designer and manufacturer of advanced photonic systems
112	<b>ASOS*</b> General Retailers	3,154	0.3	British online fashion and cosmetic retailer
113	<b>Essensys*</b> Software & Computer Services	3,089	0.3	Provider of software to flexible workspace landlords
114	<b>Chegg</b> General Retailers	2,874 <sup>1</sup>	0.3	Provider of education related services
115	<b>AbCellera Biologics</b> Pharmaceuticals & Biotechnology	2,845 <sup>1</sup>	0.3	Pharmaceutical research and development business
116	<b>TI Fluid Systems</b> Automobiles & Parts	2,813 <sup>1</sup>	0.3	Manufacturer of fluid storage systems
117	<b>MarketAxess</b> Financial Services	2,299 <sup>1</sup>	0.3	International electronic trading platform for institutional credit markets
118	<b>Restaurant Group</b> Travel & Leisure	2,236	0.2	Operator of restaurants and pubs
119	<b>Avon Protection</b> Aerospace & Defence	1,661	0.2	Producer of safety masks
120	<b>Chapel Down†</b> Beverages	1,601	0.2	UK producer of sparkling and still wines, and Curious beers and ciders
	<b>Long investment positions (excluding BlackRock's Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund)</b>	<b>1,134,772</b>	<b>121.4</b>	
	<b>Short investment positions</b>	<b>(24,925)</b>	<b>(2.7)</b>	

<sup>1</sup> Includes long derivative positions.

\* Traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

† Traded on NEX exchange.

Percentages shown are the share of net assets.

At 30 November 2021, the Company held equity interests in five companies comprising more than 3% of a company's share capital as follows: Tatton Asset Management (4.2%), SigmaRoc (3.4%), Anpario (3.2%), Eckoh (3.1%) and Activeops (3.1%).

# Fair value and gross market exposure of investments

as at 30 November 2021

	Fair value <sup>1</sup> £'000	Gross market exposure <sup>2</sup> £'000	Gross market exposure as a % of net assets <sup>2</sup>	
			2021	2020
Long investment positions (excluding BlackRock's Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund)	911,628	1,134,772	121.4	120.7
Short investment positions <sup>1</sup>	860	(24,925)	(2.7)	(1.9)
Cash and cash equivalents <sup>1,3</sup>	144	(197,215)	(21.1)	(19.1)
BlackRock's Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund	25,080	25,080	2.7	1.9
Other net current liabilities	(2,564)	(2,564)	(0.3)	(1.6)
<b>Net assets</b>	<b>935,148</b>	<b>935,148</b>	<b>100.0</b>	<b>100.0</b>

The Company uses gearing through the use of long and short CFD positions. Gross and Net Gearing as at 30 November 2021 were 124.1% and 118.7% respectively (2020: 122.6% and 118.8% respectively). Gross and Net Gearing are Alternative Performance Measures, see Glossary on pages 129 to 131.

<sup>1</sup> Fair value is determined as follows:

- Listed and AIM quoted investments are valued at bid prices where available, otherwise at published price quotations.
- The sum of the fair values of the long and short investment positions above is determined based on the difference between the purchase or transaction price and value of the underlying shares in the contract (in effect the unrealised gains/(losses) on the exposed positions). The cost of purchasing the securities held through long derivative positions directly in the market would have amounted to £223,144,000 at the time of purchase, and subsequent market falls in prices have resulted in unrealised losses on the long derivative positions of £9,576,000, resulting in the value of the total market exposure to the underlying securities decreasing to £213,568,000 as at 30 November 2021.
- The notional price of selling the securities to which exposure was gained via the short derivative positions would have been £25,785,000 at the time of entering into the contract, and subsequent price rises have resulted in unrealised gains on the short derivative positions of £860,000 and the value of the market exposure of these investments decreasing to £24,925,000 at 30 November 2021. If the short derivative positions had been closed on 30 November 2021, this would have resulted in a gain of £860,000 for the Company.

<sup>2</sup> Market exposure in the case of equity investments is the same as fair value. In the case of long and short derivative positions it is the market value of the underlying shares to which the portfolio is exposed via the contract.

<sup>3</sup> The gross market exposure column for cash and cash equivalents has been adjusted to assume the Company traded direct holdings rather than exposure being gained through long and short investment positions.

# Distribution of investments

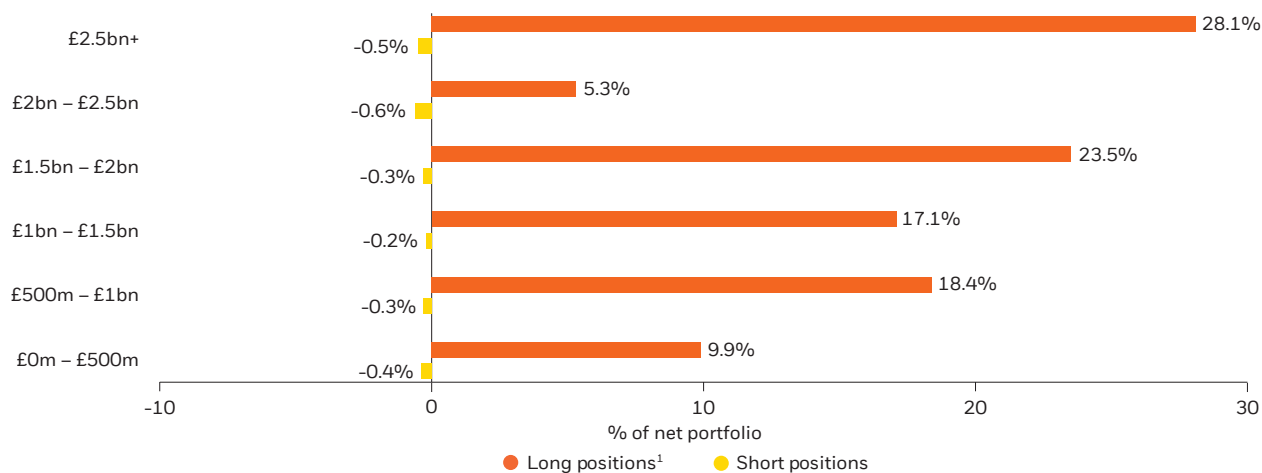
as at 30 November 2021

Sector	% of long portfolio	% of short portfolio	% of net portfolio
Chemicals	2.0	(0.1)	1.9
Industrial Metals & Mining	0.4	0.0	0.4
<b>Basic Materials</b>	<b>2.4</b>	<b>(0.1)</b>	<b>2.3</b>
Aerospace & Defence	0.8	0.0	0.8
Construction & Materials	6.6	0.0	6.6
Electronic & Electrical Equipment	8.3	0.0	8.3
Industrial Engineering	0.7	0.0	0.7
Industrial Transportation	0.6	0.0	0.6
Support Services	11.1	0.0	11.1
<b>Industrials</b>	<b>28.1</b>	<b>0.0</b>	<b>28.1</b>
Beverages	0.7	0.0	0.7
Food Producers	0.7	0.0	0.7
Household Goods & Home Construction	1.0	0.0	1.0
Personal Goods	2.7	0.0	2.7
<b>Consumer Staples</b>	<b>5.1</b>	<b>0.0</b>	<b>5.1</b>
Healthcare Equipment & Services	1.7	(0.3)	1.4
Pharmaceuticals & Biotechnology	6.1	0.0	6.1
<b>Health Care</b>	<b>7.8</b>	<b>(0.3)</b>	<b>7.5</b>
Automobiles & Parts	0.3	0.0	0.3
Consumer Services	0.0	(0.1)	(0.1)
Food & Drug Retailers	0.8	0.0	0.8
General Retailers	11.0	(0.3)	10.7
Leisure Goods	2.8	0.0	2.8
Media	6.7	0.0	6.7
Travel & Leisure	2.3	0.0	2.3
<b>Consumer Discretionary</b>	<b>23.9</b>	<b>(0.4)</b>	<b>23.5</b>
Banks	0.0	(0.2)	(0.2)
Closed End Investments	0.0	(0.3)	(0.3)
Financial Services	13.3	(0.2)	13.1
Non-life Insurance	0.0	(0.1)	(0.1)
<b>Financials</b>	<b>13.3</b>	<b>(0.8)</b>	<b>12.5</b>
Real Estate Investment & Services	1.9	0.0	1.9
Real Estate Investment Trusts	3.1	(0.1)	3.0
<b>Real Estate</b>	<b>5.0</b>	<b>(0.1)</b>	<b>4.9</b>
Software & Computer Services	12.6	(0.4)	12.2
Technology Hardware & Equipment	1.1	(0.2)	0.9
<b>Technology</b>	<b>13.7</b>	<b>(0.6)</b>	<b>13.1</b>
Mobile Telecommunications	3.0	0.0	3.0
<b>Telecommunications</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>
<b>Total Investments</b>	<b>102.3</b>	<b>(2.3)</b>	<b>100.0</b>

The above percentages are calculated on the net portfolio as at 30 November 2021. The net portfolio is calculated as long equity and derivative positions, less short derivative positions as at 30 November 2021.

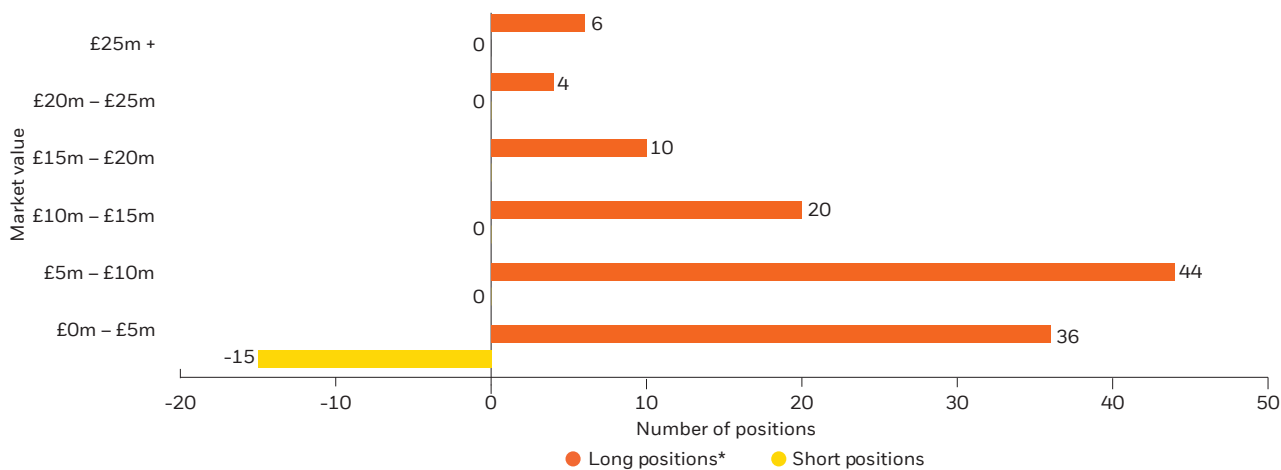
# Analysis of the portfolio

## Market capitalisation as at 30 November 2021



<sup>1</sup> The above investments may comprise exposures to long equity and long derivative positions.  
Source: BlackRock.

## Position size as at 30 November 2021

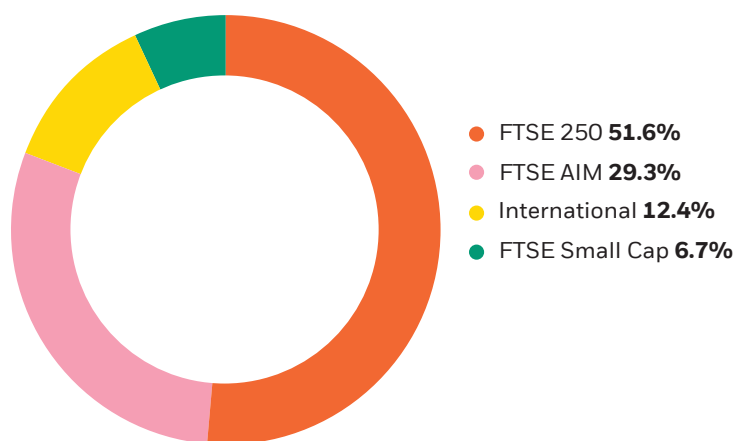


\* The above investments may comprise exposures to long equity and long derivative positions.  
Source: BlackRock.

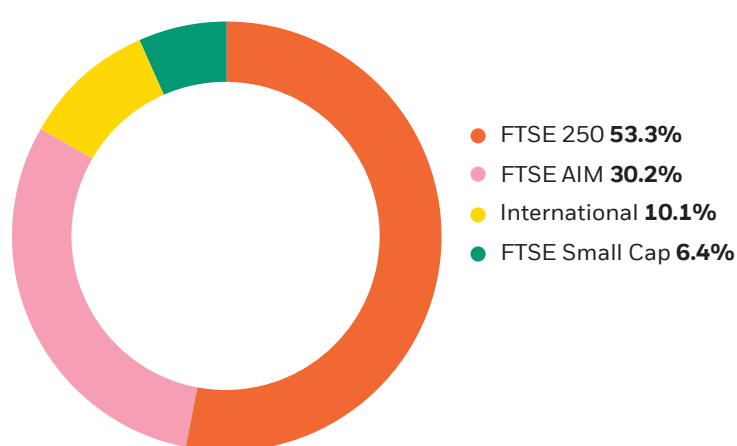


## Portfolio holdings within Key Benchmark Indices

### Gross Basis<sup>1</sup>

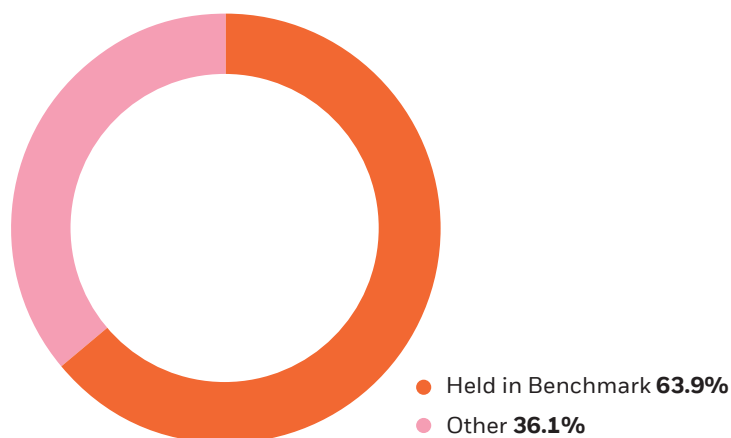


### Net Basis<sup>2</sup>

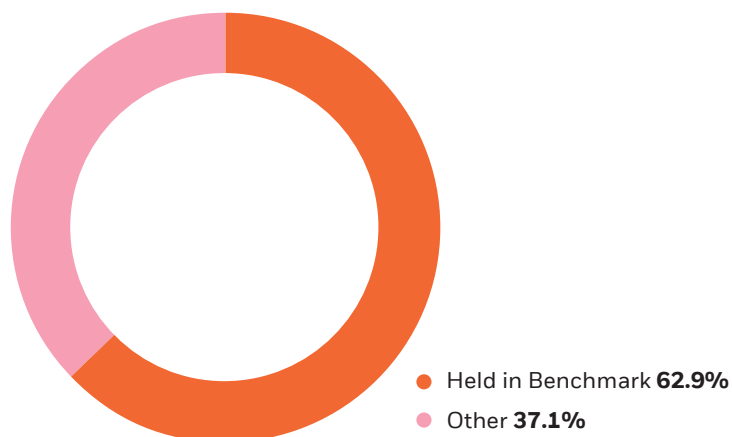


## Portfolio holdings within Benchmark Index (the Numis Smaller Companies plus AIM (excluding Investment companies))

### Gross Basis<sup>1,3</sup>



### Net Basis<sup>2,3</sup>



Source: BlackRock.

<sup>1</sup> Long exposure plus short exposure as a percentage of the portfolio in aggregate excluding investment in BlackRock's Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund.

<sup>2</sup> Long exposure less short exposure as a percentage of the portfolio excluding investment in BlackRock's Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund.

<sup>3</sup> Holdings included within the Benchmark Index as at 30 November 2020 were 60.6% on a Gross Basis and 61.0% on a Net Basis.





# Governance

← Auction Technology Group was another key contributor during the year. The company's digital marketplace technology connects more than 2,300 international auction houses with bidders in 160 countries and facilitates the sale of 14 million lots annually.

PHOTO COURTESY OF AUCTION TECHNOLOGY GROUP

# Governance structure

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that, as an investment company, the Company has no employees, the Directors are all non-executive and the investment management and administration functions are outsourced to the Manager and other service providers.

<b>The Board</b> 6 scheduled meetings per annum	<b>Membership:</b> Six Non-Executive Directors (NED), all independent of the Investment Manager <b>Chairman:</b> Christopher Samuel <b>Key objectives:</b> <ul style="list-style-type: none"><li>• To determine and review the investment policy, strategy and parameters;</li><li>• To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed, and the Company's assets to be safeguarded;</li><li>• To challenge constructively and scrutinise performance of all outsourced activities; and</li><li>• To establish the Company's remuneration policy and keep it under review.</li></ul>
<b>Audit Committee<sup>1</sup></b> 3 scheduled meetings per annum	<b>Membership:</b> All NEDs <b>Chairman:</b> Loudon Greenlees <b>Key objectives:</b> <ul style="list-style-type: none"><li>• To oversee financial reporting;</li><li>• To review the reporting of the auditor and the effectiveness of the audit;</li><li>• To consider the adequacy of the control environment and to review the Company's risk register; and</li><li>• To review the performance of the third party service providers.</li></ul>
<b>Management Engagement Committee<sup>1</sup></b> 1 scheduled meeting per annum	<b>Membership:</b> All NEDs <b>Chairman:</b> Christopher Samuel <b>Key objectives:</b> <ul style="list-style-type: none"><li>• To be responsible for the annual review of the performance of the Manager and Investment Manager; and</li><li>• To ensure that the provisions of the management agreement follow industry practice, remain competitive and are in the best interest of shareholders.</li></ul>
<b>Nomination Committee<sup>1</sup></b> 1 scheduled meeting per annum	<b>Membership:</b> All NEDs <b>Chairman:</b> Christopher Samuel <b>Key objectives:</b> <ul style="list-style-type: none"><li>• To make recommendations for any new Board appointments;</li><li>• To review regularly the structure, size and composition of the Board; and</li><li>• To consider and make recommendations to the Board on matters of succession planning.</li></ul>
<b>Remuneration Committee<sup>1</sup></b> 1 scheduled meeting per annum	<b>Membership:</b> All NEDs <b>Chairman:</b> Angela Lane (since 1 February 2021) <b>Key objectives:</b> <ul style="list-style-type: none"><li>• To make recommendations on remuneration of Directors; and</li><li>• To determine and recommend to the Board a policy on Directors' remuneration.</li></ul>

<sup>1</sup> The Company's remuneration committee was appointed by the Board on 1 February 2021. Terms of reference for the committee are available at [www.blackrock.com/uk/thrg](http://www.blackrock.com/uk/thrg)



# Directors' biographies



## **Christopher Samuel**

Appointed 1 June 2016  
Chairman

Christopher was Chief Executive of Ignis Asset Management from 2009 until its sale to Standard Life Investments in 2014. He was previously Chief Operating Officer at Gartmore and Hill Samuel Asset Management and was a Partner at Cambridge Place Investment Management. He is a Non-Executive Director of Alliance Trust plc<sup>1</sup>, UIL Limited<sup>2</sup> and Quilter plc<sup>3</sup>. He is also Chairman of JPMorgan Japanese Investment Trust plc. He qualified as a Chartered Accountant with KPMG.

<sup>1</sup> He is stepping down from Alliance Trust Board in April 2022.

<sup>2</sup> He is also a Director of UIL Limited's subsidiary, UIL Finance.

<sup>3</sup> He is also Chairman of Quilter plc's subsidiary, Quilter Financial Planning.

## **Attendance record:**

Board: 6/6

Audit Committee: 3/3

Management Engagement

Committee: 1/1

Nomination Committee: 1/1

Remuneration Committee: 1/1



## **Louise Nash**

Appointed 21 March 2019  
Appointed Senior Independent Director  
with effect from 1 February 2021

Louise was a UK Small and Mid-Cap fund manager, firstly at Cazenove Capital and latterly at M&G Investments which she left in 2015. She now works for family wine business Höppler and also acts as a consultant to JLC Investor Relations. Louise was previously a Non-Executive Director of Stockdale Securities.

## **Attendance record:**

Board: 6/6

Audit Committee: 3/3

Management and Engagement

Committee: 1/1

Nomination Committee: 1/1

Remuneration Committee: 1/1

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

# Directors' biographies

continued



## **Loudon Greenlees**

Appointed 26 March 2014  
Chairman of the Audit Committee

Loudon was Chief Financial Officer and Chief Operating Officer of Thames River Capital from 1999 until 2007 and then Commercial Director until May 2013. Prior to this he had been Group Finance Director and Chief Operating Officer of Rothschild Asset Management and Group Finance Director of Baring Asset Management. He is a Chartered Accountant.

### **Attendance record:**

Board: 6/6  
Audit Committee: 3/3  
Management Engagement Committee: 1/1  
Nomination Committee: 1/1  
Remuneration Committee: 1/1



## **Angela Lane**

Appointed 10 June 2020  
Appointed Chairman of the Remuneration Committee with effect from 1 February 2021

Angela previously spent 18 years working in private equity at 3i, becoming a partner in 3i's Growth Capital business managing the UK portfolio. Since 2007, Angela has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries including business services, healthcare, travel, media, consumer goods and infrastructure. She is currently a Non-Executive Director of Pacific Horizon Investment Trust plc, Seraphim Space Investment Trust plc and Dunedin Enterprise Investment Trust plc, where she is also Chairman of the audit committee.

### **Attendance record:**

Board: 6/6  
Audit Committee: 3/3  
Management Engagement Committee: 1/1  
Nomination Committee: 1/1  
Remuneration Committee: 1/1

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.



**Nigel Burton**

Appointed 21 December 2020

Nigel spent over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities sector. He then spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies. Nigel is currently a Non-Executive Director of AIM listed companies DeepVerge plc, Microsaic Systems plc, eEnergy Group plc and Location Sciences Group plc. He was formerly a Non-Executive Director of Mobile Streams plc, Digitalbox plc, Corcel plc, Modern Water plc, Alexander Mining plc and Chairman of Remote Monitored Systems plc.

**Attendance record:**

Board: 6/6  
Audit Committee: 3/3  
Management Engagement Committee: 1/1  
Nomination Committee: 1/1  
Remuneration Committee: 1/1



**Merryn Somerset Webb**

Appointed 24 March 2021

Merryn has significant experience of financial matters through her role as Editor-in-Chief of MoneyWeek, the UK personal finance magazine and writes extensively on this subject across radio and television. She brings valuable investment trust specific experience and is currently a Non-Executive Director of Murray Income Investment Trust plc, Baillie Gifford Shin Nippon Public Limited Company and Netwealth Investments Limited.

**Attendance record:**

Board: 5/5\*  
Audit Committee: 1/1  
Management Engagement Committee: 1/1  
Nomination Committee: 1/1  
Remuneration Committee: 1/1

\* Appointed with effect from 24 March 2021 and has attended all available meetings since that date.

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

# Strategic report

The Directors present the Strategic Report of the Company for the year ended 30 November 2021.

## Principal activity

The Company is a public company limited by shares which carries on business as an investment trust and its principal activity is portfolio investment.

## Objective

The Company's objective is to provide shareholders with long term capital growth and an attractive total return through investment primarily in UK smaller and mid-capitalisation companies traded on the London Stock Exchange.

## Strategy, business model, investment policy and investment process

The Company invests in accordance with the objective given above. The Board is collectively responsible to shareholders for the long-term success of the Company and is its governing body. There is a clear division of responsibility between the Board and the Manager, BlackRock Fund Managers Limited (BFM). Matters for the Board include setting the Company's strategy, including its investment objective and policy, setting limits on gearing (both bank borrowings and the effect of derivatives), capital structure, governance, and appointing and monitoring of performance of service providers, including the Manager.

The Company's business model follows that of an externally managed investment trust; therefore the Company does not have any employees and outsources its activities to third party service providers, including the Manager who is the principal service provider.

The management of the investment portfolio and the administration of the Company have been contractually delegated to BFM. The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

Other service providers include the Depositary and the Fund Accountant, The Bank of New York Mellon (International) Limited, and the Registrar, Computershare Investor Services PLC. Details of the contractual terms with third party service providers are set out in the Directors' Report.

## Amended investment policy

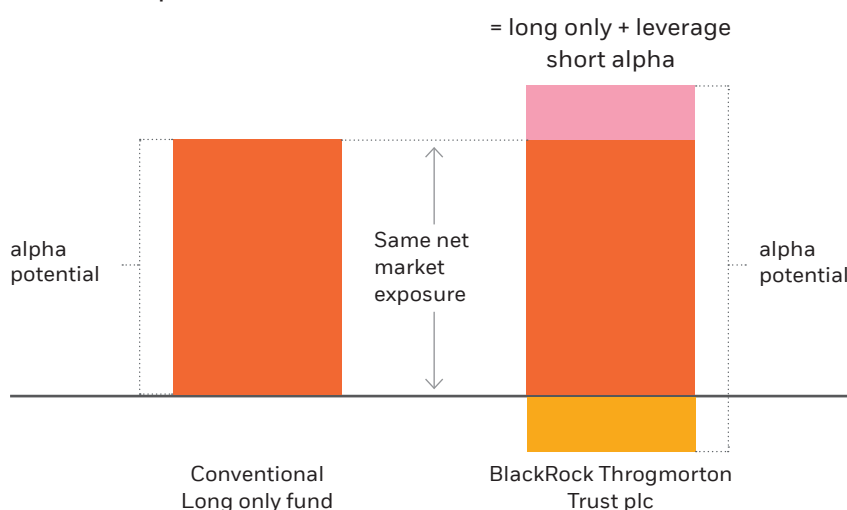
The Company's performance is measured against the Numis Smaller Companies plus AIM (excluding Investment Companies) Index (the Benchmark Index). The Investment Manager, BlackRock Investment Management (UK) Limited (BIM (UK)), may invest in companies outside the Benchmark Index without restriction, subject to the following limits.

The Company may hold up to 15% of its gross assets, at the time of acquisition, in securities of companies which are listed or traded on a stock exchange outside the UK.

In addition to the normal long only portfolio, the Company will likely hold a mixture of long and short contracts for difference (CFDs) and/or comparable equity derivatives that would result in a typical net market exposure of between 100% and 115%. In extremis, the Company could deploy the full 30% of permissible leverage into short CFDs and/or comparable equity derivatives, thereby reducing its overall net market exposure to 70%.

## What makes BlackRock Throgmorton Trust plc different?

- A greater toolkit for outperformance
- Enhanced outperformance generation through taking both long and short positions
- Ability to smooth out volatility of returns whilst maintaining exposure to the attractive, but sometimes volatile, asset class of UK smaller and mid-capitalisation companies
- Ability to flex overall market exposure to potentially reduce correlation to the market



## A superior toolkit for outperformance

Risk management cannot fully eliminate the risk of investment loss. There is no guarantee that a positive investment outcome will be achieved. Source: BlackRock. For illustrative purposes only.



With effect from the publication of this report, the following amendment will be incorporated into the Company's investment policy. Please see the Chairman's Statement on pages 10 and 11 for further details.

*The Company may also invest up to 2.5% of its net assets (measured at the time of investment) in unquoted securities, including securities issued by companies incorporated outside the United Kingdom. However, the Company may invest more than 2.5%, but no more than 3.75%, of its net assets (both measured at the time of investment), in unquoted securities in circumstances where such investment is in an existing investee company and, in the Investment Manager's opinion, a failure of the Company to make such investment would have a material adverse effect on the value of the Company's investment in such investee company.*

In addition, the Company is permitted to employ leverage up to 30% of net assets, which it does primarily through the use of CFDs and/or comparable equity derivatives, rather than bank borrowings, therefore enabling the Company to have a maximum net market exposure of 130%.

In normal circumstances the Company will likely hold a mixture of long and short CFDs and/or comparable equity derivatives that would result in a typical net market exposure of between 100% and 115%\*. In extremis, the Company could deploy the full 30% of permissible leverage into short CFDs and/or comparable equity derivatives, thereby reducing its overall net market exposure to 70%.

\* The AIC measures gearing at gross level, rather than net market exposure level (i.e. gearing is calculated as borrowings + long CFDs and/or comparable equity derivatives + short CFDs and/or comparable equity derivatives) and therefore the published gearing figures will be higher than the typical net market exposure of between 100% and 115%.

Portfolio risk will be mitigated by investment in a diversified portfolio of holdings. No more than 5% of the Company's gross assets, at the time of acquisition, may be invested in any one single holding, excluding holdings in cash or money market funds, where up to 10% of the Company's gross assets may be held. The Company may also invest in collective investment vehicles. However, the Company will not invest more than 10% of its gross assets, at the time of the acquisition, in other listed closed-ended investment funds, unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed closed-ended investment funds, in which case the limit is 15% of gross assets.

The Board's policy is that net gearing, borrowings less cash, should not exceed 20% of gross assets. The Company expects to employ any leverage primarily through its use of CFDs and/or comparable equity derivatives.

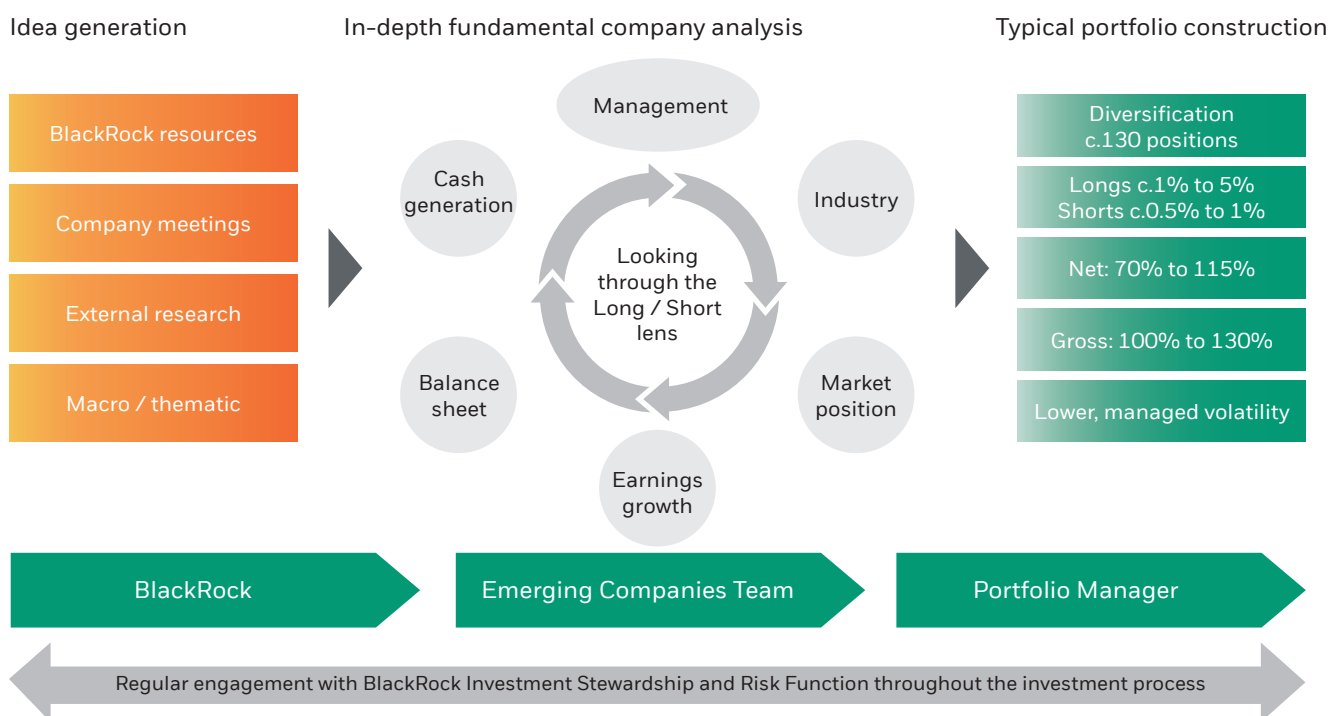
No material change will be made to the investment objective and policy without shareholder approval.

### Investment process

A unique feature of the Company is that it has the ability to go both long and short up to approximately 30% of the Company's net assets.

Notwithstanding recent positive returns from UK small and mid-capitalisation companies, the sector has demonstrated considerable volatility over the past 20 years. Such an

## A clear investment process underpins portfolio construction



Source: BlackRock. Investment process subject to change. For illustrative purposes only.

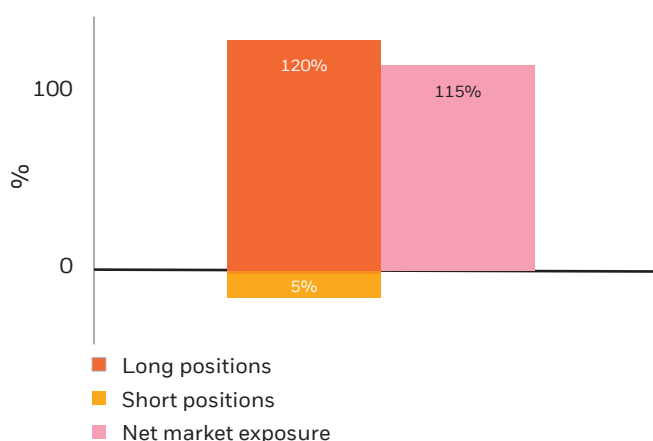
# Strategic report

continued

environment provides an attractive opportunity to add value via derivatives: instruments which can exploit share price moves whether up or down. As the maximum short portfolio exposure through derivatives is 30% of net assets, the Company will at all times retain a significant exposure to the market, as shown in the chart on page 38. In the course of their research the Portfolio Manager comes across companies which they judge are likely to underperform; the ability to take short positions therefore significantly enhances the opportunity to make money for shareholders. This is not possible in a conventional or long only portfolio.

When markets are expected to rise in the medium term, the long/short strategy is used to generate additional market exposure through ensuring that the long exposure exceeds the short exposure in a range between 0% to 15% of the net assets of the Company. Rising or 'bull' markets have historically (in the UK) persisted for longer than falling or 'bear' markets. A typical net market exposure might therefore be between 100% and 115%. This is lower than the 'gross exposure', which is the combination of the long equity positions, plus the net of long and short derivative positions expressed as a percentage of net assets. In a recessionary environment the Portfolio Manager has the flexibility to reduce market exposure to – at the maximum of its 'least exposed' level – around 70%. If successfully implemented this strategy would provide some cushioning of the Company's performance in falling markets.

Typical market positioning – % of NAV (115% net exposure)



Net market exposure is the long equity positions, plus the net of long and short derivative positions. For illustrative purposes only.

## ESG integration

The Manager defines Environmental, Social and Governance (ESG) integration as the practice of incorporating material ESG information and consideration of sustainability risks into investment decisions in order to enhance risk-adjusted returns. Inclusion of this statement does not imply that the Company has an ESG-aligned investment objective, but rather describes how ESG information is considered as part of the overall investment process.

Of course, ESG information is not the sole consideration for investment decisions; instead, the Manager assesses a variety of economic and financial indicators which include ESG considerations in combination with other information in the research phase of the investment process to make investment decisions appropriate to their client's objectives. This may also include relevant third party insight, as well as internal engagement commentary and input from BlackRock Investment Stewardship (BIS) on governance issues. The Portfolio Manager conducts regular portfolio reviews with the BlackRock Risk and Quantitative Analysis (RQA) team. These reviews include discussion of the portfolio's exposure to material ESG risks, as well as exposure to sustainability-related business involvements, climate-related metrics, traditional financial risks and other factors.

The Manager's approach to ESG integration is to broaden the total amount of information its investment professionals consider in order to improve investment analysis, seeking to meet or exceed economic return and financial risk targets. ESG factors can be useful and relevant indicators for investment purposes and can help portfolio managers with their decision-making through identifying potentially negative events or corporate behaviour. The Portfolio Manager works closely with BIS to assess the governance quality of companies and investigate any potential issues, risks or opportunities.

The Manager's research team monitors differing levels of risk throughout the process and believes that avoiding major downside events can generate significant outperformance over the long term. Inputs from the RQA team are an integral part of the investment process. The RQA team analyse market and portfolio risk factors including stress tests, correlations, factor returns, cross-sectional volatility and attributions. The Manager's evaluation procedures and financial analysis of the companies within the portfolio also take into account environmental, social and governance matters and other business issues.

The Company does not meet the criteria for Article 8 or 9 products under the EU Sustainable Finance Disclosure Regulation ("SFDR") and the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Further information on the Manager's approach to ESG and sustainability can be found in the report on Responsible Investing on pages 54 and 55.

## Performance

The Investment Manager's report on pages 15 to 19 includes a review of the main developments during the year, together with information on investment activity within the Company's portfolio.

## Results and dividends

The results for the Company are set out in the Statement of Comprehensive Income on page 91. The total profit for

the year, after taxation, was £223,334,000 (2020: a profit of £50,795,000) of which the revenue return amounted to £11,446,000 (2020: £5,379,000) and a capital profit of £211,888,000 (2020: profit of £45,416,000).

Details of the dividends declared in respect of the year are set out in the Chairman's Statement on page 10.

## Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time, and which are comparable to those

reported by other investment trusts, are set out in the table below. These KPIs fall within the definition of 'Alternative Performance Measures' (APMs) under guidance issued by the European Securities and Markets Authority (ESMA), and additional information explaining how these are calculated is set out in the Glossary on pages 129 to 131.

The Board monitors the KPIs at each meeting. Additionally, it regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. This includes an assessment of the Company's performance and ongoing charges against its peer group of investment trusts with similar investment objectives.

	Year ended 30 November 2021	Year ended 30 November 2020
Net asset value total return <sup>1,2</sup>	37.0%	9.1%
Share price total return <sup>1,2</sup>	38.8%	8.2%
Benchmark Index total return <sup>3</sup>	24.5%	3.8%
Premium to cum income net asset value <sup>2</sup>	1.4%	0.1%
Revenue return per share	12.15p	6.57p
Total dividend per share	10.50p	10.20p
Ongoing charges <sup>2,4</sup>	0.57%	0.60%
Ongoing charges including performance fees <sup>2,5</sup>	1.38%	1.60%

<sup>1</sup> This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 129 to 131.

<sup>3</sup> The Company's Benchmark Index is the Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

<sup>4</sup> Ongoing charges represent the management fee and all other operating expenses, excluding the performance fee, finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items as a % of average daily net assets.

<sup>5</sup> Ongoing charges represent the management fee, performance fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items as a % of average daily net assets.

## Share price discount/premium

The Directors recognise that it is in the long-term interests of shareholders that the Company's shares do not trade at an excessive discount or premium to their prevailing NAV for any material length of time. In the year under review the discount/premium to NAV of the ordinary shares on a cum income basis has ranged between a discount of 3.2% and a premium of 2.9%, with the average being a premium of 1.2%. The shares ended the year at a premium of 1.4% on a cum income basis. As at 2 February 2022 the premium was 0.6%.

Your Board believes that the best way of ensuring that the Company's shares trade at as close to NAV as possible over the longer term is to continue to generate good performance and to create demand for the Company's shares in the secondary market through effective communication of the Company's unique structure to existing and potential shareholders. The Board will also be seeking to renew the authority from shareholders at the AGM to buy back shares.

## Principal risks

As required by the 2018 UK Code of Corporate Governance, the Board has in place a robust, ongoing process to identify, assess and monitor the principal and emerging risks of the Company, including those that they consider would threaten

its business model, future performance, solvency or liquidity. The COVID-19 pandemic has given rise to unprecedented challenges for businesses across the globe and the Board has taken into consideration the risks posed to the Company by the crisis.

A core element of this process is the Company's risk register, which identifies the risks facing the Company and the likelihood and potential impact of each risk, together with the controls established for mitigation. A residual risk rating is calculated for each risk, which allows the effect of any mitigating procedures to be reflected in the register. The current risk register includes a range of risks spread between investment performance risk, income/dividend risk, legal & regulatory risk, counterparty risk, operational risk, market risk, political risk and financial risk.

The risk register, its method of preparation and the operation of key controls in the Manager's and third party service providers' systems of internal control are reviewed on a regular basis by the Audit Committee. In order to gain a more comprehensive understanding of the Manager's and other third party service providers' risk management processes and how these apply to the Company's business, the Audit Committee periodically receives presentations from

# Strategic report

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BlackRock's Internal Audit and Risk & Quantitative Analysis teams. Where produced, the Audit Committee also reviews summaries of the Service Organisation Control (SOC1) reports from the Company's service providers.

The principal risks and uncertainties faced by the Company during the financial year, together with the potential effects, controls and mitigating factors, are set out in the table on pages 42 to 44.

Principal Risk	Mitigation/Control
<p><b>Investment performance</b></p> <p>The Board is responsible for:</p> <ul style="list-style-type: none"> <li>• setting the investment policy to fulfil the Company's objectives; and</li> <li>• monitoring the performance of the Company's Investment Manager and the strategy adopted.</li> </ul> <p>An inappropriate policy or strategy may lead to:</p> <ul style="list-style-type: none"> <li>• poor performance compared to the Company's Benchmark Index, peer group or shareholder expectations;</li> <li>• a widening discount to NAV;</li> <li>• a reduction or permanent loss of capital; and</li> <li>• dissatisfied shareholders and reputational damage.</li> </ul>	<p>To manage these risks the Board:</p> <ul style="list-style-type: none"> <li>• regularly reviews the Company's investment mandate and long term strategy;</li> <li>• has set, and regularly reviews, the investment guidelines and has put in place appropriate limits on levels of gearing and the use of derivatives;</li> <li>• receives from the Investment Manager a regular explanation of stock selection decisions, portfolio gearing and any changes in gearing and the rationale for the composition of the investment portfolio;</li> <li>• receives from the Investment Manager regular reporting on the portfolio's exposure through derivatives, including the extent to which the portfolio is geared in this manner and the value of any short positions;</li> <li>• monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular sectors, based on the diversification requirements inherent in the Company's investment policy; and</li> <li>• monitors the share price discount or premium to NAV.</li> </ul>
<p><b>Market risk</b></p> <p>Market risk arises from changes to the prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments and derivatives. Market risk includes the potential impact of events which are outside the scope of the Company's control, such as the UK's decision to leave the European Union and the impacts of climate change.</p>	<p>The Board carefully considers the diversification of the portfolio, asset allocation, stock selection, unquoted investments and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager, and key market risk factors are discussed.</p> <p>The Board also recognises the benefits of a closed-end fund structure in extremely volatile markets such as those experienced with the COVID-19 pandemic. Unlike open-ended counterparts, closed-end funds are not obliged to sell-down portfolio holdings at low valuations to meet liquidity requirements for redemptions. During times of elevated volatility and market stress, the ability of a closed-end fund structure to remain invested for the long-term enables the Portfolio Manager to adhere to disciplined fundamental analysis from a bottom-up perspective and be ready to respond to dislocations in the market as opportunities present themselves.</p>
<p><b>Income/dividend risk</b></p> <p>The amount of dividends and future dividend growth will depend on the performance of the Company's underlying portfolio holdings. Changes in the composition of the portfolio and any change in the tax treatment of the dividends or interest received by the Company may reduce the level of dividends received by shareholders.</p>	<p>The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting. The Company also has a revenue reserve and powers to pay dividends from capital which could potentially be used to support the Company's dividend if required.</p>



Principal Risk	Mitigation/Control
<p><b>Financial risk</b></p> <p>The Company's investment activities expose it to a variety of financial risks that include market risk, foreign currency risk and interest rate risk. At 30 November 2021, the Company had approximately 29.3% of its gross asset value invested in AIM traded equity securities and 12.4% of its gross assets in international markets, and, by the very nature of its investment objective, largely invests in smaller companies. Liquidity in these securities can from time to time become constrained, making these investments difficult to realise at or near published prices.</p>	<p>The Company is not materially exposed to foreign currency and interest rate risk. For mitigation of market risk, see above. There are also risks linked to the Company's use of derivative transactions including long and short investment positions. Details are disclosed in note 11 on page 104, together with a summary of the policies for managing and controlling these risks in note 16.</p>
<p><b>Operational risk</b></p> <p>In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by BlackRock (the Manager and AIFM) and The Bank of New York Mellon (International) Limited (the Depositary and Fund Accountant) who maintain the Company's accounting records.</p> <p>Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records, as a result of a cyber-attack or otherwise, could impact the monitoring and reporting of the Company's financial position.</p> <p>The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems.</p>	<p>The Board reviews the overall performance of the Manager, Investment Manager and all other third party service providers and compliance with the investment management agreement on a regular basis.</p> <p>The Fund Accountant's and the Manager's internal control processes are regularly tested and monitored throughout the year and are evidenced through their Service Organisation Control (SOC 1) reports, which are subject to review by an Independent Service Assurance Auditor. The SOC 1 reports provide assurance in respect of the effective operation of internal controls.</p> <p>The Company's financial instruments held in custody are subject to a strict liability regime and in the event of a loss of such financial instruments held in custody, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate that the loss was a result of an event beyond its reasonable control.</p> <p>The Board considers succession arrangements for key employees of the Manager and the Board also considers the business continuity arrangements of the Company's key service providers on an ongoing basis and reviews these as part of its review of the Company's risk register. In respect of the unprecedented and emerging risks posed by the COVID-19 pandemic in terms of the ability of service providers to function effectively, the Board has received reports from key service providers setting out the measures that they have put in place to address the crisis, in addition to their existing business continuity framework. Having considered these arrangements and reviewed service levels since the crisis has evolved, the Board are confident that a good level of service has and will be maintained.</p> <p>The Board also receives regular reports from BlackRock's internal audit function.</p>

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Principal Risk	Mitigation/Control
<p><b>Legal and regulatory risk</b></p> <p>The Company has been approved by HM Revenue &amp; Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments.</p> <p>Any breach of the relevant eligibility conditions could lead to the Company losing its investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio. In such event the investment returns of the Company may be adversely affected. Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010.</p> <p><b>Risk of regulatory change</b></p> <p>Amongst other relevant laws and regulations, the Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive (as retained and onshored in the UK), the Market Abuse Regulation (also as retained and onshored in the UK), the UK Listing Rules and the Disclosure Guidance and Transparency Rules.</p>	<p>The Investment Manager monitors investment movements, the level of forecast income and expenditure and the amount of proposed dividends, if any, to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached, and the results are reported to the Board at each meeting.</p> <p>Following authorisation under the Alternative Investment Fund Managers' Directive as retained and onshored in the UK (AIFMD), the Company and its appointed Alternative Investment Fund Manager (AIFM) are subject to the risks that the requirements of the AIFMD are not correctly complied with. The Board and the AIFM also monitor changes in government policy and legislation which may have an impact on the Company.</p> <p>Compliance with the accounting standards applicable to quoted companies and those applicable to investment trusts are also regularly monitored to ensure compliance.</p> <p>The Company Secretary and the Company's professional advisers monitor developments in relevant laws and regulations and provide regular reports to the Board in respect of the Company's compliance.</p> <p>The Market Abuse Regulation came into force across the EU on 3 July 2016 and has been retained and onshored in the UK following Brexit. The Board has taken steps to ensure that individual Directors (and their Persons Closely Associated) are aware of their obligations under the regulation and has updated internal processes, where necessary, to ensure the risk of non-compliance is effectively mitigated.</p>
<p><b>Counterparty risk</b></p> <p>The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments. The Company's investment policy also permits the use of both exchange-traded and over-the-counter derivatives (including contracts for difference).</p>	<p>Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties. The Board reviews the controls put in place by the Investment Manager to monitor and to minimise counterparty exposure, which include intra-day monitoring of exposures to ensure that these are within set limits.</p> <p>The Depository is liable for restitution for the loss of financial instruments held in custody, unless it is able to demonstrate that the loss was due to an event beyond its reasonable control.</p>

## Viability statement

The Directors have assessed the prospects of the Company over a longer period than the 12 months referred to by the "Going Concern" guidelines.

The Board conducted this review for the period up to the AGM in 2027, being a five-year period from the date that this Annual Report will be approved by shareholders. This is generally the investment holding period investors consider while investing in the smaller companies' sector. In making this assessment the Board has considered the following factors:

- the Company's principal risks as set out on pages 42 to 44;
- the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio in the light of the heightened volatility resulting from the impact of the ongoing COVID-19 pandemic;
- the ongoing relevance of the Company's investment objective; and

- the level of demand for the Company's shares.

The Directors have also considered the Company's revenue and expense forecasts and the fact that expenses and liabilities are relatively stable. The Company also has a portfolio of investments which provides a level of cash receipts in the form of dividends and which are considered to be relatively realisable if required.

The Directors reviewed the assumptions and considerations underpinning the Company's existing going concern assertion (please see the disclosure in the Directors' Report on page 59), which are based on:

- processes for monitoring costs;
- key financial ratios;
- evaluation of risk management and controls;
- compliance with the investment objective;
- the Company's ability to meet its liabilities as they fall due;

- portfolio risk profile;
- share price discount to NAV;
- gearing;
- counterparty exposure and liquidity risk in the light of the ongoing COVID-19 pandemic;
- the operational resilience of the Company and its key service providers and their ability to continue to provide a good level of service for the foreseeable future; and
- the effectiveness of business continuity plans in place for the Company and key service providers.

The Company has a relatively liquid portfolio and largely fixed overheads (excluding any applicable performance fees) which comprise a very small percentage of net assets (0.57% excluding performance fees, 1.38% including performance fees). The effective performance fee cap in the event that the NAV return exceeds the Benchmark Index return over the performance period is 0.90% of the average gross assets over the two years and the applicable percentage to be applied to the outperformance of the NAV total return over the Benchmark Index return is 15%. In addition, the maximum cap on total management and performance fees is 1.25% of average gross assets (measured over a rolling two-year period). Therefore, the Board has concluded that the Company would be able to meet its ongoing operating costs as they fall due.

On 30 December 2020, the UK and the EU signed the UK/EU Trade and Cooperation Agreement (“UK/EU Trade Agreement”), which applied from 1 January 2021 and sets out the foundation of the economic and legal framework for trade between the UK and the EU. The UK’s exit from the EU is expected to result in additional trade costs and disruptions in this trading relationship. While the UK/EU Trade Agreement provides for the free trade of goods, it provides only general commitments on market access in services together with a “most favoured nation” provision which is subject to many exceptions. Furthermore, there is the possibility that either party may impose tariffs on trade in the future in the event that regulatory standards between the EU and the UK diverge. The terms of the future relationship may cause continued uncertainty in the global financial downgrading markets, and adversely affect the performance of the Company. Volatility resulting from this uncertainty may mean that the returns of the Company’s investments are affected by market movements, the potential decline in the value of Sterling or Euro, and the potential downgrading of UK sovereign credit rating.

The Directors have also considered the impact of potential changes in law, regulation and taxation and the matter of foreign exchange risk. They have determined that although there are a number of new potential risks associated with the

legal, fiscal and regulatory landscape they do not believe that this represents a material threat to the Company’s strategy and business model, nor do they believe that the Investment Manager will be materially impeded in achieving the Company’s investment objective. The longer-term process of implementing the political, economic and legal framework that is to be agreed between the UK and the EU is likely to lead to ongoing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets.

Based on the results of their analysis, 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 period of their assessment.

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## Section 172 statement: Promoting the success of BlackRock Throgmorton Trust plc

The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain more fully how they have discharged their duties under Section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of members as a whole. This enhanced disclosure covers how the Board has engaged with and understands the views of stakeholders and how stakeholders' needs have been taken into account, the outcome of this engagement and the impact that it has had on the Board's decisions.

As the Company is an externally managed investment company and does not have any employees or customers, the Board considers the main stakeholders in the Company to be the shareholders and the key service providers (being the Manager and Investment Manager, the Custodian, Depositary, Registrar and Broker). The reasons for this determination, and the Board's overarching approach to engagement, are set out in the table below:

Stakeholders		
Shareholders	Manager and Investment Manager	Other key service providers
<p>Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy. The Board is focused on fostering good working relationships with shareholders and on understanding the views of shareholders in order to incorporate them into the Board's strategy and objectives in delivering long-term growth and income.</p> <p>In turn, portfolio holdings are ultimately shareholders' assets, and the Board recognises the importance of good stewardship and communication with investee companies in meeting the Company's investment objective and strategy.</p>	<p>The Board's main working relationship is with the Manager, who is responsible for the Company's portfolio management (including asset allocation, stock and sector selection) and risk management, as well as ancillary functions such as administration, secretarial, accounting and marketing services. The Manager has sub-delegated portfolio management to the Investment Manager. Successful management of shareholders' assets by the Investment Manager is critical for the Company to successfully deliver its investment strategy and meet its objective. The Company is also reliant on the Manager as AIFM to provide support in meeting relevant regulatory obligations under the AIFMD and other relevant legislation.</p>	<p>In order for the Company to function as an investment trust with a listing on the premium segment of the official list of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities, the Board relies on a diverse range of advisors for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar and Broker to be stakeholders. The Board, either directly or through the Manager, maintains regular contact with its key external providers and receives regular reporting from them through the Board and Committee meetings, as well as outside of the regular meeting cycle.</p>

A summary of the key areas of engagement undertaken by the Board with its key stakeholders in the year under review and how Directors have acted upon this to promote the long-term success of the Company are set out in the table below.

Area of Engagement	Issue	Engagement	Impact
<b>Investment mandate and objective</b>	<p>The Board is committed to promoting the role and success of the Company in delivering on its investment mandate to shareholders over the long term. The Board also has responsibility to shareholders to ensure that the Company's portfolio of assets is invested in line with the stated investment objective and in a way that ensures an appropriate balance between spread of risk and portfolio returns.</p>	<p>The Board works closely with the Investment Manager throughout the year in further developing our investment strategy and underlying policies, not simply for the purpose of achieving the Company's investment objective but in the interests of shareholders and future investors.</p> <p>The Manager's approach to the consideration of ESG factors in respect of the Company's portfolio, as well as its engagement with investee companies, is to encourage the adoption of sustainable business practices which support long-term value creation. The Board is kept advised in respect of the Manager's consideration of ESG factors as part of the investment process; a summary of BlackRock's approach to ESG matters is set out on page 53.</p>	<p>Details regarding the Company's NAV and share price performance can be found in the Chairman's Statement on pages 7 and 8 and in the Strategic Report on page 41.</p> <p>The portfolio activities undertaken by the Manager can be found in the Investment Manager's Report on pages 15 to 19.</p>



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Area of Engagement	Issue	Engagement	Impact
<b>Management of the share rating</b>	<p>The Board believes that the best way of addressing the discount over the longer term is to continue to generate good performance and to create demand for the Company's shares in the secondary market through broadening awareness of the Company's unique structure. The Board believes that it is in shareholders' interests that the share price does not trade at an excessive premium or discount to NAV. Therefore, where deemed to be in shareholders' long-term interests, it may exercise its powers to issue shares or buy back shares with the objective of ensuring that an excessive premium or discount does not arise.</p>	<p>The Manager reports total return performance statistics to the Board on a regular basis, along with the portfolio yield and the impact of dividends paid on brought forward distributable reserves.</p> <p>The Board reviews the Company's discount/premium to NAV on a regular basis and holds regular discussions with the Manager and the Company's broker regarding the discount/premium level.</p> <p>The Board believes that the best way of maintaining the share rating at an optimal level over the long term is to create demand for the shares in the secondary market. To this end the Investment Manager is devoting considerable effort to broadening the awareness of the Company, particularly to wealth managers and to the wider retail shareholder market.</p> <p>The Manager provides the Board with feedback and key performance statistics regarding the success of the Company's marketing initiatives.</p> <p>Notwithstanding the issues posed by the ongoing COVID-19 pandemic, in normal operating conditions, shareholders may attend the Company's annual general meeting where formal questions may be put to the Board around the management of any premium/discount.</p>	<p>The average premium for the year to 30 November 2021 was 1.2%. During the year the Company's share price has traded at a maximum discount of 3.2% and a maximum premium of 2.9%.</p> <p>Market demand for the Company's shares has been strong and between 1 December 2020 and the date of this report the Company has issued 13,917,035 shares for proceeds of £125 million, improving the Company's liquidity and resulting in a lower operating charges ratio.</p>

Area of Engagement	Issue	Engagement	Impact
<b>Service levels of third party providers</b>	<p>The Board acknowledges the importance of ensuring that the Company's principal suppliers are providing a suitable level of service including: the Manager in respect of investment performance and delivering on the Company's investment mandate; the Depository in respect of its duties towards safeguarding the Company's assets; the Registrar in its maintenance of the Company's share register and dealing with investor queries and the Company's Brokers in respect of the provision of advice and acting as a market maker for the Company's shares.</p>	<p>The Manager reports to the Board on the Company's performance on a regular basis. The Board carries out a robust annual evaluation of the Manager's performance, their commitment and available resources.</p> <p>The Board performs an annual review of the service levels of all third party service providers and concludes on their suitability to continue in their role.</p> <p>The Board has received updates in respect of business continuity planning from the Company's Manager, Depository, Fund Administrator, Brokers, Registrar and Printers, and is confident that arrangements are in place to ensure that a good level of service will continue to be provided despite the impact of the COVID-19 pandemic.</p> <p>In light of the challenges presented by the ongoing COVID-19 pandemic to the operation of business across the globe, the Board has continued to work closely with the Manager to gain comfort that relevant business continuity plans are operating effectively for all of the Company's service providers.</p>	<p>Performance evaluations were performed on a timely basis and the Board concluded that all third party service providers, including the Manager, Depository and Fund Administrator were operating effectively and providing a good level of service.</p>

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Area of Engagement	Issue	Engagement	Impact
<b>Board composition</b>	<p>The Board is committed to ensuring that its own composition brings an appropriate balance of knowledge, experience and skills, and that it is compliant with best corporate governance practice under the UK Corporate Governance Code, including guidance on tenure and the composition of the Board's committees.</p>	<p>Over recent years the Board undertook a review of succession planning arrangements and identified the need for action to ensure that the composition of the Board was appropriate and that there was an ongoing process of refreshment, bringing in new ideas and different perspectives. The Board, through its Nomination Committee, agreed the selection criteria and the method of selection, recruitment and appointment. Board diversity, including gender, was taken into account when establishing the criteria.</p> <p>All Directors are subject to a formal evaluation process on an annual basis (more details and the conclusions in respect of the 2021 evaluation process are given on pages 65 and 66). All Directors stand for re-election by shareholders annually. Shareholders may attend the AGM and raise any queries in respect of Board composition or individual Directors in person or may contact the Company Secretary or the Chairman using the details provided on page 124 if they wish to raise any issues.</p>	<p>On 21 December 2020 the Board announced the appointment of a new Non-Executive Director, Nigel Burton. Jean Matterson retired as a Director at the conclusion of the AGM on 24 March 2021. Merryn Somerset Webb was appointed as a new Non-Executive Director on 24 March 2021, further strengthening the Board.</p> <p>The Directors are not aware of any issues that have been raised directly by shareholders in respect of Board composition in 2021. Details for the proxy voting results in favour and against individual Directors' re-election at the 2021 AGM are given on the Company's website at <a href="http://www.blackrock.com/uk/thrg">www.blackrock.com/uk/thrg</a>.</p>
<b>Shareholders</b>	<p>Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.</p> <p>The dividend is funded out of current year revenue and, where deemed appropriate, may be supported from revenue reserves if current year revenue is insufficient. The Company does not have a policy of seeking income, however, the portfolio has, to date, continued to deliver a level of income such that the Board is able to pay an attractive dividend.</p>	<p>The Board is committed to maintaining open channels of communication and to engaging with shareholders. Notwithstanding the challenges posed by the COVID-19 pandemic, in normal operating circumstances the Company welcomes and encourages attendance and participation from shareholders at its Annual General Meetings. Shareholders therefore have the opportunity to meet the Directors and Investment Manager and to address questions to them directly.</p> <p>The Annual Report and half yearly financial report are available on the BlackRock website and are also circulated to shareholders either in printed copy or via electronic communications. In addition, regular updates on performance, monthly factsheets, the daily NAV and other information are also published on the website at <a href="http://www.blackrock.com/uk/thrg">www.blackrock.com/uk/thrg</a>.</p>	<p>The Board values any feedback and questions from shareholders ahead of and during Annual General Meetings in order to gain an understanding of their views and will take action when and as appropriate. Feedback and questions will also help the Company evolve its reporting, aiming to make reports more transparent and understandable.</p> <p>Feedback from all substantive meetings between the Investment Manager and shareholders will be shared with the Board. The Directors will also receive updates from the Company's broker on any feedback from shareholders, as well as share trading activity, share price performance and an update from the Investment Manager.</p> <p>The Portfolio Manager attended professional investor meetings and held discussions with a range of different wealth management desks and offices in respect of the Company during the year under review. Investors were also impressed with the wide pool of resource available through BlackRock's Emerging Companies team, and the rigorous 'bottom-up' investment approach.</p>

Area of Engagement	Issue	Engagement	Impact
<b>Shareholders (continued)</b>		<p>The Board also works closely with the Manager to develop the Company's marketing strategy, with the aim of ensuring effective communication with shareholders in respect of the investment mandate and objective. Unlike trading companies, shareholder meetings usually take the form of a meeting with the Portfolio Manager as opposed to members of the Board. As well as attending regular investor meetings the Portfolio Manager holds regular discussions with wealth management desks and offices to build on the case for, and understanding of, long-term investment opportunities in the UK smaller companies' sector.</p> <p>However, the Board is ultimately responsible for communication with shareholders and all substantive matters arising from such communication are referred to the Board.</p> <p>The Manager also coordinates public relations activity, including meetings between the Portfolio Manager and relevant industry publications to set out their vision for the portfolio strategy and outlook for the UK equity market. The Manager releases the daily NAV and monthly portfolio updates to the market to ensure that investors are kept up to date in respect of performance and other portfolio developments and maintains a website on behalf of the Company that contains relevant information in respect of the Company's investment mandate and objective. If shareholders wish to raise issues or concerns with the Board, they are welcome to do so at any time.</p> <p>The Chairman is available to meet directly with shareholders periodically to understand their views on governance and the Company's performance where they wish to do so. He may be contacted via the Company Secretary whose details are given on page 124.</p>	



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continued

Area of Engagement	Issue	Engagement	Impact
<b>Responsible Investing</b>	<p>More than ever, consideration of material Environmental, Social and Governance (ESG) information and sustainability risks is a key factor in making investment decisions. Climate change is becoming a defining factor in companies' long-term prospects across the investment spectrum, with significant and lasting implications for economic growth and prosperity.</p>	<p>The Board believes that responsible investment and sustainability are integral to the longer-term delivery of the Company's success. The Board works closely with the Investment Manager to regularly review the Company's performance, investment strategy and underlying policies to ensure that the Company's investment objective continues to be met in an effective, responsible and sustainable way in the interests of shareholders and future investors.</p> <p>The Investment Manager's approach to the consideration of ESG factors in respect of the Company's portfolio, as well as the Investment Manager's engagement with investee companies to encourage the adoption of sustainable business practices which support long-term value creation, are kept under review by the Board.</p> <p>The Investment Manager reports to the Board in respect of its ESG policies and how these are integrated into the investment process; a summary of BlackRock's approach to ESG integration is set out on page 40. The Investment Manager's engagement and voting policy is detailed on pages 54 and 55.</p>	<p>The Investment Manager believes there is a positive correlation between good ESG practices on the part of portfolio companies and investment performance. Details of the Company's performance in the year are given in the Chairman's Statement on pages 7 and 8 and the Performance Record on page 4.</p>

## The Board's approach to ESG

Environmental, Social and Governance (ESG) issues can present both opportunities and threats to long-term investment performance. The Company does not have an ESG mandate (and accordingly does not have an ESG or impact focused investment strategy and has not adopted any exclusionary screens) but our Portfolio Manager does take ESG factors into account as part of the investment process as these elements can significantly influence a company's valuation. These ESG issues are a key focus of the Board, and the Board is committed to a diligent oversight of the activities of the Manager in these areas. The Board is aware of the Company's long term underweight position in extractive industries, where innovative and disruptive business models are rare and the non-participation in some capital raises where ESG factors have been a concern.

The Board believes engagement and dialogue with management is, in most cases, the most effective way of driving meaningful change in the behaviour of investee company management. This is particularly true for our Manager given the extent of BlackRock's shareholder engagement. The Board also believes that voting and engagement are important tools to generate change. During the year to 30 November 2021, the Investment Manager, through its investment stewardship team, engaged 44 times with 32 individual portfolio companies (representing 31.4% of the portfolio by value) on ESG matters. It also voted on 1,742 proposals at 126 general meetings on behalf of the Company. In addition, our Portfolio Manager held a total of 384 meetings with investee companies during the financial year as part of his investment and research activity. Further detail of how our Manager has voted and engaged with the companies in our portfolio can be found on pages 58 and 59.

As well as the influence afforded by its sheer scale, the Board believes that BlackRock is well placed as Manager to fulfil these requirements due to its approach to ESG integration and its application of this to the Company's investment processes, the emphasis it places on sustainability, its collaborative approach in its investment stewardship activities and its position in the industry as one of the largest suppliers of sustainable investment products in the global market. More information on BlackRock's approach to sustainability and investment stewardship is set out on pages 54 and 55.

## Future prospects

The Board's main focus is on the achievement of capital growth and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in the Chairman's Statement on pages 11 and 12 and in the Investment Manager's Report on pages 15 to 19.

## Social, community and human rights issues

As an investment trust, the Company has no direct social or community responsibilities. However, the Company believes that it is in shareholders' interests to consider human rights issues, and environmental, social and governance factors when selecting and retaining investments. Details of the Company's approach to socially responsible investment is set out above and on page 54.

## Modern Slavery Act

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. The Board considers the Company's supply chain, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

## Directors, gender representation and employees

The Directors of the Company on 30 November 2021, all of whom, with the exception of Nigel Burton and Merryn Somerset Webb, who were appointed on 21 December 2020 and 24 March 2021 respectively, held office throughout the year, are set out on pages 35 to 37. The Board recognises the importance of having a range of experienced Directors who, both individually and collectively, possess a suitable balance of skills, knowledge, independence and diversity to enable it to fulfil its obligations. As at 30 November 2021, the Board consisted of three men and three women, resulting in 50% female representation. The Company has no employees, and all of its Directors are non-executive. Therefore, there are no disclosures to be made in respect of employees.

The Chairman's Statement on pages 6 to 12 and the Investment Manager's Report on pages 15 to 19 form part of this Strategic Report.

The Strategic Report was approved by the Board at its meeting on 4 February 2022.

By order of the Board

### KEVIN MAYGER

for and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
4 February 2022

The following report has been prepared by the Company's Manager and sets out its approach to responsible investing.

# Responsible ownership: BlackRock's approach to sustainable investing

## Responsible ownership – BlackRock's approach

As a fiduciary to its clients, BlackRock has built its business to protect and grow the value of clients' assets. From BlackRock's perspective, business-relevant sustainability issues can contribute to a company's long-term financial performance, and by further incorporating these considerations into the investment research, portfolio construction, and investment stewardship process can help support long-term risk adjusted returns. By expanding access to data, insights and learning on material ESG risks and opportunities in investment processes across BlackRock's diverse platform, BlackRock believes that the investment process is greatly enhanced. The Company's Investment Manager works closely with the BIS team to assess the governance quality of companies and assess any potential ESG risks or opportunities. The Investment Manager uses ESG information when conducting research and due diligence on new investments and again when monitoring investments in the portfolio.

## BlackRock's approach to sustainable investing

In January 2020, Larry Fink wrote a letter to CEOs saying that climate change will fundamentally reshape modern finance. In addition, BlackRock announced it would make sustainability its new standard for investing, by doubling down on product innovation while also achieving full ESG integration across our active platform. Our sustainability strategy is focused on long-term value creation. As a fiduciary asset manager we believe that our clients should consider how climate change, policy and economic shifts will affect returns in their portfolios. We believe that climate risk is investment risk. Further, BlackRock believes that the net zero transition will reshape the real economy and financial portfolios, presenting risks and opportunities for investors.

Our strategy is built on the investment conviction that sustainability risk and climate risk are investment risks, and that integrating sustainability can help investors build more resilient portfolios and achieve better long-term, risk adjusted returns. This investment conviction is built on a two-part thesis: first, asset prices and portfolio risks do not yet fully reflect a broad set of sustainability-related considerations; second, the market is at the front end of a significant reallocation of capital towards sustainable investing, which we believe will result in a flow of capital towards issuers and assets with positive sustainability characteristics (and away from those with negative ones). This in turn will also impact the relative pricing of risk and assets in portfolios.

BlackRock also announced in January 2021 that it was committed to supporting the goal of 'net zero' (building an economy that emits no more carbon dioxide than it removes from the atmosphere) by 2050 (the scientifically-established threshold necessary to keep global warming below 2°C). BlackRock is taking a number of steps to help investors prepare their portfolios for a net zero world, including capturing opportunities created by the net zero transition.

Our firmwide ESG integration statement outlines how we are integrating ESG investment insights and data across our entire platform. Fund-level ESG integration statements can be found on our product pages, or available upon request. <https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf>

## Investment stewardship

BlackRock also places a strong emphasis on sustainability in its stewardship activities. As a fiduciary, BlackRock has a responsibility to its clients to make sure investee companies are adequately managing and disclosing ESG risks and opportunities that can impact their ability to generate long-term financial performance, and to signal concerns if they are not.

The BIS team engages with portfolio companies, and proxy votes on clients' behalf, to promote corporate governance standards and sustainable business models that BlackRock believes contribute to the durable, long-term profitability BlackRock's clients depend on to meet their financial goals. Each year, the BIS team prioritizes its work around several engagement themes that enables it to provide feedback to companies and build mutual understanding about corporate governance and sustainable business models. In 2021, the BIS engagement priorities reflected a continued emphasis on board effectiveness alongside the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BIS mapped its priorities to specific United Nations Sustainable Development Goals, such as Gender Equality and Clean and Affordable Energy, and provided high level, globally relevant Key Performance Indicators (KPIs) for each priority so companies are aware of BlackRock's expectations. Further information on our engagement priorities for 2022 can be found at the following link: <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-priorities>.

BlackRock is committed to transparency in terms of disclosure on its engagement with companies and voting rationales. During the twelve months to 30 June 2021, BlackRock held over 3,600 engagements with companies based in 55 markets and voted on clients' behalf on more than 165,000 management and shareholder proposals across 71 voting markets. Voting is how BIS signals support for or raises concerns over a company's corporate governance or business model. Where BIS has concerns, the team may vote against directors or other management proposals, or in support of a shareholder proposal. BIS employs votes against directors more frequently since that is a globally available signal of concern. During the 2020-21 proxy year (1 July 2020 through 30 June 2021), BIS voted on more than 64,000 director elections, voting against 10% for falling short of the team's expectations. BIS voted against one or more directors at over 3,400 companies globally. Corporate governance concerns — including lack of board independence, insufficient diversity, and executive compensation — prompted most of the votes against

directors' elections, and other director-related proposals, globally. BIS's engagement and voting disclosure can be found at: <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history>.

In line with BlackRock's investment conviction that climate risk is investment risk, in 2020 the BIS team identified 244 companies that, on its assessment, were not adequately addressing their exposure to or management of climate risk.<sup>1</sup> In 2021, BIS expanded the climate focus universe to over 1,000 carbon intensive public companies that represent 90% of the global scope 1 and 2 greenhouse gas (GHG) emissions of our clients' public equity holdings with BlackRock.<sup>2</sup> Further information on climate risk can be found at: <https://www.blackrock.com/corporate/literature/publication/blk-climate-focus-universe.pdf>

The increasing demand from investors for more complete and comparable sustainability reporting, and from companies for clarity on what to report, led BlackRock to ask, in January 2020, that companies publish reports aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), supplemented by industry specific metrics such as those identified by the Sustainability Accounting Standards Board (SASB). BIS communicated its position throughout the past two years that BlackRock expects companies to demonstrate how climate and sustainability-related risks are considered and integrated into their strategy. If a company does not provide adequate public disclosures for BlackRock to assess how material risks are addressed, we may conclude that those issues are not appropriately managed and mitigated. In the 2020-21 proxy year, BIS voted against 255 directors and against 319 companies for climate-related concerns that could negatively affect long-term shareholder value.<sup>3</sup>

More details about BlackRock's investment stewardship process can be found on BlackRock's website at [www.blackrock.com/corporate/about-us/investment-stewardship](http://www.blackrock.com/corporate/about-us/investment-stewardship).

In terms of its own reporting, BlackRock believes that the SASB provides a clear set of standards for reporting sustainability information across a wide range of issues, from labour practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the TCFD provides a valuable framework. BlackRock recognises that reporting to these standards requires significant time, analysis, and effort. BlackRock's own SASB-aligned disclosure is available on its website at: [www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/blackrock-2020-sasb-disclosure.pdf](http://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/blackrock-2020-sasb-disclosure.pdf) and BlackRock is committed to publishing a detailed TCFD-aligned report in 2022 on its 2021 activities.

The above forms part of the Strategic Report.

<sup>1</sup> See the BIS special report, "Our approach to sustainability", that outlines BIS' engagement approach and voting on climate risk and other sustainability topics.

<sup>2</sup> Based on MSCI data. This list includes companies that were on the 2020 BIS Climate Watchlist and those that are constituents of the Climate Action 100+ focus universe, in addition to other companies that BlackRock held an equity position in on behalf of our clients as of the end of 2020.

<sup>3</sup> Votes against unique companies on climate include: 1) votes against or abstain on director elections and director-related proposals, and 2) votes in support or abstain on climate-related shareholder proposals.



# Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 November 2021.

## Status of the Company

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is domiciled in the UK as an investment company within the meaning of Section 833 of the Companies Act 2006. It is not a close company and has no employees.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers' Directive (AIFMD) (as implemented and transposed into UK law). The Company is governed by the provisions of the UK Alternative Investment Fund Managers Regulations 2013 (the Regulations) and is required to be authorised by the Financial Conduct Authority (FCA). It must comply with a number of obligations, including the appointment of an Alternative Investment Fund Manager (AIFM) and a depositary to carry out certain functions. The Company must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the FCA. Further details are set out on the BlackRock website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg), the Regulatory Disclosures section on pages 127 and 128 and in note 16 of the Notes to the Financial Statements on pages 106 to 118.

The Company's ordinary shares are eligible for inclusion in the Stocks & Shares component of an Individual Savings Account (ISA).

## Facilitating retail investments

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

## The Common Reporting Standard

Tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (The Common Reporting Standard) was introduced on 1 January 2016.

The legislation requires investment trust companies to provide personal information to HMRC about investors who purchase shares in investment trusts. The Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders entered onto the share register, excluding those whose shares are held in CREST, will be sent a certification form for the purposes of collecting this information.

## Dividends

Details of dividends paid and payable are set out in the Chairman's Statement on page 10.

## Investment management and administration

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014. The management contract is terminable by either party on six months' notice.

BlackRock Investment Management (UK) Limited (BIM (UK)) continues to act as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Company Secretary of the Company throughout the year.

BFM receives a base management fee of 0.35% of gross assets per annum (calculated on the month end gross assets of the Company, including the economic exposure of the total long and short positions and index futures less current liabilities). BFM is also entitled to a performance fee of 15% of Net Asset Value (NAV) total return outperformance of the Benchmark Index measured on a two-year rolling basis and applied on the average gross assets over two years. The performance fee has an effective cap of 0.9% of average gross assets over a two-year period. The cap applies as a result of the maximum cap on total management and performance fees of 1.25% of average gross assets over a rolling two-year period.

The fee structure also includes a mechanism by which any cumulative previous underperformance versus the Benchmark Index return must be made good before any future performance fee can be generated. Conversely, any outperformance which has not been remunerated as a result of the application of the maximum cap on total fees of 1.25% (as above) may be carried forward solely for the purposes of being applied to net off against any underperformance not yet made good. The performance fee model for the Company operates on a rolling two-year period, with an effective annual cap of circa 0.9% on average gross assets over two years. On the first day of the financial year outperformance

from the previous financial year (if any) is carried forward and accrued in the daily NAV released to the London Stock Exchange.

For the year ended 30 November 2021 a performance fee of £6,655,000 (2020: £4,890,000) was payable to the Manager as a result of the outperformance generated.

The Board believes that the fee structure is appropriately aligned to the Company's activities, investment objective and shareholder interests. The low base fee minimises the costs borne by shareholders, whilst the performance fee is designed to reward the Manager at a level acceptable to shareholders for the generation of superior performance.

Further details of the management fees are disclosed in note 4 on page 99.

No penalty on termination of the investment management agreement is payable by the Company in the event that six months' written notice is given to BFM. There are no provisions relating to payment of fees in lieu of notice.

The Company contributes to a focused investment trust sales and marketing initiative operated by BIM (UK) on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represented 0.025% per annum of its net assets (£660.9 million as at 31 December 2020) and this contribution is matched by BIM (UK).

For the year ended 30 November 2021, £157,000 including VAT (2020: £174,000 including VAT) has been accrued in respect of these initiatives. The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

BFM and BIM (UK) are subsidiaries of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange and operating as an independent firm.

### **Appointment of the Manager**

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually. As part of the annual review, the Board considers the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

The Board believes that the continuing appointment of BFM (the Manager) as AIFM, and the delegation of investment management services to BIM (UK) (the Investment Manager), on the terms disclosed above, is in the interests of shareholders as a whole. The specialist nature of the

Company's investment remit is, in the Board's view, best served by the Emerging Companies team at BlackRock, which has a proven track record in successfully investing in this sector.

### **Depository and Custodian**

The Company has appointed The Bank of New York Mellon (International) Limited as its Depository (the Depository or BNYM). Its duties and responsibilities are outlined in the investment fund legislation (as contained in the FCA AIF Rulebook). The main role of the Depository under the AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring the value of the Company's shares is calculated appropriately in accordance with the relevant regulations and guidance. The Depository is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depository receives a fee payable at 0.0095% of the net assets of the Company (previously 0.0115%). The Company has appointed the Depository in a tripartite agreement to which BFM as AIFM is also a signatory. The Depository is also liable for loss of financial instruments held in custody.

Under the depository agreement, custody services in respect of the Company's assets have been delegated to BNYM which also receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. Custody fees of £12,000 (2020: £15,000) were paid to BNYM. The depository agreement is subject to 90 days' notice of termination by any party.

### **Registrar**

The Company has appointed Computershare Investor Services PLC as its Registrar (the Registrar). The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to any corporate actions, dividend administration, shareholder documentation and compliance with the Common Reporting Standard.

The Registrar receives a fixed fee, plus disbursements and VAT. Fees in respect of corporate actions are negotiated as and when they arise. Registrar fees of £47,000 (2020: £43,000) were paid to the Registrar.

### **Derivative counterparties**

The Company transacts with multiple counterparties for transacting in derivatives. At 30 November 2021, the Company had master agreements with BNP Paribas, Credit Suisse, Deutsche Bank AG and JPMorgan, to enable the Company to gain long and short exposure on individual securities through derivatives. Further details are given in note 16 on pages 108 and 112.

# Directors' report

continued

## Change of control

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

## Exercise of voting rights in investee companies

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager by BFM. BlackRock's approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BlackRock believes that sound corporate governance and sustainable business models contribute to their long-term financial performance and thus to better risk adjusted returns. BlackRock's proxy voting process is led by the BIS team, located in ten offices around the world. In addition to its own professional staff, the BIS team draws upon the expertise of BlackRock's portfolio managers, researchers and other internal and external resources globally.

BlackRock's global principles are published on the website at <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

Each year, BIS reviews and updates its Global Principles and market-specific proxy voting guidelines. These documents set out the core elements of corporate governance that guide BlackRock's investment stewardship activities globally and within each regional market, including when voting at shareholder meetings. These policies are informed by the fact that many of BlackRock's clients are investing to achieve long-term financial goals.

BIS updates its Global Principles and regional voting guidelines annually to reflect changes in market standards and to help companies understand BlackRock's views on emerging corporate governance issues. In 2021, BIS made updates to its policies in line with BlackRock's intensified focus on sustainability across all its investment activities on behalf of clients. In this context, the recently published 2022 policy updates are more incremental, seeking to

reflect BIS' latest views on certain governance issues and incorporating insights gained from company engagements, client feedback, regulatory developments, and BlackRock and third party research.

The voting guidelines are principles-based and not prescriptive because BlackRock believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BlackRock believes in its professional judgement will best protect the economic interests of their clients.

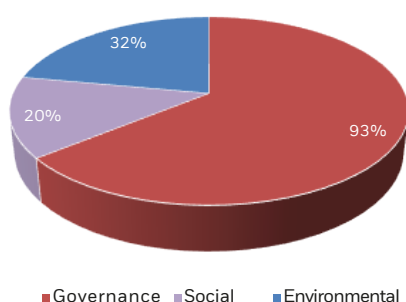
During the year under review, the Investment Manager voted on 1,742 proposals at 126 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, as should be expected when investing in well-run companies, but voted against 82 management resolutions and abstained or withheld from voting on 17 resolutions. Most of the votes against were in respect of proposals which contained insufficient disclosure for the Investment Manager to make an informed decision, or in respect of executive remuneration packages which were considered to be poorly structured.

## BlackRock Throgmorton Trust plc – engagement with portfolio companies in 2021

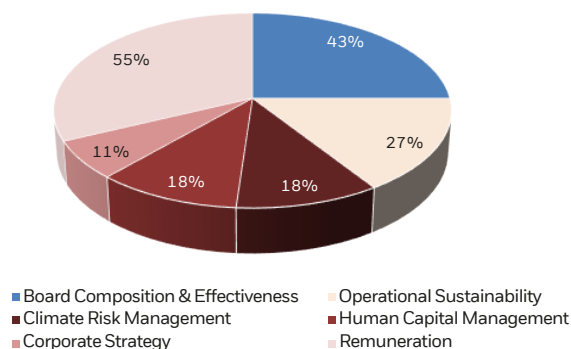
Given the Board's belief in the importance of engagement and communication with portfolio companies, it receives regular updates from the Manager in respect of activity undertaken for the year under review. The Board notes that over the year to 30 November 2021, BlackRock's Investment Stewardship team conducted a total of 44 company engagements with the management teams of 32 portfolio companies representing 31.4% of the portfolio by value at 30 November 2021. To put this into context, there were 102 companies in the BlackRock Throgmorton Trust plc portfolio at 30 November 2021. Additional information is set out in the table and charts below as well as the key engagement themes for the meetings held in respect of the Company's portfolio holdings.

	Year ended 30 November 2021
Number of engagements held	44
Number of companies met	32
% of equity investments covered	31.4
Shareholder meetings voted at	126
Number of proposals voted on	1,742
Number of votes against management	82
% of total votes represented by votes against management	4.7%

**Engagement themes \*1**



**Top 6 Engagement Topics \*1**



\* Engagements include multiple company meetings during the year with the same company. Most engagement conversations cover multiple topics and are based on BlackRock vote guidelines and BlackRock's engagement priorities can be found at: <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-priorities>. Percentages reflect the number of meetings at which a particular topic is discussed as a percentage of the total meetings held; as more than one topic is discussed at each meeting the total will not add up to 100%.

<sup>1</sup> Sources: ISS Proxy Exchange and BlackRock Investment Stewardship.

## Principal risks

The key risks faced by the Company are set out in the Strategic Report on pages 42 to 44.

## Going concern

The Financial Statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the year and the Directors believe that this is the appropriate basis, and the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date these Financial Statements were approved, and is financially sound. The Company is able to meet all of its liabilities from its assets and the 2021 ongoing charges (excluding performance fees) are approximately 0.57% (2020: 0.60%) of the net assets.

## Directors

Having carefully considered the Board's composition and the need to ensure that a suitable balance of skills, knowledge, experience, independence and diversity is maintained, it was agreed to commence a search and selection process to identify new Directors in 2020. To assist them in their search for the right candidates the Board engaged an independent third party recruitment firm, Fletcher Jones Limited. Following a thorough and detailed search, the Board resolved to appoint Nigel Burton and Merryn Somerset Webb to the Board.

All of the Directors as at 30 November held office throughout the year under review, with the exception of Nigel Burton and Merryn Somerset Webb, who were appointed with effect from 21 December 2020 and 24 March 2021 respectively. Jean Matterson retired as a Director on 24 March 2021.

Details of Directors' interests in the ordinary shares of the Company are set out in the Report of the Remuneration Committee on pages 70 to 73. Further information on the Directors of the Company as at 30 November 2021 and as at the date of this report can be found on pages 35 to 37.

All appointments to the Board and re-elections of Directors are carried out in accordance with the Companies Act and the Company's Articles of Association. The Company's Articles of Association provide that one third of Directors retire by rotation each year. In addition, each Director shall retire and offer themselves for re-election at intervals of no more than three years. The Board may also appoint Directors but any Director so appointed must stand for election by the shareholders at the next Annual General Meeting. Directors are also required to retire if they have served more than nine years on the Board and then may offer themselves for annual re-election.

However, in accordance with best practice and the recommendations of the UK Code of Corporate Governance, the Board has agreed that all Directors will retire each year and being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting (AGM) to be held on 24 March 2022. The Board has considered the position of all Directors standing for re-election at the AGM and believes that it is in the Company's best interests to support the respective resolutions. The Board therefore recommends that shareholders vote in favour of these resolutions.

The Board has considered the time commitment of each Director to ensure that they have sufficient time to effectively discharge their duties to the Company. The Board has specifically considered the time commitment required



# Directors' report

continued

Director	Asset and Investment Management	Finance and/or Accounting	Investment Trust experience	Marketing and Distribution	Corporate Strategy and Finance
Christopher Samuel	✓	✓	✓	✓	✓
Loudon Greenlees	✓	✓	✓		✓
Merrryn Somerset Webb	✓		✓	✓	
Nigel Burton	✓	✓		✓	✓
Louise Nash	✓		✓	✓	✓
Angela Lane	✓	✓	✓		✓

of the Chairman, noting that he has various other roles, including another chairmanship at a listed company. The Chairman has provided the Board with a detailed breakdown of his other time commitments and a description of the work he undertakes. He has also confirmed that he will be standing down from one of his directorships in April 2022. The Board, noting that many of his other roles are at investment companies, has formed the opinion that his other directorships, in aggregate, are not overly onerous on his time and do not negatively impact on his ability to discharge his duties to the Company. Moreover, the Board has noted that he commits a significant amount of time to the Company and demonstrates dedication in his role as Chairman of the Board.

Having considered the Directors' performance within the annual Board performance evaluation process, further details of which are provided on pages 66 and 67, the Board believes that it continues to be effective and that the Directors bring extensive knowledge and experience, suitably aligned to the activities of the Company, and demonstrate a range of valuable business, financial and asset management skills, as set out in the table on the following page. Further details of their experience and expertise can be found in their biographies on pages 35 to 37 and in the table above.

Further details of the independence of the Board and Board tenure is provided in the Corporate Governance Report on page 65.

There were no contracts subsisting during the year under review or up to the date of this report in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company.

## Conflicts of interest

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest.

All Directors are required to notify the Company Secretary of any situations, or potential situations where they consider that they have or may have, a direct or indirect interest or duty that conflicts or possibly conflicts with the interests of the Company.

All new situations, or changes to previously reported situations are reviewed on an individual basis and reviewed at each meeting. Directors are also reminded at each meeting that there remains a continuing obligation to notify the Company Secretary of any new situations that may arise or any changes that may occur to a previously notified situation. The Board considers that the framework has worked effectively throughout the year.

## Directors' remuneration report and policy

The Directors' Remuneration Report can be found within the Report of the Remuneration Committee on pages 70 to 73. An advisory ordinary resolution to approve this report will be put to shareholders at the Company's AGM. The Company is also required to put the Directors' Remuneration Policy to a binding shareholder vote every three years. The Company's Remuneration Policy was last put to shareholders at the AGM in 2020, therefore, an ordinary resolution to approve the policy will be put to shareholders at the AGM to be held in early 2023. Further details can be found in the Notice of AGM on page 134 and the Remuneration Policy can be found on pages 74 and 75.

## Directors' responsibilities

The Directors' responsibilities in preparing these Financial Statements are noted on page 80.

## Substantial share interests

As at 30 November 2021 and as at the date of this report, the following investors had declared a notifiable interest of 3% or more in the Company's voting rights.

Shareholder	Number of Ordinary shares	% of issued share capital <sup>1</sup>
Brewin Dolphin	12,383,335	12.2%
Investec Wealth & Management	6,485,440	6.3%
Rathbones	5,576,839	5.4%

<sup>1</sup> Based upon 101,435,964 shares in issue at the year end.

As at the date of this report the Company has not received notification of any changes to the interests in 3% or more of the voting rights attached to the Company's issued share capital as set out above.

## Articles of Association

Any amendments to the Company's Articles of Association must be made by a special resolution of the members of the Company.

## Share capital

Details of the Company's share capital and voting rights are given in note 14 on page 105. Details of the voting rights in the Company's shares as at the date of this report are also given in note 17 to the Notice of Annual General Meeting on page 135.

The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares or on the transfer of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company.

## Share issues and repurchases

The Company has the authority to purchase ordinary shares in the market to be held in treasury or for cancellation and to issue new ordinary shares for cash. No ordinary shares were purchased during the year. The Company issued and allotted a total of 13,917,035 new ordinary shares during the year at an average price of 898.09p per share and for a total consideration of £124,988,000.

The Directors consider that it is in the interests of shareholders as a whole that the price of the ordinary shares reflects, as closely as possible, the NAV per share. The Directors will continue to consider the issue or repurchase of ordinary shares to correct any supply/demand imbalance in the market. Any such issues or repurchases will enhance the NAV per share for continuing shareholders.

The current authority to repurchase ordinary shares was granted to Directors on 24 March 2021 and expires at the conclusion of the AGM in 2022. There were no buy backs undertaken during the period or up to the date of this report. The Directors are proposing that their authority to buy-back shares to be held in treasury, or for cancellation, and to issue new shares or sell shares from treasury be renewed at the forthcoming AGM.

Although the Manager initiates any buybacks, the policy and parameters would be set by the Board and reviewed at regular intervals. If needed, the Company would raise any cash required to finance the purchase of such shares either by selling securities in the Company's portfolio or by short term borrowing.

## Treasury shares

The Company is authorised to purchase its own ordinary shares to be held in treasury for reissue or cancellation at a future date. As at 30 November 2021, no ordinary shares were held in treasury (2020: nil shares).

Treasury shares will only be reissued at prices at or above the prevailing NAV per share thereby giving the Company the ability to reissue shares quickly and cost effectively, improving liquidity and providing the Company with additional flexibility in the management of its capital base. It also ensures a positive overall effect for shareholders when shares are bought back at a discount and then sold at a price at or above the NAV per share.

## Streamlined Energy & Carbon Reporting scheme ("SECR") statement: greenhouse gas (GHG) emissions and energy consumption disclosure

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations, nor does it have any responsibility for any other emissions producing sources under the Companies Act (Strategic Report and Directors' Reports) Regulations 2013. For the same reason, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

## General meeting – renewal of share issuance powers

The share issue authority granted by shareholders at the last AGM held on 24 March 2021 was fully utilised during the year under review. The Directors believe that it is in shareholders' interests to ensure that the Company has, at all times, the ability to issue new shares or sell shares from treasury in order to manage any excessive share price premium to NAV that may arise.

Therefore, a General Meeting was convened and held on 4 October 2021 in order to seek shareholder authority to allot or sell from treasury up to 19,736,362 ordinary shares, representing 20% of the Company's issued share capital, on a non-pre-emptive basis. The vast majority of shareholders who voted, did so in favour of the resolutions put to the meeting and to date approximately 3.26% of the 20% authority has been utilised. The authority conferred by the Resolution will lapse at the conclusion of the forthcoming annual general meeting of the Company to be held on 24 March 2022, when the Directors will seek renewed authority.

# Directors' report

continued

## Business of the AGM

### AGM Arrangements

At present UK Government restrictions on public gatherings are no longer in force in connection with COVID-19 and the AGM can be held in the normal way with physical attendance by shareholders. However, shareholders should be aware that it is possible that such restrictions could be reimposed prior to the date of the AGM. In such event, these restrictions could mean that the AGM is required to be held as a closed meeting as happened last year with physical attendance limited to only a small number of attendees comprising the required quorum for the meeting and those persons whose attendance is necessary for the conduct of the meeting, and that any other persons will be refused entry. Accordingly, all shareholders are recommended to vote by proxy in advance of the AGM and to appoint the Chairman of the meeting as their proxy. This will ensure that shareholders' votes will be counted even if they (or any appointed proxy) are not able to attend. All votes will be taken by poll so that all proxy votes are counted. It should be noted that the appointment of a proxy does not preclude a shareholder from attending the AGM.

The Company may impose entry restrictions on persons wishing to attend the AGM (including, if required, refusing entry) to secure the orderly conduct of the AGM and the safety of the attendees. All shareholders intending to attend should either be fully vaccinated or obtain a negative COVID-19 test result before entering the venue. Negative test results must be obtained no earlier than one day before entering the venue and fully vaccinated shareholders are also strongly encouraged to get tested.

Attendees will also be required to wear a face covering at all times within the venue except when seated in the relevant meeting room. Shareholders are also requested not to attend the AGM if they have tested positive for COVID-19 in the 10 days prior to the AGM, are experiencing new or worsening COVID-19 related symptoms, have been in close contact with anyone who is experiencing symptoms or has contracted COVID-19 during the 14 days prior to the AGM, or are required to self-isolate pursuant to UK Government guidance.

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

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

The business of this year's AGM consists of 17 resolutions. Resolutions 1 to 14 are proposed as ordinary resolutions and resolutions 15 to 17 are being proposed as special resolutions.

### Ordinary Resolution 1 – Annual Report and Financial Statements

This resolution seeks shareholder approval to receive the report of the Directors and Financial Statements for the year ended 30 November 2021 and the Auditor's report thereon.

### Ordinary Resolution 2 – Approval of the Directors' Remuneration Report

This resolution is an advisory vote on the Directors' Remuneration Report for the year ending 30 November 2021, excluding any content relating to the proposed future remuneration policy as set out on pages 70 to 75.

### Ordinary Resolution 3 – Approval of a final dividend

This resolution seeks shareholder approval of a final dividend of 8.00 pence for the year ended 30 November 2021.

### Ordinary Resolutions 4 to 9 – Re-election of the Directors

Resolutions 4 to 9 relate to the re-election of the Directors. The Board has undertaken a formal performance evaluation during the year and confirms that the performance of the Directors standing for re-election continues to be effective and that each Director continues to demonstrate commitment to their role and has confirmed with each Director, and specifically with the Chairman of the Board, that they have sufficient time to effectively discharge their duties to the Company. Their biographies on pages 35 to 37 provide details of their collective expertise and experience. The Board believes their re-appointment is in the best interests of shareholders and will promote the long-term success of the Company.

### Ordinary Resolutions 10 and 11 – Appointment of the external Auditor and the Auditor's Remuneration

These resolutions relate to the re-appointment and remuneration of the Company's auditor. The Company, through its Audit Committee, has considered the independence and objectivity of the external auditor and is satisfied that the Auditor is independent. Further information in relation to the assessment of the existing Auditor's independence can be found in the Report of the Audit Committee on page 78.

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

### Ordinary Resolution 12 – Authority to increase the aggregate maximum cap on Directors' fees

As referenced in the Chairman's Statement on page 11, this resolution seeks shareholder authority to increase the maximum aggregate limit on Directors' fees from the current limit of £200,000 to £250,000 per annum. This is to ensure

that the limit is such that it can accommodate a Board of six Directors. It is not the Board's intention that fees will be raised to the new limit immediately upon approval.

### **Ordinary Resolution 13 – Authority to allot ordinary shares**

The Directors may only allot shares for cash if authorised to do so by shareholders in a general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £515,924 per annum, which is equivalent to 10,318,486 ordinary shares of 5p each and represents 10% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the Notice of the AGM. This resolution will expire at the conclusion of the AGM of the Company to be held in 2023 unless renewed prior to that date at an earlier general meeting. All shares issued under this authority would be at a premium to the prevailing NAV.

### **Ordinary Resolution 14 – Additional authority to allot ordinary shares**

This resolution seeks further authority for the Directors, additional to that sought by resolution 13, to allot shares for cash up to an additional aggregate nominal amount of £257,962 per annum, which is equivalent to 5,159,243 ordinary shares of 5p each and represents a further 5% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the Notice of the AGM. This resolution, which is subject to the passing of resolution 13, will expire at the conclusion of the AGM of the Company to be held in 2023 unless renewed prior to that date at an earlier general meeting. All shares issued under this authority would be at a premium to the prevailing NAV.

### **Special Resolution 15 – Authority to disapply pre-emption rights**

By law, Directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 15 empowers the Directors to allot new shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £515,924 which is equivalent to 10,318,486 ordinary shares of 5p each and represents 10% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the Notice of the AGM. This resolution, which is subject to the passing of resolution 13, will expire at the conclusion of the AGM of the Company to be held in 2023 unless renewed prior to that date at an earlier general meeting. All shares issued under this authority would be at a premium to the prevailing NAV.

### **Special Resolution 16 – Additional authority to disapply pre-emption rights**

By law, Directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 16 empowers the Directors to allot new shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, in addition to the authority sought under resolution 15, up to an aggregate nominal amount of £257,962 which is equivalent to 5,159,243 ordinary shares of 5p each, and represents 5% of the Company's issued ordinary share capital (excluding treasury shares), as at the date of the Notice of the AGM. This resolution, which is subject to the passing of resolution 14, will expire at the conclusion of the AGM of the Company to be held in 2023 unless renewed prior to that date at an earlier general meeting. All shares issued under this authority would be at a premium to the prevailing NAV.

### **Special Resolution 17 – Authority to buy back ordinary shares**

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own ordinary shares. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares.

The Directors are seeking authority to purchase up to 15,467,411 ordinary shares (being 14.99% of the issued ordinary share capital excluding treasury shares as at the date of this report). This authority, unless renewed at an earlier general meeting, will expire at the conclusion of the AGM of the Company to be held in 2023.

Any ordinary shares purchased pursuant to this resolution shall be cancelled immediately upon completion of the purchase or held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act.

### **Recommendation**

The Board considers that each of the resolutions to be proposed at the Annual General Meeting is likely to promote the success of the Company for the benefit of its members as a whole and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of these resolutions as they intend to do in respect of their own beneficial holdings.

### **Corporate Governance**

Full details are given in the Corporate governance statement on pages 65 to 69. The Corporate Governance Statement forms part of this Directors' Report.

### **Audit information**

As required by Section 418 of the Companies Act 2006 the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make



# Directors' report

continued

themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Independent Auditor

In line with EU regulations on mandatory audit rotation, an audit tender process was carried out by the Company during 2018. Following this process, and on the recommendation of the Company's Audit Committee, the Board resolved that PricewaterhouseCoopers LLP be appointed as the Company's independent auditor for the financial year commencing on 1 December 2018. PricewaterhouseCoopers LLP have audited the Company's Financial Statements for the year ending 30 November 2021.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting, together with a resolution to authorise the Audit Committee to determine its remuneration.

The Directors' Report was approved by the Board at its meeting on 4 February 2022.

By order of the Board

## KEVIN MAYGER

for and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
4 February 2022

# Corporate governance statement

## Introduction

Corporate governance is one of the processes by which the Board seeks to safeguard shareholders' interests and protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run the Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing the business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company, and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

As a UK-listed investment trust company our principal reporting obligation is driven by the UK Corporate Governance Code (the UK Code). However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the AIC Code), which addresses the governance issues relevant to investment companies and meets the approval of the Financial Reporting Council.

The UK Code is available from the Financial Reporting Council's website at [frc.org.uk](http://frc.org.uk). The AIC Code is available from the Association of Investment Companies at [www.theaic.co.uk](http://www.theaic.co.uk).

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility, authority and accountability.

## Compliance

The Board has made the appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third party service providers, the Company has no employees and the Directors are all non-executives, therefore not all the provisions of the UK Code are directly applicable to the Company.

The Board considers that the Company has complied with the recommendations of the AIC Code and the provisions contained within the UK Code that are relevant to the Company throughout the accounting period, except for those relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive employees and, in relation to internal audit function, in view of BlackRock having an internal audit function.

Information on how the Company has applied the principles of the AIC Code and the UK Code is set out below.

## The Board

### Board composition

The Board currently consists of six Non-Executive directors, all of whom are independent of the Company's Manager.

The provision of the UK Corporate Governance Code which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors. The UK Code also recommends that the Board should appoint one of the independent Non-Executive directors to be the senior independent director. Having considered this Code provision once again and taking into account the Company's current and future size and the makeup of the share register, the Board resolved to appoint Louise Nash as Senior Independent Director with effect from 1 February 2021.

The Directors' biographies, on pages 35 to 37, demonstrate a breadth of investment knowledge, business and financial experience relevant to the Company's business which enables the Board to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can also be found on page 35.

### Board independence and tenure

The Board's independence, including that of the Chairman, has been considered and all of the Directors are deemed to be independent in character and have no relationships or circumstances which are likely to affect their judgement.

The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure, in isolation, reduces his or her ability to act independently. The Board's policy on tenure is that continuity and experience add significantly to the strength of the Board and, as such, no formal limit on the overall length of service of any of the Company's Directors has been imposed, although the Board believes in the merits of an ongoing and progressive refreshment of its composition.

### Succession planning

The Directors support a planned and progressive renewing of the Board. The Board's tenure and succession policy seeks to ensure that the Board remains well balanced at all times through the application of a formal succession plan, seeking to identify and appoint new Directors, as required, who

# Corporate governance statement

continued

possess a range of skills, knowledge and experience which is aligned to the activities of the Company. Directors must also be able to demonstrate sufficient commitment to the Company, including the ability to commit sufficient time to effectively discharge their duties.

The Board is cognisant of the concept of “overboarding” and has considered the time commitment required by the Directors’ other roles, taking into account their nature and complexity. The Board reviews this information annually to ensure all Directors have sufficient capacity to carry out their role effectively.

## Time Commitment of the Chairman

The Board has specifically considered the time commitment of the Chairman, noting that he has various other roles, including another chairmanship at a listed company. The Chairman has provided the Board with a detailed breakdown of his other time commitments and a description of the work he undertakes. He has also confirmed that he will be standing down from one of his directorships in April 2022. The Board, noting that many of his other roles are at investment companies, has formed the opinion that his other directorships, in aggregate, are not overly onerous on his time and do not negatively impact on his ability to discharge his duties to the Company. Moreover, the Board has noted that he commits a significant amount of the time to the Company and is dedicated to his role as Chairman of the Board.

## Diversity

The Board’s policy on diversity, including gender, is that this factor should be taken into account as part of its succession planning arrangements and during the recruitment and appointment process. The Board is also aware of developing corporate governance with regard to the ethnicity of the individual Directors. The Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report. The Board recognises the benefit of diversity and as at the date of this report the Board consists of three men and three women, resulting in 50% female representation.

## Directors’ induction and training

When a new Director is appointed to the Board, he or she is provided with all the relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Manager, including the Portfolio Manager and the Company Secretary, whereby he or she will become familiar with the various processes which are considered necessary for the performance of their duties and responsibilities.

The Company’s policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst

others, the Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect themselves or the Company.

## Directors’ liability insurance

The Company has maintained appropriate Directors’ Liability Insurance cover throughout the year, which continues to be in force as at the date of this report.

## The Board’s responsibilities

The Board is responsible to shareholders for the effective stewardship of the Company. A formal schedule of matters reserved for the decision of the Board has been adopted. Investment policy and strategy are determined by the Board. It is also responsible for the gearing policy, dividend policy, public documents, such as the Annual Report and Financial Statements, the buy-back policy and corporate governance matters. In order to enable them to discharge their responsibilities effectively the Board has full and timely access to relevant information.

The Board currently meets at least six times a year to review investments, performance, financial reports and other reports of a strategic nature. Board or Board Committee meetings are also held on an ad hoc basis to consider issues as they arise. Key representatives of the Manager and/or Investment Manager attend each meeting and between these meetings there is regular contact with the Manager and Investment Manager.

The Directors have direct access to company secretarial advice and the services of the Manager, through a nominated representative, who is responsible to the Board for ensuring that Board and Committee procedures are followed and that the Company complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

## Performance evaluation

In order to review the effectiveness of the Board, its Committees and the individual Directors, the Board carries out an annual appraisal process. The annual evaluation for the year ended 30 November 2021 has been carried out with the assistance of an independent third party and took the form of electronic performance evaluation questionnaires. The evaluation looked at several key areas, including the performance of the Board and its Committees, the effectiveness of the Board’s oversight of the Investment Manager, investment strategy and performance, risk management, external relations and succession planning. The responses were then collated, analysed and discussions held between the Chairman and the Directors. The performance of the Chairman was reviewed by the other Directors led by Louise Nash.

The appraisal process is considered to be constructive in terms of identifying areas in which the functioning and performance of the Board and its Committees and the

contribution of individual Directors could be improved, as well as building on and developing individual and collective strengths. There were no significant issues arising from the evaluation process and it was agreed that the Board and its Committees were functioning effectively.

## **Delegation of responsibilities**

The Board has delegated the following areas of responsibility:

### **Management and administration**

The management of the investment portfolio and the administration of the Company have been contractually delegated to BlackRock Fund Managers Limited (BFM or the Manager) as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK) or the Investment Manager). The contractual arrangements with the Manager are summarised on pages 56 and 57. The Manager, operating under guidelines determined by the Board, has responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

The Manager has delegated the fund accounting and administration services to The Bank of New York Mellon (International) Limited.

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board Meeting. In addition, a formal review is undertaken annually, details of which are set out on page 57 of the Directors' Report.

The assets of the Company have been entrusted to the Depositary for safekeeping. The Company's appointed Depositary is The Bank of New York Mellon (International) Limited. The address at which the business is conducted is given on page 126.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's approach to voting is set out on page 58.

### **Committees of the Board**

The Board has appointed a number of committees as set out below and on page 34. Copies of the terms of reference of each committee are available on request from the Company's registered office, on the BlackRock website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg) and at each Annual General Meeting.

#### **Audit Committee**

The Audit Committee, which is chaired by Loudon Greenlees, consists of all the Directors of the Company. Further details are provided in the Report of the Audit Committee on pages 76 to 79.

#### **Nomination Committee**

The Nomination Committee, which comprises all the Directors, is chaired by Christopher Samuel.

The role of the Committee is to review Board structure, size and composition, the balance of knowledge, experience and skills range and to consider succession planning and tenure policy. Appointments of new Directors will be made on a formalised basis, with the Committee agreeing the selection criteria and the method of selection, recruitment and appointment. Board diversity, including gender, will be taken into account in establishing the criteria. The services of an external search consultant may be used to identify potential candidates. The Committee meets at least once a year and more often if required.

#### **Management Engagement Committee**

The Management Engagement Committee is chaired by Christopher Samuel and comprises all the Directors of the Company. The Committee annually reviews the appropriateness of the Manager's continued appointment, together with the terms and conditions thereof.

In addition to reviewing performance, the Manager is also assessed in relation to the quality of the fund management and administration teams, commitment to their investment trust business, strength of relationships with shareholders and the appropriateness of the management contract, including fees.

#### **Remuneration Committee**

The Remuneration Committee was established with effect from 1 February 2021, is chaired by Angela Lane and comprises all the Directors of the Company. The Remuneration Committee has delegated responsibility for determining and recommending to the Board a policy for Directors' remuneration. The Committee reports and makes recommendations to the Board on all matters of remuneration. Further details are provided in the Report of the Remuneration Committee on pages 70 to 73.

#### **Internal controls**

The Board is responsible for ensuring the establishment and maintenance of the Company's system of internal controls and for monitoring their adequacy and effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment companies. The Board reviews the effectiveness of the internal control systems on an ongoing basis to identify, evaluate and manage the Company's significant risks. As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses and should a matter be categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failing. The Board is not aware of any significant failings or weaknesses arising during the year under review.



# Corporate governance statement

continued

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the service providers as delegated by the Company. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by the Manager's internal audit department. This accords with the Financial Reporting Council's: Guidance on Risk Management and Internal Control.

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks.

The Audit Committee formally reviews this register on a semi-annual basis and BFM, as the Company's AIFM, reports on any significant issues that have been identified in the period. The Depositary also reviews the control processes in place at the Custodian, the Fund Accountant and the AIFM and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad hoc basis to the extent this is required. The Committee also receives summaries of the annual Service Organisation Control (SOC 1) reports respectively from BlackRock and The Bank of New York Mellon on the internal controls of their respective operations, together with the opinion of their reporting accountants.

The Board recognises that these control systems can only be designed to manage rather than to eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Manager and the Depositary.

The Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance at each Board meeting. The Board and the Manager have agreed clearly defined investment criteria and have specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

## Internal audit

The Company does not have its own internal audit function, as all the administration is delegated to the Manager whose internal audit department reports to the Company's Audit Committee on a semi-annual basis on the results of testing performed in relation to the Manager's internal control processes. The Board monitors the controls in place through the Manager's internal audit department and considers that there is currently no need for the Company to have its own internal audit function although this matter is kept under review.

## Financial reporting

The production of the Annual Report and Financial Statements is outsourced to the Fund Administrator and is reviewed and approved by the Directors. The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 80, the Independent Auditor's Report on pages 84 to 90 and the Statement of Going Concern on page 59.

## Socially responsible investment and ESG

Generally, investment trusts do not employ staff and accordingly have no direct impact on social matters, but they can be significant investors in the economies of the regions in which they invest. The Company invests primarily in securities of UK smaller and mid-capitalisation companies which are traded on the main market of the London Stock Exchange and AIM. The Board believes that it is important to invest in companies whose boards act responsibly in respect of environmental, ethical and social issues. The Manager's evaluation procedures and financial analysis of the companies within the portfolio include research and appraisal, and also take into account sustainability, environmental policies, social, ethical and other business issues. The Company invests primarily on financial grounds to meet its stated objectives. In this regard, the Manager's Emerging Companies team works closely with the BlackRock Investment Stewardship team.

Further information on the Board's approach to socially responsible investing and ESG and our Manager's approach to responsible ownership, sustainability and stewardship can be found on pages 54 and 55.

## Bribery prevention policy

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Company has a zero-tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery very seriously, and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based, and which are periodically reviewed by the Board. The Company's other service providers have been contacted in respect of their anti-bribery policies and where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

## Criminal Finances Act 2017

The Company has a commitment to zero-tolerance towards the criminal facilitation of tax evasion.

## GDPR

Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation (GDPR) on 25 May 2018. The Board has sought and received assurances from its third party service providers that they have taken appropriate steps to ensure compliance with GDPR.

## Communication with shareholders

All shareholders have the opportunity to attend and vote at the AGM. The Notice of the AGM sets out the business of the Meeting and any special business is explained in the Directors' Report. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. Separate resolutions are proposed for substantive issues.

Regular updates on performance are available to shareholders on the website. The Portfolio Manager will review the Company's activities at the AGM, where the Directors, including the Chairman of the Board and the Chairman of the Audit Committee and representatives of the Manager will be available to answer shareholders' questions. Proxy voting figures are announced to the shareholders at the AGM and will be made available on the Manager's website shortly after the meeting.

In accordance with provision E.2.2 of the UK Corporate Governance Code, when, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board will explain, when announcing the results of voting, what actions it intends to take to understand the reasons behind the vote result.

The Company's willingness to enter into discussions with shareholders is demonstrated by a programme of presentations made by the Portfolio Manager. The Board discusses with the Portfolio Manager at each Board meeting any feedback from meetings with shareholders, and it also receives reports from its corporate broker. The Chairman and Senior Independent Director also meet directly with shareholders providing a forum for canvassing their views and enabling the Board to be aware of any issues of concern.

There is also a clear channel of communication between the Board and the Company's shareholders via the Company Secretary and the Board encourages shareholders to utilise this. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all communication, other than junk mail, is redirected to the Chairman.

There is a section within this report entitled "Additional Information – Shareholder Information", on pages 122 to 124, which provides an overview of useful information available to shareholders.

The Company's financial statements, regular fact sheets and other information, are also published on the BlackRock website at [www.blackrock.com/uk/thrg](http://www.blackrock.com/uk/thrg). The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditor accepts no responsibility for any changes that

have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

## Packaged Retail and Insurance-Based Investment Products (PRIIPs) Regulation (the Regulation)

The European Union's PRIIPs Regulation requires that anyone manufacturing, advising on, or selling a PRIIP to retail investors in the EEA must comply with the Regulation. Shares issued by Investment Trusts fall into scope of the Regulation.

Investors should be aware that the PRIIPs Regulation requires the AIFM, as the PRIIP manufacturer, to prepare a key information document (KID) in respect of the Company. This KID must be made available, free of charge, to EEA retail investors prior to them making any investment decision and as published on BlackRock's website. Neither the Board nor the Company is responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

The PRIIPs KID in respect of the Company can be found at: [www.blackrock.com/uk/thrg](http://www.blackrock.com/uk/thrg).

## Disclosure Guidance and Transparency Rules

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 56 to 64 because it is information which refers to events that have taken place during the course of the year.

By order of the Board

### CHRISTOPHER SAMUEL

Chairman

4 February 2022

# Report of the remuneration committee



**Angela Lane**  
Chairman of the  
Remuneration Committee

On behalf of the Board, the Remuneration Committee presents the Directors' Remuneration Report for the year ended 30 November 2021 which has been prepared in accordance with Sections 420-422 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 84 to 90.

## Remuneration Committee

In previous years the Board as a whole has fulfilled the function of a remuneration committee. Having once again considered the provisions of the UK Code and best practice in respect of Director remuneration, the Board resolved to establish a separate remuneration committee with effect from 1 February 2021. The new committee is chaired by Angela Lane.

The Committee has delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Company's chair, audit committee chair and independent non-executive directors in accordance with the principles and provisions of the UK Code. The Committee reports and makes recommendations to the Board on all matters of remuneration.

## Statement by the Chairman of the Remuneration Committee

A key driver of the Company's Remuneration Policy is that fees payable to Directors should be sufficient to attract and retain individuals with suitable knowledge and experience. The Company's Directors are all non-executive and are independent of the Manager. The Company's Directors' Remuneration Policy was last reviewed on 9 December 2021. Following this review, it was agreed that with effect from 1 December 2021 all Directors' fees would be increased to the levels set out in the future policy table on page 75. In setting the appropriate level of Directors' fees, a number of factors have been considered;

- the workload of the Directors, their responsibilities, any change in these responsibilities and additional legal duties (for example as a result of new legislation being implemented);
- the size and complexity of the Company;
- the time commitment required;
- the level of skills and appropriate experience required and the need for Directors to maintain, on an ongoing

basis, an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity;

- the average rate of inflation during the period since the last fee increase; and
- the level of remuneration in comparison with other investment trusts in UK Smaller Companies sector to ensure that fees are in line with industry practice and with that of a Trust of similar size and complexity.

Further detail on the Company's remuneration policy and the basis for determining the level of any change in Directors' remuneration are set out in the Remuneration policy on pages 74 and 75. Directors' fees were last increased on 1 December 2020. No discretionary fees have been paid to Directors during the year or previous year or since inception and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken and why it was deemed necessary to pay such additional remuneration. The Company's Directors are all non-executive and are independent of the Manager. No advice or services were provided by any external agencies or third parties.

## Implementation of the Remuneration Policy in the year 2021

The Directors intend that the Remuneration Policy, which forms part of this report, will be implemented as set out on pages 74 and 75. The Directors do not receive any performance related remuneration or incentives.

Discretionary payments are permitted under the policy; however, such discretionary payments would only be considered in exceptional circumstances.

## Remuneration/service contracts

The maximum remuneration of the Directors is determined within the limits of the Company's Articles and the limit currently amounts in aggregate to £200,000. However, the Company's Remuneration Committee has recommended to the Board that this level be increased to £250,000 to reflect the fact that the Board is now comprised of 6 directors (previously 4) and that there has been an increase in Directors' fees to take into account the increasing responsibilities and time burden required of Directors of the Company as a result of increasing regulation and developments in corporate governance and other related matters applicable to a listed company.

No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long-term performance incentives to any of the Directors. None of the Directors has a service contract with the Company or receives any non-cash benefits or pension entitlements. The terms of their appointment are detailed in an appointment letter issued to them when they join the Board. These letters are available for inspection at the registered office of the Company.

## Remuneration implementation report

A single figure for the total remuneration of each Director is set out in the table below for the years ended 30 November 2021 and 2020. The information in the table below has been audited.

Directors	Year ended 30 November 2021			Year ended 30 November 2020		
	Base Salary	Taxable Benefits <sup>1</sup>	Total	Base Salary	Taxable Benefits <sup>1</sup>	Total
	£	£	£	£	£	£
Christopher Samuel (Chairman)	41,000	–	41,000	39,500	–	39,500
Loudon Greenlees	32,500	–	32,500	31,000	–	31,000
Jean Matterson <sup>2</sup>	8,745	–	8,745	27,000	–	27,000
Louise Nash	28,000	–	28,000	27,000	–	27,000
Angela Lane <sup>3</sup>	28,000	–	28,000	12,500	–	12,500
Nigel Burton <sup>4</sup>	26,389	–	26,389	n/a	n/a	n/a
Merryn Somerset Webb <sup>5</sup>	19,255	–	19,255	n/a	n/a	n/a
<b>Total</b>	<b>183,889</b>	<b>–</b>	<b>183,889</b>	<b>137,000</b>	<b>–</b>	<b>137,000</b>

<sup>1</sup> Taxable benefits relate to travel and subsistence costs.

<sup>2</sup> Jean Matterson retired on 24 March 2021.

<sup>3</sup> Angela Lane was appointed as a Director with effect from 10 June 2020.

<sup>4</sup> Nigel Burton was appointed as a Director with effect from 21 December 2020.

<sup>5</sup> Merryn Somerset Webb was appointed as a Director with effect from 24 March 2021.

No discretionary payments were made in the year to 30 November 2021 (2020: £nil).

The amounts paid by the Company to the Directors were for services as Non-Executive Directors. As at 30 November 2021, fees of £15,000 (2020: £13,000) were outstanding to Directors in respect of their annual fees.

## Relative importance of spend on pay

As the Company has no employees, the table below also comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared to the Company's net profit on ordinary activities after taxation, total operating expenditure and dividend distributions.

	2021 £'000	2020 £'000	Change £'000
Directors' total remuneration	184	137	+47
Dividends paid and payable	10,674 <sup>1</sup>	9,063	+1,611
Net profit on ordinary activities after taxation	223,334	50,795	+172,539
Buyback of ordinary shares	nil	nil	nil

<sup>1</sup> Based on 103,184,864 ordinary shares in issue on 2 February 2022.

No payments were made in the period to any past Directors (2020: £nil).



# Report of the remuneration committee

continued

## Annual percentage change in Directors' remuneration

The following table sets out the annual percentage changes in Directors' fees over the past five years.

Directors	30 November 2017	30 November 2018	30 November 2019	30 November 2020	30 November 2021
Christopher Samuel <sup>1,2</sup>	17.6%	27.5%	6.9%	2.6%	3.8%
Loudon Greenlees <sup>3</sup>	11.1%	5.0%	7.1%	3.3%	4.8%
Jean Matterson <sup>4</sup>	0.0%	0.0%	8.3%	3.8%	3.7%
Louise Nash <sup>5</sup>	n/a	n/a	n/a	3.8%	3.7%
Angela Lane <sup>6</sup>	n/a	n/a	n/a	n/a	3.7%
Nigel Burton <sup>7</sup>	n/a	n/a	n/a	n/a	n/a
Merryn Somerset Webb <sup>8</sup>	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> As Christopher Samuel was appointed as a Director on 1 June 2016, the percentage change in his annual fixed fee has been annualised.

<sup>2</sup> Christopher Samuel was appointed as Chairman on 24 July 2017.

<sup>3</sup> Loudon Greenlees was appointed as Audit Committee Chairman on 22 March 2017.

<sup>4</sup> As Jean Matterson retired as a Director on 24 March 2021, the percentage change in her annual fixed fee has been annualised.

<sup>5</sup> As Louise Nash was appointed as a Director on 21 March 2019, the percentage change in her annual fixed fee has been annualised.

<sup>6</sup> As Angela Lane was appointed as a Director on 10 June 2020, the percentage change in her annual fixed fee has been annualised.

<sup>7</sup> As Nigel Burton was appointed as Director on 21 December 2020, there is no percentage change comparison.

<sup>8</sup> As Merryn Somerset Webb was appointed as a Director on 24 March 2021, there is no percentage change comparison.

As previously noted, the Company does not have any employees and hence no comparisons are given in respect of the comparison between Directors' and employees' pay increases.

## Directors' Shareholdings

The interests of the Directors in the ordinary shares of the Company are set out in the table below. The Company does not have a share option scheme, therefore none of the Directors has an interest in any share options in the Company. There is no requirement for Directors to hold shares in the Company.

	2 February 2022 Ordinary shares	30 November 2021 Ordinary shares	30 November 2020 Ordinary shares
Christopher Samuel	63,352	63,352	62,647
Loudon Greenlees	15,000	15,000	15,000
Jean Matterson	n/a	n/a	46,000
Louise Nash	2,100	2,100	1,000
Angela Lane	11,496	11,496	5,253
Nigel Burton <sup>1</sup>	16,000	16,000	n/a
Merryn Somerset Webb <sup>2</sup>	3,727	3,727	n/a

The information in the table above has been audited.

<sup>1</sup> Nigel Burton held 16,000 shares upon his appointment to the Board on 21 December 2020.

<sup>2</sup> Merryn Somerset Webb held 1,959 shares upon her appointment to the Board on 24 March 2021.

All of the holdings of the Directors are beneficial. No changes to these holdings have been notified up to the date of this report.

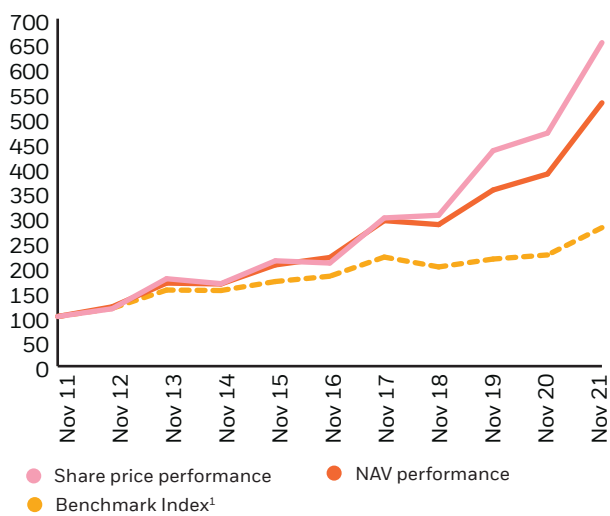
## Retirement of directors

Further details are given in the Directors' Report on pages 65 and 66.

## Performance

The graph below compares the Company's NAV and share price total returns with the total return on an equivalent investment in the Benchmark Index<sup>1</sup>. This index is deemed to be the most appropriate as the Company has a UK smaller and mid-capitalisation companies' objective.

### Performance from 30 November 2011 to 30 November 2021



<sup>1</sup> With effect from 22 March 2018, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index replaced the Numis Smaller Companies excluding AIM (excluding Investment Companies) Index as the Company's Benchmark Index. From 1 December 2013 to 21 March 2018, the Company's Benchmark Index was the Numis Smaller Companies excluding AIM (excluding Investment Companies) Index. Prior to 1 December 2013 the Company's Benchmark Index was the Numis Smaller Companies plus AIM (excluding Investment Companies) Index. The performance of the Benchmark Indices during these periods has been blended to reflect these changes.

Sources: BlackRock and Datastream.

Performance figures in Sterling terms with dividends reinvested, rebased to 100 at 30 November 2011.

For and on behalf of the Board

## ANGELA LANE

Chairman of the Remuneration Committee  
4 February 2022

# Directors' remuneration policy

In setting the appropriate level of Directors' fees, a number of factors are considered by the Company's Remuneration Committee, including:

- the workload of the Directors, their responsibilities, any change in these responsibilities and additional legal duties (for example as a result of new legislation being implemented);
- the relationship with their suppliers (primarily the Company's third party service providers);
- the size and complexity of the Company;
- the time commitment required;
- the level of skills and appropriate experience required;
- the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity;
- the average rate of inflation during the period since the last fee increase;
- the level of remuneration in comparison with other investment trusts of a similar size and/or mandate; and
- any data published by the Association of Investment Companies to ensure that fees are in line with industry practice.

This comparison, together with consideration of any alteration in Non-Executive Directors' responsibilities, is used to review whether any change in remuneration is necessary. The review is performed on an annual basis. The Remuneration Committee is cognisant of the need to avoid any potential conflicts of interest and has therefore agreed a mechanism by which no Director is present when his or her own pay is being considered.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting this policy and there has been no employee consultation.

No element of the Directors' remuneration is performance related or subject to recovery or withholding (except for tax). Directors cannot be awarded any share options or long-term performance incentives. None of the Directors has a service contract with the Company or receives any non-cash benefits (except as described in the policy table), pension entitlements or compensation for loss of office.

The Remuneration Policy would be applied when agreeing the remuneration package of any new Director. The terms of Directors' appointments are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company. Directors' appointments do not have a fixed duration, but they can be terminated by the Company in writing at any time without obligation to pay compensation. On termination of the appointment, Directors shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. No payments for loss of office are made. Directors are also subject to re-election at least every three years and, if not elected, their appointment ceases immediately. However, in accordance with the UK Corporate Governance Code the Board have agreed that all Directors will, being eligible, stand for re-election annually. The continuation of an appointment is contingent on a satisfactory performance evaluation and re-election by shareholders at the AGM.

## Consideration of shareholders' views

In accordance with applicable law and regulation, an ordinary resolution to approve the remuneration report is put to shareholders at each AGM, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. The Company last obtained shareholder approval for its remuneration policy at the AGM in 2020. In accordance with the Companies Act 2006, the remuneration policy will next be subject to a triennial binding shareholder vote at the AGM in 2023.

At the Company's AGM held on 25 March 2020, 99.84% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the remuneration policy and 0.16% of votes cast were against. The Company's remuneration policy is laid before shareholders every three years.

At the Company's AGM held on 24 March 2021, 99.73% of votes cast were in favour of the resolution to approve the Directors' remuneration report in respect of the year ended 30 November 2020 and 0.27% against. The remuneration report is laid before shareholders annually.

Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken.

## Policy table

<b>Purpose and link to strategy</b>	Fees payable to Directors should be sufficient to attract and retain individuals of high calibre with knowledge and experience which is suitably aligned to the activities of the Company. Those chairing the Board and key committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the level of complexity of responsibilities borne by the Directors.	
<b>Description</b>	<p>Levels of fixed annual fee with effect from 1 December 2021:</p> <p>Chairman – £44,000</p> <p>Audit Committee Chairman – £35,000</p> <p>Directors – £30,000</p> <p>All reasonable expenses to be reimbursed.</p>	
<b>Maximum levels</b>	<p>Remuneration consists of a fixed fee each year, set in accordance with the stated policies and any increase granted must be in line with the stated policies.</p> <p>The Company's Articles of Association provide that until otherwise determined by the Company by ordinary resolution, there shall be paid to the Directors (other than alternate Directors) such fees for their services in the office of Director as the Directors may determine (not exceeding in the aggregate an annual sum of £200,000 (subject to increase as provided above) or such larger amount as the Company may by ordinary resolution decide) divided between the Directors as they agree.</p> <p>In accordance with the provisions of the Company's Articles of Association the Directors are also entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors including any expenses incurred in attending meetings of the Board or of Committees of the Board or Annual General Meetings or General Meetings. In addition, the Directors propose a limit of £10,000 in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members (where required) and inflation.</p>	
<b>Policy on share ownership</b>	Directors are encouraged to own shares in the Company. All Directors are currently shareholders.	
<b>Operation</b>	<b>Fixed fee element</b>	<p>The Board reviews the quantum of Directors' fees each year to ensure that this is in line with the level of Directors' fees for other investment trusts of similar size and complexity.</p> <p>When considering any changes in fees, the Board will take into account factors such as the average rate of inflation over the period since the previous review, and the level and any change in the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). Directors are not eligible to be compensated for loss of office, nor are they eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors do not have service contracts but are appointed under letters of appointment.</p>
	<b>Discretionary Payments</b>	<p>The Company's Articles of Association authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties. Any such extra work undertaken is subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit Committee. The level of discretionary fees shall be determined by the Directors and will be subject to a maximum of £10,000 per annum per Director. Any discretionary fees paid will be disclosed in the Directors' Remuneration Report within the Annual Report.</p>
	<b>Taxable benefits</b>	<p>Certain expenses incurred by Directors are required to be treated as taxable benefits. Taxable benefits comprise, but are not limited to, travel expenses and subsistence incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered office in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred, including tax and national insurance costs incurred by the Directors on such expenses.</p>

# Report of the audit committee



**Loudon Greenlees**  
Chairman of the  
Audit Committee

As Chairman of the Audit Committee (the Committee) I am pleased to present the Committee's report to shareholders for the year ended 30 November 2021.

## Composition

The Committee consists of all the Directors of the Company, including the Board Chairman since 2019. Following the publication of the latest AIC Code of Corporate Governance, which permits the Board Chairman to be a member of the Committee, the Board determined that it was appropriate for him to become a member of the Committee, particularly given that he is a Chartered Accountant and has recent and relevant financial experience.

The Board considers that at least one member of the Committee has recent and relevant financial experience and specific competence in accounting and/or auditing and the Committee, as a whole, has competence relevant to the sector in which the Company operates to discharge its function effectively. Further information on the experience of the members of the Committee can also be found in their biographies on pages 35 to 37.

## Role and responsibilities

The Company has established a separately chaired Committee whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and providing an opinion as to whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, position, business model and strategy.

The Committee reviews the external Auditor's report thereon and has primary responsibility for the relationship with the external Auditor, including the development of a policy on the provision of non-audit services, reviewing and forming an opinion on the effectiveness of the external audit process and audit quality. Other duties include reviewing the appropriateness of the Company's accounting policies and monitoring the effectiveness of the internal control systems and standards.

The Company operates within written terms of reference detailing its scope and duties and these are available on the Company's website at [blackrock.com/uk/thrg](https://www.blackrock.com/uk/thrg).

The Committee meets at least three times a year. Two of these meetings are held prior to the Board meetings to approve

the half yearly and annual reports. The Committee will hold additional meetings where deemed to be necessary. The Committee also receives regular reports from the Manager's internal audit and compliance departments.

## Responsibilities and review of the external audit

During the year the principal activities of the Audit Committee included:

- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditors' report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external Auditor;
- reviewing the audit and any non-audit fees payable to the external Auditor and the terms of its engagement;
- reviewing and approving the external Auditor's plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the effectiveness of the external audit process and the quality of the audit engagement leader and the audit team, and making a recommendation to the Board with respect to the reappointment of the Auditor;
- reviewing the role of the Manager and third party service providers in an effective audit process;
- considering the quality of the formal audit report to shareholders;
- reviewing the appropriateness of the Company's accounting policies;
- monitoring the effectiveness of the Company's risk management and internal control systems and standards and carrying out a review, at least annually, of their effectiveness; and
- evaluating the need for an internal audit function, as set out in the Corporate Governance Statement on page 68.

The fees paid to the external Auditor are set out in note 5 on page 100. An explanation on how auditor objectivity and independence is safeguarded is reported under assessment of the effectiveness of the external audit process on pages 78 and 79.

## Whistleblowing policy

The Committee has also reviewed and accepted the 'whistleblowing' policy that has been put in place by the Manager under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, in so far as they affect the Company.



## Significant issues considered regarding the Annual Report and Financial Statements

During the year, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and

concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the Financial Statements as a whole would be free of material misstatements. The table below sets out the key areas of risk identified by the Committee and also explains how these were addressed.

Significant issue	How the issue was addressed
<b>The accuracy of the valuation of the investment portfolio</b>	<p>Listed investments, long and short derivative positions and index futures are valued using stock exchange prices from third party vendors.</p> <p>The Board reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from the Manager that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company and that the carrying values are materially correct.</p>
<b>The risk of misappropriation of assets and ownership of investments</b>	<p>The Depositary is responsible for financial restitution for loss of financial investments held in custody.</p> <p>The Depositary reports to the Committee on a twice-yearly basis and is also available to attend the Company's Annual General Meeting.</p> <p>The Committee reviews reports from its service providers on key controls over assets of the Company. Any significant issues are reported by the Manager to the Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.</p>
<b>The accuracy of the calculation of management and performance fees</b>	<p>The Manager reports to the Committee on the calculation of any performance fee accruals that have been included in the Company's NAV on a regular basis. The management fee and any performance fee are calculated in accordance with the contractual terms in the investment management agreement by the administrator, BNYM, and are reviewed in detail by the Manager and are also subject to an analytical review by the Committee.</p>
<b>The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income</b>	<p>The Committee reviews income forecasts, including special dividends, and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year figures. The audit includes checks on the completeness and accuracy of income, and also checks that this has been recognised in accordance with stated accounting policies.</p>

The provision of portfolio valuation, fund accounting and administration services is delegated to the Manager, which sub-delegates the provision of fund accounting to The Bank of New York Mellon (International) Limited. The provision of custody and depositary services is directly contracted by the Company to The Bank of New York Mellon (International) Limited. The Committee has therefore reviewed summaries of the Service Organisation Control (SOC 1) reports prepared by the Manager, Depositary and the Fund Accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified in the table above and are adequate and appropriate and have been designated as operating effectively by the reporting auditors.

The Committee receives and reviews regular reports on the material risks faced by the Company and the key controls employed to manage these risks. Consideration is given regularly to the nature and extent of risks faced by the

Company and these risks are monitored and regularly re-assessed. Where changes in risk have been identified during the year, the Committee will assess whether any further action is required to mitigate these risks.

The Committee has reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and has procedures in place to review their effectiveness on a regular basis. No material weaknesses have been identified in the year under review and up to the date of this report.

The Committee confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this report.

# Report of the audit committee continued

## Auditor and audit tenure

The Company's current auditor PricewaterhouseCoopers LLP was appointed on 21 March 2019 following the result of a tender process held in late 2018. The current audit engagement leader is Mr Allan McGrath who has been the Company's audit engagement leader since September 2021. Prior to this date, the audit engagement leader was Christopher Meyrick.

The Committee, in conjunction with the Board, is committed to reviewing this appointment on a regular basis to ensure the Company is receiving an optimal level of service. The appointment of the Auditor is reviewed each year and the audit engagement leader rotates at least every five years. There are no contractual obligations that restrict the Company's choice of auditor.

The Committee is mindful of the EU Audit Reform (as retained in UK law), including regulations on mandatory auditor regulation which require a review of the appointment of the auditor every ten years. The legislation also prohibits certain non-audit consulting services and caps the amount of additional fees auditors can charge their clients. The Company carried out a formal tender process in 2018 and following due consideration, PricewaterhouseCoopers LLP was selected as the Company's new Independent Auditor. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service.

It is the Company's policy to put the statutory audit out to tender at least every ten years.

The Committee is satisfied that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

There were no fees paid to the Auditor in respect of non-audit services during the year. The Company's policy on non-audit services is set out in full in the Audit Committee's terms of reference which are available on the Company's website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

## Assessment of the effectiveness of the external audit process

To assess the effectiveness of the external audit, members of the Committee communicate regularly with BIM (UK) and BFM to obtain a good understanding of the quality and efficiency of the audit. The Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- the quality of the audit engagement leader and the audit team;

- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Committee, the Manager and third party service providers in an effective audit process;
- communication by the Auditor with the Committee;
- monitoring and reviewing the supply of any non-audit services, taking into account relevant ethical guidelines regarding the provision of such services;
- how the Auditor supports the work of the Committee and how the audit contributes added value;
- a review of the independence and objectivity of the audit firm; and
- the quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit engagement leader and his team.

The external Auditor is invited to attend the Committee meetings at which the half yearly and annual report and financial statements are considered and to meet with the Audit Committee without representatives of the Manager being present on at least one occasion. The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board's and the Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the auditor and the Committee.

To form a conclusion with regard to the independence of the external Auditor, the Committee considers whether the skills and experience of the Auditor makes it a suitable supplier of non-audit services and whether there are safeguards in place to ensure that there is no threat to its objectivity and independence in the conduct of the audit resulting from the provision of any such services. On a continuous basis, PricewaterhouseCoopers LLP reviews the independence of its relationship with the Company and, on a semi-annual basis, reports to the Committee, providing details of any other relationship with the Manager. As part of this review, the Committee also receives information about policies and

processes for maintaining independence and monitoring compliance with relevant requirements from the Company's Auditor, including information on the rotation of the Audit engagement leader and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the Audit firm and its staff and the Company as well as an overall confirmation from the Auditor of its independence and objectivity. As a result of its review, the Committee has concluded that PricewaterhouseCoopers LLP is independent of the Company and the Manager.

### **Conclusions in respect of the Annual Report and Financial Statements**

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Committee advise on whether these criteria are satisfied. In so doing, the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process by the Manager, the Depositary and the Committee;
- the controls that are in place at the Manager and other third party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control reports that have been reviewed and reported on by external auditors to verify the effectiveness of the internal controls of the Manager, Custodian and Fund Accountant.

In addition to the work outlined above, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable and provide shareholders with the

information necessary to assess the Company's position, performance, business model and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry in general. The Committee has reported on these findings to the Board who affirms the Committee's conclusions in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 80.

#### **LOUDON GREENLEES**

Chairman of the Audit Committee  
4 February 2022

# Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements, (including the Directors' Remuneration Report) in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the Financial Statements;
- provide additional disclosures when compliance with the specific requirements in international accounting standards in conformity with the requirements of the Companies Act 2006, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

and detection of fraud and other irregularities. The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Directors have delegated responsibility to the Investment Manager and the AIFM for the maintenance and integrity of the Company's corporate and financial information included on BlackRock's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 35 to 37, confirms to the best of his or her knowledge that:

- the Financial Statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and net profit of the Company; and
- the Annual Report and Financial Statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2018 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 76 to 79 of the Annual Report and Financial Statements. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 30 November 2021, taken as a whole, are fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

For and on behalf of the Board

**CHRISTOPHER SAMUEL**

Chairman

4 February 2022











# Financial Statements

← Sustainability specialist Impax Asset Management continued to deliver impressive growth in assets under management, a trend that looks well set to continue given the strength of the company's franchise and its market-leading investment performance.

# Independent auditor's report

to the members of BlackRock Throgmorton Trust plc

## Report on the audit of the Financial Statements

### Opinion

In our opinion, BlackRock Throgmorton Trust plc's Financial Statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 November 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Cash Flow Statement for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

## Our audit approach

### Overview

- 
- Audit scope**
- The Company is a standalone Investment Trust Company and engages BlackRock Fund Managers Limited (the 'Manager') to manage its assets. The Manager engages Bank of New York Mellon (International) Limited (the "Fund Accountant") to provide administrative functions to the Company.
  - We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties, the accounting processes and controls, and the industry in which the Company operates.
  - In planning our audit, we made enquiries of the Directors and Investment Manager to understand the extent of the potential impact of climate change risk on the Company's Financial Statements. The Directors and Investment Manager concluded that the impact on the measurement and disclosures within the Financial Statements is not material because the Company's investment portfolio is made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities. We also considered the consistency of the Climate change disclosures included in the Strategic Report and Investment Manager Report with the Financial Statements and our knowledge from our audit.
- 

- Key audit matters**
- Valuation and existence of investments.
  - Accuracy, occurrence and completeness of investment income.
- 

- Materiality**
- Overall materiality: £9.35 million (2020: £5.90 million) based on 1% of net assets.
  - Performance materiality: £7.01 million (2020: £4.43 million).
- 

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

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### Key audit matter

#### Valuation and existence of investments

*Refer to the Report of the Audit Committee (page 76), Accounting policies (page 95) and Notes to the Financial Statements (page 95).*

The investment portfolio at the year end comprised of listed equity investments valued at £921 million and a net holding of derivative Contracts for Difference (CFDs) with a fair value of £8.7m.

We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the Financial Statements.

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### How our audit addressed the key audit matter

Our audit work on the valuation and existence of the investments included the following:

- We tested the valuation of all investments and CFDs by agreeing the valuation to independent third party sources
- We tested the existence of all of the investments and CFDs by agreeing the Company's holdings to an independent custodian confirmation in the case of the listed equity investments, as well as independent broker confirmations for the portfolio of derivatives, as at 30 November 2021.

We have no matters to report as a result of this testing.

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# Independent auditor's report

continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Accuracy, occurrence and completeness of investment income</b></p> <p><i>Refer to the Report of the Audit Committee (page 76), Accounting policies (page 95) and Notes to the Financial Statements (page 95).</i></p> <p>Income from investments consists primarily of dividend income.</p> <p>Within dividend income there is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an inappropriate accounting treatment.</p> <p>In addition, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.</p>	<p>We responded to this risk by performing the following audit procedures:</p> <ul style="list-style-type: none"><li>• We obtained an understanding of the processes and controls around revenue recognition and classification of special dividends by reviewing the internal controls reports of the Fund Accountant against the accounting standards and the Association of Investment Companies Statement of Recommended Practice (the "AIC SORP").</li><li>• We assessed the appropriateness of the classification of special dividends as revenue or capital by the Directors with reference to publicly available information.</li></ul> <p>For all dividends recorded by the Company, we performed our audit procedures through the use of our proprietary testing tool Halo:</p> <ul style="list-style-type: none"><li>• Halo tested the accuracy of their receipts by agreeing the dividend rates from investments to independent market data.</li><li>• Halo tested occurrence by examining for each investment holding, that all dividends recorded in the year had been declared in the market.</li><li>• To test for completeness, Halo investigated that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all investment holdings held within the year.</li></ul> <p>As stipulated by the requirements set out in the AIC SORP, we tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income by determining reasons behind dividend distributions.</p> <p>We have no matters to report as a result of this testing.</p>

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

All audit procedures were conducted remotely by a UK audit team. We tested and examined information using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to form our own judgements.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.



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

<b>Overall company materiality</b>	£9.35 million (2020: £5.90 million).
<b>How we determined it</b>	1% of net assets
<b>Rationale for benchmark applied</b>	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £7.01 million (2020: £4.43 million) for the company Financial Statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 468,000 (2020: £298,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

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

- evaluating the Directors' updated risk assessment and considering whether it addressed the relevant threats presented by COVID-19;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the Financial Statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third party service providers; and
- assessing the implication of significant reductions in NAV as a result of a severe but plausible downside in the market's performance on the ongoing ability of the Company to operate.

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 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.

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors 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.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# Independent auditor's report

continued

With respect to the Strategic report and Directors' Report, and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' Report, and Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report, and Corporate Governance Statement for the year ended 30 November 2021 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report, and Corporate Governance Statement.

## Directors' Remuneration

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

## Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the Corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the Corporate governance statement as other information are described in the Reporting on other information section of this report.

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, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the Financial Statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, 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 that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## **Responsibilities for the Financial Statements and the audit**

### **Responsibilities of the directors for the Financial Statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### **Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Section 1158 of the Corporation Tax Act 2010 (see page 41 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase net asset value. Audit procedures performed by the engagement team included:

- discussions with the Manager and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- understand the controls implemented by the Company and the Fund Accountant designed to prevent and detect irregularities;
- assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular year end journal entries posted by the Fund Accountant during the preparation of the Financial Statements;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing for example, targeting transactions that otherwise would be immaterial; and
- reviewing relevant meeting minutes, including those of the Audit Committee.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Independent auditor's report

continued

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 21 March 2019 to audit the Financial Statements for the year ended 30 November 2019 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 November 2019 to 30 November 2021.

### Allan McGrath

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

4 February 2022



# Statement of Comprehensive Income

for the year ended 30 November 2021

	Notes	Revenue		Capital		Total	
		2021	2020	2021	2020	2021	2020
		£'000	£'000	£'000	£'000	£'000	£'000
Income from investments held at fair value through profit or loss	3	12,188	6,387	–	–	12,188	6,387
Net income from derivatives	3, 11	1,272	323	–	–	1,272	323
Other income	3	7	60	–	–	7	60
<b>Total revenue</b>		<b>13,467</b>	<b>6,770</b>	<b>–</b>	<b>–</b>	<b>13,467</b>	<b>6,770</b>
Net profit on investments held at fair value through profit or loss	10	–	–	192,102	25,656	192,102	25,656
Net profit/(loss) on foreign exchange		–	–	141	(234)	141	(234)
Net profit from derivatives	11	–	–	29,070	26,495	29,070	26,495
<b>Total</b>		<b>13,467</b>	<b>6,770</b>	<b>221,313</b>	<b>51,917</b>	<b>234,780</b>	<b>58,687</b>
<b>Expenses</b>							
Investment management and performance fees	4	(913)	(524)	(9,394)	(6,463)	(10,307)	(6,987)
Other operating expenses	5	(1,078)	(822)	(27)	(33)	(1,105)	(855)
<b>Total operating expenses</b>		<b>(1,991)</b>	<b>(1,346)</b>	<b>(9,421)</b>	<b>(6,496)</b>	<b>(11,412)</b>	<b>(7,842)</b>
<b>Net profit on ordinary activities before finance costs and taxation</b>		<b>11,476</b>	<b>5,424</b>	<b>211,892</b>	<b>45,421</b>	<b>223,368</b>	<b>50,845</b>
Finance costs	6	(1)	(2)	(4)	(5)	(5)	(7)
<b>Net profit on ordinary activities before taxation</b>		<b>11,475</b>	<b>5,422</b>	<b>211,888</b>	<b>45,416</b>	<b>223,363</b>	<b>50,838</b>
Taxation	7	(29)	(43)	–	–	(29)	(43)
<b>Net profit on ordinary activities after taxation</b>		<b>11,446</b>	<b>5,379</b>	<b>211,888</b>	<b>45,416</b>	<b>223,334</b>	<b>50,795</b>
<b>Earnings per ordinary share (pence)</b>	9	<b>12.15</b>	<b>6.57</b>	<b>224.96</b>	<b>55.45</b>	<b>237.11</b>	<b>62.02</b>

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All income is attributable to the equity holders of the Company.

The Company does not have any other comprehensive income. The net profit for the year disclosed above represents the Company's total comprehensive income.

# Statement of Changes in Equity

for the year ended 30 November 2021

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 30 November 2021</b>								
At 30 November 2020		4,376	101,368	11,905	44,580	425,140	8,846	596,215
Total comprehensive income:								
Net profit for the year		-	-	-	-	211,888	11,446	223,334
Transactions with owners, recorded directly to equity:								
Ordinary shares issued	14, 15	696	124,418	-	-	-	-	125,114
Share issue costs	15	-	(126)	-	-	-	-	(126)
Tender costs written back	15	-	-	-	2	-	-	2
Dividends paid <sup>1</sup>	8	-	-	-	-	-	(9,391)	(9,391)
<b>At 30 November 2021</b>		<b>5,072</b>	<b>225,660</b>	<b>11,905</b>	<b>44,582</b>	<b>637,028</b>	<b>10,901</b>	<b>935,148</b>
<b>For the year ended 30 November 2020</b>								
At 30 November 2019		4,026	26,169	11,905	36,525	379,724	11,708	470,057
Total comprehensive income:								
Net profit for the year		-	-	-	-	45,416	5,379	50,795
Transactions with owners, recorded directly to equity:								
Ordinary shares issued from treasury		-	34,741	-	8,099	-	-	42,840
Ordinary shares issued		350	40,683	-	-	-	-	41,033
Share issue costs – treasury		-	-	-	(44)	-	-	(44)
Share issue costs		-	(225)	-	-	-	-	(225)
Dividends paid <sup>2</sup>	8	-	-	-	-	-	(8,241)	(8,241)
<b>At 30 November 2020</b>		<b>4,376</b>	<b>101,368</b>	<b>11,905</b>	<b>44,580</b>	<b>425,140</b>	<b>8,846</b>	<b>596,215</b>

<sup>1</sup> Final dividend of 7.70p per share for the year ended 30 November 2020, declared on 10 February 2021 and paid on 1 April 2021 and interim dividend of 2.50p per share for the year ended 30 November 2021, declared on 23 July 2021 and paid on 27 August 2021.

<sup>2</sup> Final dividend of 7.70p per share for the year ended 30 November 2019, declared on 6 February 2020 and paid on 2 April 2020 and interim dividend of 2.50p per share for the year ended 30 November 2020, declared on 23 July 2020 and paid on 28 August 2020.

For information on the Company's distributable reserves please refer to note 15 on page 106.

# Statement of Financial Position

as at 30 November 2021

	Notes	2021 £'000	2020 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	10	921,204	590,225
<b>Current assets</b>			
Current tax asset		81	27
Other receivables	12	2,984	5,767
Derivative financial assets held at fair value through profit or loss	11, 16	–	4,108
Cash collateral pledged with brokers	11, 16	7,380	1,050
Cash and cash equivalents	11, 16	25,223	11,642
<b>Total current assets</b>		<b>35,668</b>	<b>22,594</b>
<b>Total assets</b>		<b>956,872</b>	<b>612,819</b>
<b>Current liabilities</b>			
Other payables	13	(13,008)	(14,289)
Derivative financial liabilities held at fair value through profit or loss	11, 16	(8,716)	(105)
Liability for cash collateral received	11, 16	–	(2,210)
<b>Total current liabilities</b>		<b>(21,724)</b>	<b>(16,604)</b>
<b>Net assets</b>		<b>935,148</b>	<b>596,215</b>
<b>Equity attributable to equity holders</b>			
Called up share capital	14	5,072	4,376
Share premium account	15	225,660	101,368
Capital redemption reserve	15	11,905	11,905
Special reserve	15	44,582	44,580
Capital reserves	15	637,028	425,140
Revenue reserve	15	10,901	8,846
<b>Total equity</b>		<b>935,148</b>	<b>596,215</b>
<b>Net asset value per ordinary share (pence)</b>	9	<b>921.91</b>	<b>681.24</b>

The Financial Statements on pages 91 to 94 were approved and authorised for issue by the Board of Directors on 4 February 2022 and signed on its behalf by Mr Christopher Samuel, Chairman.

BlackRock Throgmorton Trust plc

Registered in England, No. 00594634

The notes on pages 95 to 119 form part of these Financial Statements.

# Cash Flow Statement

for the year ended 30 November 2021

	2021 £'000	2020 £'000
<b>Operating activities</b>		
Net profit on ordinary activities before taxation	223,363	50,838
Add back finance costs	5	7
Profit on investments and contracts for difference held at fair value through profit or loss (including transaction costs)	(221,688)	(52,573)
Net (profit)/loss on foreign exchange	(141)	234
Special dividends allocated to capital	–	83
Sales of investments held at fair value through profit or loss	322,822	274,350
Purchases of investments held at fair value through profit or loss	(461,699)	(394,398)
Net receipts on closure of derivatives	42,306	25,472
(Increase)/decrease in other receivables	(64)	604
Increase in other payables	3,517	362
Decrease/(increase) in amounts due from brokers	3,977	(3,966)
(Decrease)/increase in amounts due to brokers	(4,798)	5,052
Net cash collateral pledged	(8,540)	(1,150)
<b>Net cash outflow from operating activities before taxation</b>	<b>(100,940)</b>	<b>(95,085)</b>
Taxation paid	(83)	(18)
<b>Net cash outflow from operating activities</b>	<b>(101,023)</b>	<b>(95,103)</b>
<b>Financing activities</b>		
Interest paid	(5)	(7)
Cash proceeds from ordinary shares issued from treasury	–	44,021
Cash proceeds from ordinary shares issued	123,859	40,808
Dividends paid	(9,391)	(8,241)
<b>Net cash inflow from financing activities</b>	<b>114,463</b>	<b>76,581</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>13,440</b>	<b>(18,522)</b>
Effect of foreign exchange rate changes	141	(234)
<b>Change in cash and cash equivalents</b>	<b>13,581</b>	<b>(18,756)</b>
Cash and cash equivalents at start of year	11,642	30,398
<b>Cash and cash equivalents at end of year</b>	<b>25,223</b>	<b>11,642</b>
<b>Comprised of:</b>		
Cash at bank	143	101
Cash Fund <sup>1</sup>	25,080	11,541
	<b>25,223</b>	<b>11,642</b>

<sup>1</sup> Cash Fund represents funds held on deposit with the BlackRock Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund.

The notes on pages 95 to 119 form part of these Financial Statements.

# Notes to the Financial Statements

for the year ended 30 November 2021

## 1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of Section 1158 of the Corporation Tax Act 2010.

## 2. Accounting policies

The principal accounting policies adopted by the Company have been applied consistently, other than where new policies have been adopted and are set out below.

### (a) Basis of preparation

The Financial Statements have been prepared under the historic cost convention modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IASs). All of the Company's operations are of a continuing nature.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC) in October 2019 is compatible with international accounting standards in conformity with the requirements of the Companies Act 2006, the Financial Statements have been prepared in accordance with the guidance set out in the SORP.

Substantially all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for the period for the foreseeable future, being a period of at least one year from the date of approval of the Financial Statements and therefore consider the going concern assumption to be appropriate. The Directors have considered any potential impact of the COVID-19 pandemic, its potential longer-term effects on the global economy and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience on the going concern of the Company. The Directors have reviewed the income and expense projections and the liquidity of the investment portfolio in making their assessment.

The Company's Financial Statements are presented in Sterling, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

### Adoption of new and amended standards and interpretations:

**Amendments to IFRS 3 – Definition of a business** (effective 1 January 2020). This amendment revised the definition of a business. According to feedback received by the International Accounting Standards Board (IASB), application of the current guidance is commonly thought to be too complex and it results in too many transactions qualifying as business

combinations. The adoption of this standard has had no impact on the Financial Statements of the Company.

**Amendments to IAS 1 and IAS 8 – Definition of material** (effective 1 January 2020). The amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IASs, require companies to:

- (i) use a consistent definition of materiality throughout IASs and the Conceptual Framework for Financial Reporting;
- (ii) clarify the explanation of the definition of material; and
- (iii) incorporate some of the guidance of IAS 1 about immaterial information.

The adoption of this standard has had no impact on the Financial Statements of the Company.

**Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform** (effective 1 January 2020). These amendments provide certain reliefs in connection with the interest rate benchmark reform (excluding phase 2 reforms). These reliefs relate to hedge accounting and have the effect that the Inter Bank Offer Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Comprehensive Income. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

The adoption of this standard has had no impact on the Financial Statements of the Company.

**Relevant IAS standards that have yet to be adopted: IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** (effective 1 January 2023). The IASB has amended IAS 12, 'Income taxes', to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. These amendments might have a significant impact on the preparation of Financial Statements by companies that have substantial balances of right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The impact for those affected would be the recognition of additional deferred tax assets and liabilities.

The adoption of this standard is unlikely to have any significant impact on the Company.



# Notes to the Financial Statements

continued

## 2. Accounting policies continued

### (b) Presentation of the Statement of Comprehensive Income

In order to better reflect 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 a capital nature has been presented alongside the Statement of Comprehensive Income.

### (c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

### (d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Special dividends, if any, are treated as a capital or a revenue receipt depending on the facts or circumstances of each dividend. The return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Deposit interest receivable is accounted for on an accruals basis. Interest income from the Cash Fund is accounted for on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the cash equivalent of the dividend is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

### (e) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue column of the Statement of Comprehensive Income, except as follows:

- expenses which are incidental to the acquisition or sale of an investment are charged to the capital column of the Statement of Comprehensive Income. Details of transaction costs on the purchases and sales of investments are disclosed within note 10 to the Financial Statements on page 103;
- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated;
- the investment management fee and finance costs have been allocated 75% to the capital column and 25% to the revenue column of the Statement of Comprehensive Income in line with the Board's expected long-term split of returns, in the form of capital gains and income, respectively, from the investment portfolio; and

- performance fees are allocated 100% to the capital column of the Statement of Comprehensive Income as fees are generated in connection with enhancing the value of the investment portfolio.

### (f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Where expenses are allocated between capital and revenue, any tax relief in respect of expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to pay less taxation in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

### (g) Investments held at fair value through profit or loss

In accordance with IFRS 9, the Company classifies its investments at initial recognition as held at fair value through profit or loss and are managed and evaluated on a fair value basis in accordance with its investment strategy and business model.

All investments are measured initially and subsequently at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales of investments are recognised at the trade date of the disposal.

The fair value of the financial investments is based on their quoted bid price at the financial reporting date, without deduction for the estimated selling costs. This policy applies to all current and non-current asset investments held by the Company.

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

For all financial instruments not traded in an active market, the fair value is determined by using various valuation techniques. Valuation techniques include market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (e.g., discounted cash flow analysis and option pricing models making use of available and supportable market data where possible).

#### **(h) Derivatives**

The Company can hold long and short positions in contracts for difference (CFDs) and index futures which are held at fair value based on the bid prices of the underlying securities in respect of long positions and the offer prices of the underlying securities in respect of short positions.

Gains and losses on derivative transactions are recognised in the Statement of Comprehensive Income. They are shown in the capital column of the Statement of Comprehensive Income if they are of a capital nature and are shown in the revenue column of the Statement of Comprehensive Income if they are of a revenue nature. To the extent that any gains or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly. Derivative assets and derivative liabilities that are subject to netting arrangements are offset in the Statement of Financial Position.

#### **(i) Other receivables and other payables**

Other receivables and other payables do not carry any interest and are short-term in nature and are accordingly stated on an amortised cost basis.

#### **(j) Dividends payable**

Under IASs, final dividends should not be accrued in the Financial Statements unless they have been approved by shareholders before the financial reporting date. Interim dividends should not be accrued in the Financial Statements unless they have been paid.

Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity.

#### **(k) Foreign currency translation**

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities and non-monetary assets held at fair value are translated into Sterling at the rate ruling on the financial reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income as a revenue or capital item depending on the income or expense to which they relate. For investment transactions and investments held at the year end, denominated in a foreign currency, the resulting gains or losses are included in the gain on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

#### **(l) Cash and cash equivalents**

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

The Cash Fund is managed by BlackRock Asset Management Ireland Limited and is subject to fees and expenses which are capped at 0.03% of the NAV. The investment is managed as part of the Company's cash and cash equivalents as defined under IAS 7 and is presented as a cash equivalent in the Financial Statements.

#### **(m) Bank borrowings**

Bank overdrafts are recorded as the proceeds received. Finance charges, including any premium 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 rate method and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

#### **(n) Share repurchases, share reissues and new share issues**

Shares repurchased and subsequently cancelled – share capital is reduced by the nominal value of the shares repurchased, and the capital redemption reserve is correspondingly increased in accordance with Section 733 of the Companies Act 2006. The full cost of the repurchase is charged to the special reserve.

Shares repurchased and held in treasury – the full cost of the repurchase is charged to the special reserve.

Where treasury shares are subsequently re-issued:

- amounts received to the extent of the repurchase price are credited to the special reserve; and
- any surplus received in excess of the repurchase price is taken to the share premium account.

Where new shares are issued, the par value is taken to called up share capital and amounts received to the extent of any surplus received in excess of the par value are taken to the share premium account.

Share issue costs are charged to the share premium account.

#### **(o) Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors do not believe that any accounting judgements or estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. There are no critical accounting estimates or judgements.

# Notes to the Financial Statements

continued

## 3. Income

	2021 £'000	2020 £'000
<b>Investment income:</b>		
UK dividends	8,940	4,535
UK special dividends	1,320	427
UK stock dividends	108	207
UK REIT dividends	464	491
Overseas dividends	1,186	491
Overseas special dividends	170	236
<b>Total investment income</b>	<b>12,188</b>	<b>6,387</b>
Net income from derivatives	1,272	323
<b>Other income:</b>		
Deposit interest	-	4
Interest from Cash Fund	7	56
	<b>7</b>	<b>60</b>
<b>Total income</b>	<b>13,467</b>	<b>6,770</b>

Dividends and interest received in cash during the year amounted to £11,919,000 and £6,000 (2020: £6,985,000 and £60,000).

No special dividends have been recognised in capital during the year (2020: £83,000).

#### 4. Investment management and performance fees

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	913	2,739	3,652	524	1,573	2,097
Performance fee	–	6,655	6,655	–	4,890	4,890
<b>Total</b>	<b>913</b>	<b>9,394</b>	<b>10,307</b>	<b>524</b>	<b>6,463</b>	<b>6,987</b>

The performance fee is 15% of Net Asset Value total return outperformance of the Benchmark Index measured over a two year rolling basis and is applied on the average Gross Assets over two years. The performance fee is calculated and accrued on a daily basis and payable on 30 November each year. Gross Assets are defined as the economic exposure to the total long and short positions and all derivatives positions less current liabilities. There is a cap on the annual total management and performance fees of 1.25% of average Gross Assets over a two year period which has the effect of capping annual performance fees at circa 0.9% of average Gross Assets over two years.

On the first day of the financial year, outperformance from the previous financial year (if any) is carried forward and accrued in the daily NAV released to the London Stock Exchange on that day.

Performance fees have been wholly allocated to the capital column of the Statement of Comprehensive Income as the performance has been predominantly generated through capital returns from the investment portfolio. For the year ended 30 November 2021, a performance fee of £6,655,000 has been accrued (2020: £4,890,000).

The investment management fee is calculated at the rate of 0.35% per annum on month end Gross Assets. The management fee is charged 25% to the revenue column and 75% to the capital column of the Statement of Comprehensive Income. There is no additional fee for company secretarial and administration services.

# Notes to the Financial Statements

continued

## 5. Other operating expenses

	2021 £'000	2020 £'000
<b>Allocated to revenue:</b>		
Custody fee	12	15
Auditor's remuneration <sup>1</sup>	52	44
Registrar's fee	47	43
Directors' emoluments <sup>2</sup>	184	137
Broker fees	45	54
Depository fees	92	55
Marketing fees	157	174
FCA Fees	19	16
Printing and postage fees	76	25
AIC fees	16	22
Stock exchange listing fees	268	134
Other administrative costs	110	103
	<b>1,078</b>	<b>822</b>
<b>Allocated to capital:</b>		
Custody transaction charges <sup>3</sup>	27	33
	<b>1,105</b>	<b>855</b>
The Company's ongoing charges <sup>4</sup> , calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding performance fees, finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items, were:	0.57%	0.60%
The Company's ongoing charges <sup>4</sup> , calculated as a percentage of average daily net assets and using the management fee and all other operating expenses and including performance fees but excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items, were:	1.38%	1.60%

<sup>1</sup> No non-audit services were provided by the Company's auditors.

<sup>2</sup> Further information on Directors' emoluments can be found in the Report of the Remuneration Committee on page 71. The Company has no employees.

<sup>3</sup> For the year ended 30 November 2021, expenses of £27,000 (2020: £33,000) were charged to the capital column of the Statement of Comprehensive Income. These relate to transaction costs charged by the Custodian on sale and purchase trades.

<sup>4</sup> Alternative Performance Measures, see Glossary on pages 129 to 131.



## 6. Finance costs

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable – bank overdraft	1	4	5	2	5	7
	<b>1</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>7</b>

## 7. Taxation

### (a) Analysis of charge in year

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Current taxation:</b>						
Overseas tax suffered	30	–	30	43	–	43
Prior year adjustment	(1)	–	(1)	–	–	–
<b>Total taxation (note 7(b))</b>	<b>29</b>	<b>–</b>	<b>29</b>	<b>43</b>	<b>–</b>	<b>43</b>

### (b) Factors affecting total taxation charge for the year

The taxation assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit on ordinary activities before taxation	11,475	211,888	223,363	5,422	45,416	50,838
Net profit on ordinary activities multiplied by standard rate of corporation tax at 19.00% (2020: 19.00%)	2,180	40,259	42,439	1,030	8,629	9,659
<b>Effects of:</b>						
Non taxable UK dividend income	(1,969)	–	(1,969)	(982)	–	(982)
Non taxable overseas dividend income	(258)	–	(258)	(138)	–	(138)
Overseas tax suffered	30	–	30	43	–	43
Net gain on investments held at fair value through profit or loss	–	(36,500)	(36,500)	–	(4,874)	(4,874)
Net profit from derivatives	–	(5,523)	(5,523)	–	(5,034)	(5,034)
Net (gain)/loss on foreign exchange	–	(27)	(27)	–	44	44
Disallowed expenses	–	5	5	–	6	6
Management expenses not relieved	47	1,786	1,833	90	1,229	1,319
Prior year adjustment	(1)	–	(1)	–	–	–
	(2,151)	(40,259)	(42,410)	(987)	(8,629)	(9,616)
<b>Total taxation charge for the year (note 7(a))</b>	<b>29</b>	<b>–</b>	<b>29</b>	<b>43</b>	<b>–</b>	<b>43</b>

At 30 November 2021 the Company had net surplus management expenses of £101.6 million (2020: £92.0 million) and a non-trade loan relationship deficit of £49.2 million (2020: £49.2 million). A deferred tax asset has not been recognised in respect of these losses because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period. Accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing tax losses. The deferred tax asset has been calculated using a UK corporation tax rate of 25% (2020: 19%) and the estimated value of this unrecognised deferred tax asset at 30 November 2021 is £37.7 million (2020: £26.8 million).

# Notes to the Financial Statements

continued

## 8. Dividends

<b>Dividends paid on equity shares:</b>	<b>Record date</b>	<b>Payment date</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Final dividend of 7.70p per share for the year ended 30 November 2020 (2019: 7.70p)	19 February 2021	1 April 2021	6,972	6,150
Interim dividend of 2.50p per share for the year ended 30 November 2021 (2020: 2.50p)	6 August 2021	27 August 2021	2,419	2,091
			<b>9,391</b>	<b>8,241</b>

The total dividends payable in respect of the year ended 30 November 2021 which form the basis of Section 1158 of the Corporation Tax Act 2010 and Section 833 of the Companies Act 2006, and the amounts proposed, meet the relevant requirements as set out in this legislation.

<b>Dividends paid or declared on equity shares:</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Interim dividend of 2.50p per share for the year ended 30 November 2021 (2020: 2.50p)	2,419	2,091
Final dividend of 8.00p per share for the year ended 30 November 2021 (2020: 7.70p)	8,255	6,972
	<b>10,674</b>	<b>9,063</b>

<sup>1</sup> Based on 103,184,864 ordinary shares in issue on 2 February 2022.

## 9. Earnings and net asset value per ordinary share

Total revenue, capital return and net asset value per ordinary share are shown below and have been calculated using the following:

	<b>Year ended 30 November 2021</b>	<b>Year ended 30 November 2020</b>
Net revenue profit attributable to ordinary shareholders (£'000)	11,446	5,379
Net capital profit attributable to ordinary shareholders (£'000)	211,888	45,416
<b>Total profit attributable to ordinary shareholders (£'000)</b>	<b>223,334</b>	<b>50,795</b>
<b>Equity shareholders' funds (£'000)</b>	<b>935,148</b>	<b>596,215</b>
The weighted average number of ordinary shares in issue during the year, on which the earnings per ordinary share was calculated was:	94,190,181	81,902,632
The actual number of ordinary shares in issue at the year end, on which the net asset value per ordinary share was calculated was:	101,435,964	87,518,929
<b>Earnings per share</b>		
Revenue earnings per share (pence) – basic and diluted	12.15	6.57
Capital earnings per share (pence) – basic and diluted	224.96	55.45
<b>Total earnings per share (pence) – basic and diluted</b>	<b>237.11</b>	<b>62.02</b>
	<b>As at 30 November 2021</b>	<b>As at 30 November 2020</b>
Net asset value per ordinary share (pence)	921.91	681.24
Ordinary share price (pence)	935.00	682.00

There were no dilutive securities at the year end.

## 10. Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
UK listed equity investments held at fair value through profit or loss	610,695	348,638
Overseas listed investments held at fair value through profit or loss	–	16,763
AIM traded stocks	310,509	224,824
<b>Total value of financial asset investments at 30 November</b>	<b>921,204</b>	<b>590,225</b>
Opening book cost of investments	446,195	348,613
Investment holding gains	144,030	95,991
Opening fair value	590,225	444,604
<b>Analysis of transactions made during the year:</b>		
Purchases at cost	461,699	394,398
Sales proceeds received	(322,822)	(274,350)
Gains on investments	192,102	25,573
Closing fair value	921,204	590,225
Closing book cost of investments	674,311	446,195
Closing investment holding gains	246,893	144,030
<b>Closing fair value</b>	<b>921,204</b>	<b>590,225</b>

The Company received £322,822,000 (2020: £274,350,000) from investments sold in the year. The book cost of these investments when they were purchased was £233,583,000 (2020: £296,816,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

During the year, transaction costs of £1,619,000 (2020: £1,501,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to £224,000 (2020: £180,000). All transactions costs have been included within the capital reserves.

# Notes to the Financial Statements

continued

## 11. Derivatives

The Company may use a variety of derivative contracts, and during the year entered into a number of index futures contracts and contracts for difference (CFDs). CFDs are synthetic equities and are valued by reference to the market values of the investments' underlying securities.

The sources of the return under the derivative contract (e.g., notional dividends, financing costs, interest returns and realised and unrealised gains and losses) are allocated to the revenue and capital columns in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP. Notional dividend income or expense arising on long or short positions is apportioned wholly to the revenue column. Notional interest income on short positions is allocated wholly to the revenue column. Notional interest expense on long and short positions is apportioned between revenue and capital in accordance with the Board's long term expected returns of the Company (currently determined to be 25% to revenue and 75% to capital). Changes in value relating to underlying price movements of securities in relation to long and short derivative exposures are allocated to capital. A summary of the various sources of return on the derivative contracts is given in the table below.

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net realised gains relating to underlying price movements	–	42,306	42,306	–	25,472	25,472
Net unrealised change relating to underlying price movements	–	(12,720)	(12,720)	–	1,445	1,445
Notional dividend income on long positions	1,734	–	1,734	708	–	708
Notional dividend expense on short positions	(290)	–	(290)	(245)	–	(245)
Notional interest expense on long positions	(124)	(367)	(491)	(106)	(325)	(431)
Notional interest expense on short positions	(48)	(149)	(197)	(34)	(97)	(131)
<b>Total return on derivative contracts for the year</b>	<b>1,272</b>	<b>29,070</b>	<b>30,342</b>	<b>323</b>	<b>26,495</b>	<b>26,818</b>

The net fair values of derivative financial assets and liabilities are set out in the table below:

	2021 £'000	2020 £'000
Derivative financial assets held at fair value through profit or loss	–	4,108
Derivative financial liabilities held at fair value through profit or loss	(8,716)	(105)
<b>Total net derivative financial assets</b>	<b>(8,716)</b>	<b>4,003</b>

The fair value of derivative positions at 30 November 2021 was negative £8,716,000 (2020: positive £4,003,000), comprising gross revaluation gains of £3,439,000 (2020: £6,711,000) and gross revaluation losses of £12,155,000 (2020: £2,708,000). Net realised gains of £42,306,000 (2020: £25,472,000) comprised realised gains of £122,906,000 (2020: £89,956,000) and realised losses of £80,600,000 (2020: £64,484,000).

As at 30 November 2021, the Company held cash and cash equivalent balances of £25,223,000 (2020: £11,642,000). The Company also pledged cash of £7,380,000 (2020: £1,050,000) on margin accounts with counterparty brokers. This cash represents collateral posted to broker margin accounts in relation to amounts due to brokers in respect of unrealised losses on open derivative positions.

As at 30 November 2021, the Company owed £nil (2020: £2,210,000) to brokers in respect of cash collateral received relating to amounts owed by these brokers to cover unrealised gains on open derivative positions. These cash balances are disclosed within cash and cash equivalents on the Statement of Financial Position of £25,223,000 (2020: £11,642,000), and an equivalent creditor of £nil (2020: £2,210,000) is also shown to reflect the economic entitlement of the broker to these margins until such a time as the open derivative positions are closed out and the profits are realised. To the extent there are any unrealised losses on CFD contracts, the Company will transfer margin monies across to these broker margin deposit accounts. The Investment Manager monitors margin positions on a daily basis to ensure any margin deposit balances are minimised and any amounts owed to the Company are transferred on a timely basis. In the event of default, legal ownership of any monies held in the margin deposit accounts resides with the counterparty broker.

## 12. Other receivables

	2021 £'000	2020 £'000
Amounts due from brokers	1,035	5,012
Share issue receivable	1,130	-
Prepayments and accrued income	819	755
	<b>2,984</b>	<b>5,767</b>

## 13. Other payables

	2021 £'000	2020 £'000
Amounts due to brokers	3,042	7,840
Accruals	3,311	1,559
Performance fee accrual	6,655	4,890
	<b>13,008</b>	<b>14,289</b>

## 14. Called up share capital

	Ordinary shares in issue number	Treasury shares number	Total shares number	Nominal value £'000
<b>Allotted, called up and fully paid share capital comprised:</b>				
<b>Ordinary shares of 5 pence each:</b>				
At 30 November 2020	87,518,929	-	87,518,929	4,376
Ordinary shares issued	13,917,035	-	13,917,035	696
<b>At 30 November 2021</b>	<b>101,435,964</b>	<b>-</b>	<b>101,435,964</b>	<b>5,072</b>

During the year ended 30 November 2021, the Company issued no shares from treasury (2020: 6,400,000) for a total consideration of £nil (2020: £42,796,000) including costs.

During the year ended 30 November 2021, the Company issued 13,917,035 new shares (2020: 6,988,603) for a total consideration of £124,988,000 (2020: £40,808,000) including costs.

Since 30 November 2021 and up to the latest practicable date of 2 February 2022, a further 1,748,900 shares have been issued for a total gross consideration of £16,382,000.

The ordinary shares give shareholders voting rights, the entitlement to all of the capital growth in the Company's assets and to all income from the Company that is resolved to be distributed.



# Notes to the Financial Statements

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## 15. Reserves

	Distributable reserves					
	Share premium account	Capital redemption reserve	Special reserve	Capital reserve arising on investments sold	Capital reserve arising on revaluation of investments held	Revenue reserve
	£'000	£'000	£'000	£'000	£'000	£'000
At 30 November 2020	101,368	11,905	44,580	277,106	148,034	8,846
Movement during the year:						
Total comprehensive income:						
Net profit for the year	–	–	–	121,759	90,129	–
Revenue return for the year	–	–	–	–	–	11,446
Transactions with owners recorded directly to equity:						
Ordinary shares issued	124,418	–	–	–	–	–
Share issue costs	(126)	–	–	–	–	–
Tender costs written back	–	–	2	–	–	–
Dividends paid	–	–	–	–	–	(9,391)
<b>At 30 November 2021</b>	<b>225,660</b>	<b>11,905</b>	<b>44,582</b>	<b>398,865</b>	<b>238,163</b>	<b>10,901</b>

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. In accordance with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the special reserve and capital reserve may be used as distributable profits for all purposes and, in particular, for the repurchase by the Company of its ordinary shares and for payment as dividends. In accordance with the Company's Articles of Association, the special reserve, capital reserves and revenue reserve may be distributed by way of dividend. The capital reserve arising on the revaluation of investments of £238,163,000 (2020: gain of £148,034,000) is subject to fair value movements and may not be readily realisable at short notice, as such it may not be entirely distributable. The investments are subject to financial risks; as such capital reserves (arising on investments sold) and the revenue reserve may not be entirely distributable if a loss occurred during the realisation of these investments.

## 16. Risk management policies and procedures

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at [www.blackrock.com/uk/thrg](http://www.blackrock.com/uk/thrg) for a more detailed discussion of the risks inherent in investing in the Company.

### Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFM). However, as disclosed in the Corporate Governance Statement on pages 65 to 69 and in the Statement of Directors' Responsibilities on page 80, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of the relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the AIFM review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at [www.blackrock.com/uk/thrg](http://www.blackrock.com/uk/thrg).

The AIFM is responsible for monitoring investment performance, product risk monitoring and oversight and has responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the BlackRock Risk and Quantitative Analysis Group (RQA) which is a centralised group which performs an independent risk management function. RQA independently identifies, measures and monitors investment risk and tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA has the ability to determine if the appropriate risk management processes are in place. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The AIFM reports to the Audit Committee twice yearly on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit Committee semi-annually. Any significant issues are reported to the Board as they arise.

### **Risk exposures**

The risk exposures of the Company are set out as follows:

#### **(a) Market risk**

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in financial instruments in the face of market movements.

A key metric the RQA Group uses to measure market risk is Value-at-Risk (VaR) which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables (including other price risk, foreign currency risk and interest rate risk), unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g., 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR percentage amounts. These limitations, and the nature of the VaR measure, mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one-day VaR as at 30 November 2021 and 30 November 2020 (based on a 99% confidence level) was 2.66% and 3.96%, respectively.

#### **(i) Market risk arising from other price risk**

##### **Exposure to other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Company and the market price of its investments and could result in increased premiums or discounts to the Company's net asset value.

The infectious respiratory illness caused by a novel coronavirus known as COVID-19 has had a profound impact on all aspects of society over the last two years. While there is a growing consensus in developed economies that the worst of the impact is now over, there is an expectation that travel restrictions, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, cancellations, supply chain disruptions, and lower consumer demand will create ongoing challenges. While widescale vaccination programmes are now in place in many countries and are having a positive effect, the impact of COVID-19 continues to adversely affect the economies of many nations across the globe and this impact may be greater where vaccination rates are lower, such as in certain emerging markets. Although it is difficult to make timing predictions, it is expected that the economic effects of COVID-19 will continue to be felt for a period after the virus itself has moved from being pandemic to endemic in nature, and this in turn may continue to impact investments held by the Company.

# Notes to the Financial Statements

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## 16. Risk management policies and procedures continued

The Company is exposed to market price risk arising from its equity investments and its exposure to derivative positions. The movements in the prices of these investments result in movements in the performance of the Company. Other price risk sensitivity has been covered by the VaR analysis under the market risk section above.

The Company's exposure to other changes in market prices at 30 November 2021 on its equity investments was £921,204,000 (2020: £590,225,000). In addition, the Company's gross market exposure to these price changes through its derivatives exposure is set out below.

### Use of derivatives

The Company may utilise both contracts for difference (CFDs) and index futures, as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage in respect of each transaction. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying derivative positions.

The Company's current investment strategy specifically utilises CFDs and index futures. The Company limits the gross market exposure, and therefore the leverage, of this strategy to approximately 30% of the Company's net assets. The long and short CFD positions have a linear performance to referenced stocks quoted on exchanges and therefore have a volatility profile similar to the underlying stocks. See 'Management of OTC financial derivative instruments' paragraph below for gearing through the use of derivatives.

### Management of other price risk

By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the NAV of the Company is minimised which is in line with the investment objectives of the Company.

### Management of over-the-counter (OTC) financial derivative instruments

Economic exposure through derivatives is restricted to 30% of the net asset value of the Company. The gross value represents the aggregate of the long and short exposure without netting and so within this limit market exposure may be significantly less. The net exposure refers to the market exposure the Company has to the underlying securities on long derivative positions, less the market exposure of the underlying securities on which the Company has taken in short derivative positions. Further definitions are provided in the Glossary on pages 129 to 131. To the extent derivatives are used to gear the Company's portfolio, aggregate leverage through the use of derivatives will not exceed 30% of net assets. The Board's policy is that net gearing, borrowing less cash, should not exceed 20% of gross assets.

Exposures are monitored daily by the Investment Manager and its independent risk management team and can be closed out at any time by the Company, subject to market liquidity. The Company's Board also reviews exposures regularly.

The CFD positions are diversified across sectors and geographies comprising 62 positions as at 30 November 2021 (2020: 48).

The gross underlying notional exposures through derivatives at 30 November 2021 and 30 November 2020 were:

	2021 £'000	% of net assets	2020 £'000	% of net assets
Gross exposure relating to long derivative positions	213,568	22.8	129,334	21.7
Gross exposure relating to short derivative positions	24,925	2.7	11,123	1.9
Gross economic exposure subject to a 30% restriction (see above)	238,493	25.5	140,457	23.6
Net market exposure	188,643	20.1	118,211	19.8

### Concentration of exposure to market risks

An analysis of the Company's investment portfolio, and sector analysis, is shown on pages 23 to 31. At 30 November 2021, this shows the majority of the portfolio's value is in UK companies. Accordingly, there is concentration of exposure to the UK, although it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

### (ii) Market risk arising from foreign currency risk

#### Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency sensitivity has been covered by the VaR analysis under the market risk section.

As the Company's objective is to achieve capital growth for shareholders through investment mainly in smaller UK quoted companies, substantially all of the Company's assets are Sterling denominated. Up to 15% of the Company's portfolio can be invested in overseas companies. Consequently, at any time a very small proportion of the Company's assets, liabilities and income may be denominated in currencies other than Sterling (the Company's functional currency and that in which it reports its results). There were fourteen non-Sterling denominated long investment positions and there was one non-Sterling denominated short investment position held within the Company's portfolio at 30 November 2021 (2020: seventeen long positions, no short positions).

The fair values of the Company's monetary items which have foreign currency exposure at 30 November 2021 and 30 November 2020 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	Australian Dollar £'000	Euro £'000	Swedish Krona £'000	Swiss Franc £'000	US Dollar £'000
<b>2021</b>					
Receivables (due from brokers, dividends and other income receivable)	–	3	304	15	3
Derivatives – long positions (gross exposure)	7,645	11,697	9,516	–	49,701
Derivatives – short positions (gross exposure)	–	(2,954)	–	–	–
Payables	(1)	–	(3)	–	(515)
<b>Total foreign currency exposure on net monetary items</b>	<b>7,644</b>	<b>8,746</b>	<b>9,817</b>	<b>15</b>	<b>49,189</b>
Investments at fair value through profit and loss that are equities	–	–	–	–	–
<b>Total net foreign currency exposure</b>	<b>7,644</b>	<b>8,746</b>	<b>9,817</b>	<b>15</b>	<b>49,189</b>
<b>Total net foreign currency exposure as a % of net assets</b>	<b>0.82%</b>	<b>0.94%</b>	<b>1.05%</b>	<b>–</b>	<b>5.26%</b>

	Australian Dollar £'000	Euro £'000	Danish Krone £'000	Swiss Franc £'000	US Dollar £'000
<b>2020</b>					
Receivables (due from brokers, dividends and other income receivable)	–	18	–	15	16
Derivatives – long positions (gross exposure)	6,430	13,418	2,964	–	33,821
Derivatives – short positions (gross exposure)	–	–	–	–	–
Payables	(1)	–	–	–	(3)
<b>Total foreign currency exposure on net monetary items</b>	<b>6,429</b>	<b>13,436</b>	<b>2,964</b>	<b>15</b>	<b>33,834</b>
Investments at fair value through profit and loss that are equities	–	1,753	–	–	15,010
<b>Total net foreign currency exposure</b>	<b>6,429</b>	<b>15,189</b>	<b>2,964</b>	<b>15</b>	<b>48,844</b>
<b>Total net foreign currency exposure as a % of net assets</b>	<b>1.08%</b>	<b>2.55%</b>	<b>0.50%</b>	<b>–</b>	<b>8.19%</b>

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

### Management of foreign currency risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board of the Company on a regular basis.

The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the Financial Statements and its receipt. Although permitted, derivative contracts are not used to hedge against exposure to foreign currency risk.

Consequently, the Company is exposed to risks that the exchange rate of its reporting currencies relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than their own currencies.

### (iii) Market risk arising from interest rate risk

#### Exposure to interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and on positions within the CFD contracts. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Movements in interest rates will also have an impact on the financing costs of the CFD derivative contracts. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

#### Interest rate exposure

The exposure at 30 November 2021 and 30 November 2020 of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re-set; and
- fixed interest rates – when the financial instrument is due for repayment.

	2021 Within one year £'000	2020 Within one year £'000
<b>Exposure to floating interest rates:</b>		
Derivative contracts		
– Notional long derivative positions	213,568	129,334
– Notional short derivative positions	(24,925)	(11,123)
Cash Fund	25,080	11,541
Cash collateral held with brokers	7,380	1,050
Cash at bank	143	101
Cash collateral received	–	(2,210)



### Management of interest rate risk

The Company is exposed to interest rate risk on cash holdings and CFD positions. The Company incurs charges on long positions when held.

The Company incurred a charge based on LIBOR plus 25 basis points for long CFD positions and received a benefit based on LIBOR minus 35 basis points for short positions. For non-Sterling long positions, the Company incurred a charge based on EURIBOR plus 25 basis points for positions denominated in Euros, Bank Bill Swap Rate plus 25 basis points for positions denominated in Australian Dollars, CHF LIBOR plus 30 basis points for positions denominated in Swiss Francs and the Federal Funds Rate plus 18 basis points for positions denominated in US Dollars. For non-Sterling short positions, the Company received a benefit based on EURIBOR minus 25 basis points for positions denominated in Euros and CHF LIBOR minus 30 basis points for positions denominated in Swiss Francs.

Notional interest is determined on a gross basis; i.e., for this purpose long and short positions or exposures within the master agreement are not netted for calculation of notional interest. Further details of notional interest arising in the year in relation to derivative positions are given within note 11 to the Financial Statements on page 104.

The Company has additional exposure to interest rate risk in relation to its holding in the Cash Fund. Interest received on this holding in the year was on average 0.10% (2020: 0.42%).

The Company does not have any fixed rate exposure at 30 November 2021 or 30 November 2020.

Interest rates received on cash balances or paid on bank borrowings, respectively, is set out in the table below:

	Interest received	Interest paid
	%	%
<b>2021</b>		
Sterling	–	3.10
	Interest received	Interest paid
	%	%
<b>2020</b>		
Sterling	0.11	3.28

### (b) Counterparty credit risk

Credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments and through its positions in long and short derivatives.

There were no past due assets as at 30 November 2021 (2020: nil).

The major counterparties engaged with the Company are all widely recognised and regulated entities.

### Depository

The Company's Depository is The Bank of New York Mellon (International) Limited (BNYM or the Depository) (S&P long-term credit rating as at 30 November 2021: AA- (2020: AA-)). The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited (BNYM) as the Company's Custodian (as sub-delegated by the Depository). All of the equity assets and cash of the Company are held within the custodial network of the global custodian appointed by the Depository. Bankruptcy or insolvency of the Depository/Custodian may cause the Company's rights with respect to its investments held by the Depository/Custodian to be delayed or limited. The maximum exposure to this risk at 30 November 2021 is the total value of equity investments held with the Depository/Custodian and cash and cash equivalents in the Statement of Financial Position.

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

In accordance with the requirements of the depositary agreement, the Depositary will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depositary, the Company's non-cash assets are segregated and this reduces counterparty credit risk. The Company will, however, be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company. The Board monitors the Company's risk by reviewing the Custodian's internal control reports.

### Counterparties/brokers

The Company only invests directly in markets that operate on a delivery versus payment basis, and consequently most investment transactions in listed securities involve simultaneous delivery of securities against cash payment using an approved broker. The risk of default is considered minimal, and the trade will fail if either party fails to meet its obligation.

Cash held as security by the counterparty to financial derivative contracts is subject to the credit risk of the counterparty. The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, the collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long-term credit rating of any one counterparty (or its ultimate parent if unrated).

	Total number of counterparties	Maximum exposure to any one counterparty <sup>1</sup> £'000	Collateral held <sup>1</sup> £'000	Total exposure to all other counterparties <sup>1</sup> £'000	Lowest credit rating of any one counterparty <sup>2</sup> £'000
2021	5	25,080	7,380	2,308	BBB+
2020	8	11,541	1,050	9,221	BBB+

<sup>1</sup> Calculated on a net exposure basis.

<sup>2</sup> S&P ratings

The Company may also be exposed to counterparty risk should there be any rehypothecation of pledged collateral. Collateral is received/paid where the client service agreement states that there should be collateral movements agreed with the counterparty, where there is a requirement for a mark-to-market process or collateralisation to ensure that the Company is protected against any counterparty default.

### Collateral

The Company engages in activities which may require collateral to be provided to a counterparty (Pledged Collateral) or may hold collateral received (Inbound Collateral) from a counterparty. Pledged and Inbound cash collateral is paid/received in Sterling. The Company uses Inbound Collateral received from a counterparty to reduce the counterparty credit risk associated with any trading activity in which the Company has engaged.

The collateral received/posted by the Company under the ISDA Master Agreement in respect of variation margin is transferred bilaterally under a title transfer arrangement. Collateral received by the Company in respect of variation margin is held in an account in the name of the Depositary on behalf of the Company. Collateral received is segregated from the assets belonging to the Company's Depositary.

At 30 November 2021, all cash collateral received by the Company in respect of CFD transactions was re-invested in the Cash Fund managed by the Manager or its affiliates as disclosed in the Schedule of Investments. The Company is the legal owner of Inbound Collateral and can sell the assets and withhold the cash in the case of default. All cash received or posted as collateral has an open maturity tenor as it is not subject to a contractual maturity date.

The returns earned by the Company from the reinvestment of cash collateral in the Cash Fund during the year ended 30 November 2021 was 0.10% (2020: 0.42%).

Cash collateral pledged by the Company is separately identified as an asset in the Statement of Financial Position and is not included as a component of cash and cash equivalents. Inbound cash collateral received by the Company is reflected as a liability on the Statement of Financial Position as cash collateral payable. The cash is subject to certain counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

The fair value of inbound cash collateral and cash collateral pledged is reflected in the Statement of Financial Position and is set out in the table below:

	Pledged Collateral		Liability for Inbound Collateral	
	As at 30 November 2021	As at 30 November 2020	As at 30 November 2021	As at 30 November 2020
	£'000	£'000	£'000	£'000
Cash collateral	7,380	1,050	–	(2,210)

### Receivables

Amounts due from debtors are disclosed on the Statement of Financial Position as receivables. The counterparties included in receivables are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty and Concentration Risk Team (RQA CCR). The Company monitors the ageing of receivables to mitigate the risk of debtor balances becoming overdue.

In summary, the exposure to credit risk at 30 November 2021 and 30 November 2020 was as follows:

	2021 3 months or less £'000	2020 3 months or less £'000
Derivative positions – amounts due from brokers	–	4,108
Cash Fund	25,080	11,541
Cash collateral held with brokers	7,380	1,050
Cash at bank	143	101
Amounts due from brokers	1,035	5,012
Share issue receivable	1,130	–
	<b>34,768</b>	<b>21,812</b>

The following table details the Company's exposure to derivatives and net cash collateral (received/pledged in Sterling) analysed by counterparty as at the balance sheet date:

2021 Name of counterparty	Counterparty country of incorporation	Receivable/ (payable) for derivatives £'000	Cash collateral pledged/ (received) £'000
Deutsche Bank AG	Germany	–	270
BNP Paribas	France	(163)	–
JPMorgan	United States	(3,762)	2,250
Credit Suisse	Switzerland	(4,791)	4,860
		<b>(8,716)</b>	<b>7,380</b>

2020 Name of counterparty	Counterparty country of incorporation	Receivable/ (payable) for derivatives £'000	Cash collateral pledged/ (received) £'000
Deutsche Bank AG	Germany	209	1,050
JPMorgan	United States	1,404	(1,300)
Credit Suisse	Switzerland	2,495	(910)
Bank of America Merrill Lynch	United States	(105)	–
		<b>4,003</b>	<b>(1,160)</b>

# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

### Management of counterparty credit risk

Credit Risk is monitored and managed by RQA CCR. The team is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer.

The counterparty/credit risk is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and with counterparties selected by RQA CCR on the basis of a number of risk mitigation criteria designed to reduce the risk to the Company of default;
- transactions involving derivatives are on an over-the-counter basis;
- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by the RQA CCR team;
- all transactions in quoted securities are settled on a payment against delivery basis using approved brokers; and
- The RQA CCR team review the credit standard of the Company's brokers on a periodic basis, and set limits on the amount that may be due from any one broker.

The Board monitors the Company's counterparty risk by reviewing:

- the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's Custodian where controls are reviewed and tested;
- the Custodian's Service Organisation Control (SOC 1) reports which include a report by the Custodian's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Custodian's processes;
- the Manager's internal control reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Manager's control processes; and
- in addition, the Depositary and the Manager report any significant breaches or issues arising to the Board as soon as these are identified.

### Offsetting disclosures

In order to better define its contractual rights and to secure rights that will help the Company mitigate its counterparty risk, the Company may enter into an ISDA Master Agreement or similar agreement with its OTC derivative contract counterparties. An ISDA Master Agreement is an agreement between the Company and the counterparty that governs OTC derivative contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Company has a contractual right to offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

For financial reporting purposes, the Company does offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Financial Position. The disclosures set out in the following table include financial assets and financial liabilities that are subject to an enforceable master netting agreement or similar agreement.

At 30 November 2021 and 2020, the Company's derivative assets and liabilities (by type) are as follows:

	At 30 November 2021		At 30 November 2020	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
<b>Derivatives</b>				
Long derivative positions	2,106	(11,682)	6,641	(2,265)
Short derivative positions	1,333	(473)	70	(443)
<b>Total derivative assets and liabilities in the Statement of Financial Position</b>	<b>3,439</b>	<b>(12,155)</b>	<b>6,711</b>	<b>(2,708)</b>
Derivatives not subject to a master netting agreement	-	-	-	-
<b>Total assets and liabilities subject to a master netting agreement</b>	<b>3,439</b>	<b>(12,155)</b>	<b>6,711</b>	<b>(2,708)</b>

The following table presents the Company's derivative assets and liabilities by counterparty, net of amounts available for offset, under a master netting agreement and net of any related collateral paid/(received) by the Company at 30 November 2021 and 30 November 2020:

	Derivative assets/ (liabilities) subject to a master netting agreement by a counterparty £'000	Derivatives available for offset £'000	Net amount as per Statement of Financial Position £'000	Non-cash collateral given £'000	Cash collateral £'000	Net amount of derivative assets/ (liabilities) <sup>1</sup> £'000
<b>At 30 November 2021</b>						
BNP Paribas	187	(350)	(163)	-	-	(163)
Credit Suisse	203	(4,994)	(4,791)	-	4,791	-
JPMorgan	3,049	(6,811)	(3,762)	-	2,250	(1,512)
<b>Total as at 30 November 2021</b>	<b>3,439</b>	<b>(12,155)</b>	<b>(8,716)</b>	<b>-</b>	<b>7,041</b>	<b>(1,675)</b>
<b>At 30 November 2020</b>						
Deutsche Bank AG	296	(87)	209	-	-	209
Credit Suisse	2,701	(206)	2,495	-	(910)	1,585
JPMorgan	3,714	(2,310)	1,404	-	(1,300)	104
Bank of America Merrill Lynch	-	(105)	(105)	-	-	(105)
<b>Total as at 30 November 2020</b>	<b>6,711</b>	<b>(2,708)</b>	<b>4,003</b>	<b>-</b>	<b>(2,210)</b>	<b>1,793</b>

<sup>1</sup> Amount represents the net amount receivable/(payable) from/(to) the counterparty in the event of default, and does not include over-collateralised positions.

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company is also exposed to the liquidity risk for margin calls on derivative instruments. At the year end, the Company had no overdraft facility (2020: nil).



# Notes to the Financial Statements

continued

## 16. Risk management policies and procedures continued

### Liquidity risk exposure

The remaining undiscounted gross cash flows of the financial liabilities as at 30 November 2021 and 30 November 2020, which are payable in the next 90 days, were as follows:

	2021 3 months or less £'000	2020 3 months or less £'000
Amounts due to brokers, accruals and provisions	13,008	14,289
Derivative financial liabilities held at fair value through profit or loss	8,716	105
Cash collateral received in respect of derivatives	–	2,210
	<b>21,724</b>	<b>16,604</b>

### Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. However, the timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company may experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is not significant as the Company's assets are investments in listed securities that are readily realisable.

The Company is also exposed to liquidity risks from the leverage employed through exposure to long and short derivative positions. The underlying securities of the CFD contracts are all quoted investments that can be realised readily. Short derivative positions are backed by sufficient margin cash to reduce risk. Additional cash is held within the portfolio to further mitigate risk.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The Investment Manager reviews daily forward-looking cash reports which project cash obligations. These reports allow them to manage their obligations.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

### (d) Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investment and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2(g) to the Financial Statements on pages 96 and 97.

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

The fair value hierarchy has the following levels:

#### Level 1 – Quoted market price for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

## Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

As at the year end the long and short derivative positions were valued using the underlying equity bid price (offer price in respect of short positions) and the contract price at the inception of the trade or at the trade reset date. There have been no changes to the valuation technique since the previous year or as at the date of this report.

Contracts for difference have been classified as Level 2 investments as their valuation has been based on market observable inputs represented by the market prices of the underlying quoted securities to which these contracts expose the Company.

## Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager.

## Fair values of financial assets and financial liabilities

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

<b>Financial assets/(liabilities) at fair value through profit or loss at 30 November 2021</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Assets:</b>				
Equity investments	921,204	–	–	921,204
Contracts for difference (fair value)	–	–	–	–
<b>Liabilities:</b>				
Contracts for difference (fair value)	–	(8,716)	–	(8,716)
	<b>921,204</b>	<b>(8,716)</b>	<b>–</b>	<b>912,488</b>

<b>Financial assets/(liabilities) at fair value through profit or loss at 30 November 2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Assets:</b>				
Equity investments	590,225	–	–	590,225
Contracts for difference (fair value)	–	4,108	–	4,108
<b>Liabilities:</b>				
Contracts for difference (fair value)	–	(105)	–	(105)
	<b>590,225</b>	<b>4,003</b>	<b>–</b>	<b>594,228</b>

# Notes to the Financial Statements

continued

## **16. Risk management policies and procedures** continued

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 30 November 2021 and 30 November 2020. The Company did not hold any Level 3 securities throughout the financial year or as at 30 November 2021 (2020: nil).

### **(e) Capital management policies and procedures**

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- secure long term capital growth and an attractive total return primarily through investing in quoted securities in the UK, as well as through investment in a portfolio of long and short derivative positions and/or comparable equity derivatives.

This is to be achieved through an appropriate balance of equity capital, investment in derivatives, and gearing. The policy is that any leverage arising through the Company's derivative contracts, should not exceed 30% of net assets. Additionally net gearing (borrowing less cash) should not exceed 20% of net assets.

The Company's total capital at 30 November 2021 was £935,148,000 (2020: £596,215,000), comprising capital and reserves.

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view on the market; and
- the need to buy back equity shares, either for cancellation or to be held in treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium).

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by law.

During the year, the Company complied with the externally imposed capital requirements to which it was subject.

## 17. Related party disclosure

### Directors' emoluments

At the date of this report, the Board consists of six Non-Executive Directors, all of whom are considered to be independent of the Manager by the Board.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report on pages 70 to 73. At 30 November 2021, £15,000 (2020: £13,000) was outstanding in respect of Directors' fees.

### Significant Holdings

The following investors are:

- funds managed by the BlackRock Group or are affiliates of BlackRock Inc. ("Related BlackRock Funds") or
- investors (other than those listed in (a) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company ("Significant Investors").

#### As at 30 November 2021

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
1.78	n/a	n/a

#### As at 30 November 2020

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
1.88	n/a	n/a

## 18. Transactions with the Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on pages 56 and 57.

The investment management fee due for the year ended 30 November 2021 amounted to £3,652,000 (2020: £2,097,000). In addition, a performance fee of £6,655,000 (2020: £4,890,000) is payable for the year. At the year end, £2,923,000 was outstanding in respect of management fees (2020: £1,113,000) and £6,655,000 (2020: £4,890,000) was outstanding in respect of performance fees.

In addition to the above services, BlackRock has provided marketing services. The total fees paid or payable for these services for the year ended 30 November 2021 amounted to £157,000 excluding VAT (2020: £174,000). Marketing fees of £120,000 (2020: £132,000) were outstanding at the year end.

The Company has an investment in the BlackRock Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund of £25,080,000 (2020: £11,541,000) which for the year ended 30 November 2021 and 30 November 2020 has been presented in the Financial Statements as a cash equivalent.

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc., a company incorporated in Delaware, USA.

## 19. Contingent liabilities

There were no contingent liabilities at 30 November 2021 (2020: nil).









# Additional information

◀ We increased our holding in Oxford Instruments during the year under review. The company designs and manufactures tools and systems for markets including research and academia, industry, health, energy and the environment.

PHOTO COURTESY OF OXFORD INSTRUMENTS

# Shareholder information

## Financial calendar

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

<b>February</b>	Annual results announced and Annual Report and Financial Statements published.
<b>March</b>	Annual General Meeting.
<b>April</b>	Final dividend paid.
<b>July</b>	Interim figures announced and half yearly financial report published.
<b>August</b>	Interim dividend paid.

## Dividend

The proposed final dividend in respect of the year ended 30 November 2021 is 8.00 pence per share. The Board also declared an interim dividend of 2.50 pence per share which was paid on 27 August 2021 to shareholders on the register on 6 August 2021.

<b>Dividend timetable</b>	<b>Ordinary shares</b>
Ex-dividend date (shares transferred without the dividend)	17 February 2022
Record date (last date for registering transfers to receive the dividend)	18 February 2022
Dividend payment date	31 March 2022

## Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website [investorcentre.co.uk](http://investorcentre.co.uk), on 0370 707 4016 or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Dividend confirmations will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

## Dividend tax allowance

The annual tax-free allowance on dividend income across a UK resident individual's entire share portfolio is £2,000. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability. If you have any tax queries, please contact a financial adviser.

## Dividend reinvestment plan (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC, through their secure website [investorcentre.co.uk](http://investorcentre.co.uk), or on 0370 707 4016. Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is 10 March 2022.

## Share price

The Company's mid-market ordinary share price is quoted daily in The Financial Times and The Times under 'Investment Companies' and in The Daily Telegraph under 'Investment Trusts'. The share price is also available on the BlackRock website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

## ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic codes for the Company's shares are:

	<b>Ordinary shares</b>
ISIN	GB0008910555
SEDOL	0891055
Reuters	THRG.L
Bloomberg code	THRG:LN

## Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. Alternatively, please go to <http://www.computershare.com/dealing/uk> for a range of dealing services made available by Computershare.

**Internet dealing** – The fee for this service is 1% of the value of the transaction (subject to a minimum of £30).

**Telephone dealing** – The fee for this service will be 1% of the value of the transaction (plus £50).

## Electronic communications

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online. This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation.

Shareholders who opt for this service will receive an e-mail from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded.

Please submit your email address by visiting [investorcentre.co.uk/ecomms](http://investorcentre.co.uk/ecomms) (you will need your shareholder reference number, which is given on your share certificate or dividend confirmation).

You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

## Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at [eproxyappointment.com](http://eproxyappointment.com) using a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

## CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

## Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

## Publication of net asset value/portfolio analysis

The NAV per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg) and through the Reuters News Service under the code 'BLRKINDEX', on page 8800 on Topic 3 (ICV terminals) and under 'BLRK' on Bloomberg (monthly information only).

## Online access

Other details about the Company are also available on the BlackRock website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

The Financial Statements and other literature are published on the BlackRock website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in their jurisdiction.

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at [investorcentre.co.uk](http://investorcentre.co.uk). To access Computershare's website, you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Shareholders who hold a share certificate which has been issued by Capita Registrars should insert a 'C' before the shareholder reference number quoted on the certificate.

Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.
- e-Comms sign-up – choose to receive e-mail notification when your shareholder communications become available instead of paper communications.
- Outstanding payments – reissue payments using the online replacement service.
- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

## Individual savings accounts (ISAs)

ISAs are a tax-efficient method of investment in the UK and the Company's shares are eligible investments within a stocks and shares ISA. In the 2021/2022 tax year, investors will be able to invest up to £20,000 in ISAs either as cash or shares.

# Shareholder information

continued

## Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes the shareholder reference number, available from either the share certificate, form of proxy or dividend confirmation or other electronic communications previously received from Computershare. Shareholders who hold a share certificate which has been issued by Capita Registrars should insert a 'C' before the shareholder reference number quoted on the certificate.

The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0370 707 4016.

Changes of name or address must be notified to the registrar either through Computershare's website, or in writing to:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## General enquiries

Enquiries about the Company should be directed to:

The Company Secretary  
BlackRock Throgmorton Trust plc  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000  
Email: cosec@blackrock.com

# Analysis of ordinary shareholders

as at 30 November 2021

## By type of holder

	Number of shares 2021*	Number of shares 2020	% of total 2021	% of total 2020
Individuals	3,702,685	3,902,403	3.65	4.45
Bank or Nominees	96,459,885	82,526,416	95.21	94.30
Other	1,153,294	1,090,110	1.14	1.25
<b>Total</b>	<b>101,315,864</b>	<b>87,518,929</b>	<b>100.00</b>	<b>100.00</b>

No treasury shares were held as at 30 November 2021.

	Number of holders 2021	Number of holders 2020	% of total 2021	% of total 2020
Individuals	794	831	53.07	56.72
Bank or Nominees	660	591	44.12	40.34
Other	42	43	2.81	2.94
<b>Total</b>	<b>1,496</b>	<b>1,465</b>	<b>100.00</b>	<b>100.00</b>

## By size of holding

	Number of shares 2021*	Number of shares 2020	% of total 2021	% of total 2020
1 – 10,000	3,195,429	3,259,335	3.15	3.72
10,001 – 100,000	6,936,663	6,367,889	6.85	7.28
100,001 – 1,000,000	25,962,292	26,027,180	25.63	29.74
1,000,001 – 5,000,000	44,614,438	32,259,469	44.03	36.86
Over 5,000,000	20,607,042	19,605,056	20.34	22.40
<b>Total</b>	<b>101,315,864</b>	<b>87,518,929</b>	<b>100.00</b>	<b>100.00</b>

No treasury shares were held as at 30 November 2021.

	Number of holders 2021	Number of holders 2020	% of total 2021	% of total 2020
1 – 10,000	1,174	1,160	78.47	79.18
10,001 – 100,000	223	213	14.91	14.54
100,001 – 1,000,000	77	74	5.15	5.05
1,000,001 – 5,000,000	19	15	1.27	1.02
Over 5,000,000	3	3	0.20	0.21
<b>Total</b>	<b>1,496</b>	<b>1,465</b>	<b>100.00</b>	<b>100.00</b>

\* Excludes unsettled share issuance trades of 120,100 shares as at 30 November 2021.



# Management and other service providers

## Registered Office

(Registered in England and Wales, No. 00594634)  
12 Throgmorton Avenue  
London EC2N 2DL

## Investment Manager and Company Secretary

BlackRock Investment Management (UK) Limited<sup>1</sup>  
12 Throgmorton Avenue  
London EC2N 2DL  
Email: cosec@blackrock.com

## Alternative Investment Fund Manager<sup>2</sup>

BlackRock Fund Managers Limited<sup>1</sup>  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000

## Banker, Custodian and Depositary

The Bank of New York Mellon (International) Limited<sup>1</sup>  
One Canada Square  
London E14 5AL

## Registrar

Computershare Investor Services PLC<sup>1</sup>  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Telephone: 0370 707 4016

## Independent Auditor

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

## Stockbroker

Stifel Nicolaus Europe Limited<sup>1</sup>  
150 Cheapside  
London EC2V 6ET

## Solicitor

Stephenson Harwood LLP  
1 Finsbury Circus  
London, EC2M 7SH

<sup>1</sup> Authorised and regulated by the Financial Conduct Authority.

<sup>2</sup> BlackRock Fund Managers Limited (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager of the Company under a delegation agreement with BFM.

# AIFMD disclosures

## Report on remuneration

The Alternative Investment Fund Managers' Directive, as implemented and retained in the UK (AIFMD), requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg) and have applied to the Manager since 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as an AIFM.

## Quantitative remuneration disclosure

Disclosures in accordance with FUND 3.3.5, Article 22(2)e and 22(2)(f) of the AIFMD and Article 107 of the Delegated Regulation can be found in the Key Documents section on the Company website at: [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

## Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objectives and policy, the Company may utilise derivative instruments as part of its investment policy.

The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject. Derivatives were used for leverage purposes during the year.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment Leverage as at 30 November 2021	Gross Leverage as at 30 November 2021
<b>Derivatives:</b>		
Leverage ratio	1.40	1.31

## Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 16 to the notes to the Financial Statements on pages 106 to 118.

## Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

There have been no material changes (other than those reflected in these Financial Statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

In addition, the European Union's PRIIPs Regulation requires that a key information document (KID) also be made available to investors before they invest. The PRIIPs compliant KID can also be found on the Company's website at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

## KEVIN MAYGER

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
4 February 2022

# Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long-term incentive schemes in operation.

9.8.4 (5) and (6) No Director of the Company has waived or agreed to waive any current or future emoluments from the Company or any subsidiary undertaking.

9.8.4 (7) The Company allotted no ordinary shares from treasury during the year. The Company issued a total of 13,917,035 ordinary shares during the year with a total nominal value of £695,852 which were issued at an average price of 898.09p per share for a total consideration of £124,988,000. Details of the allotments are set out in the following table:

	Number of transactions	Total shares issued	Price range (p)	Total consideration (£)	Average premium (%)
Stifel Nicolaus Europe Limited	151	13,917,035	699.06 - 1,042.00	124,988,000	1.6

The Company is a stand-alone entity therefore Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested, or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

## KEVIN MAYGER

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
4 February 2022

# Glossary

## Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the Financial Statements.

The Company's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Report.

## Benchmark Index

The Company's Benchmark Index used for performance comparative purposes is the Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

Benchmark Index outperformance/underperformance is measured by comparing the Company's net asset value (NAV) return and share price return, with the performance of the Benchmark Index on a total return basis.

As at 30 November 2021, the Company's NAV total return was 37.0% and the total return of the Benchmark Index was 24.5%, therefore the Company's NAV outperformance of the Benchmark Index was 12.5%.

As at 30 November 2021, the Company's share price return was 38.3% and the total return of the Benchmark Index was 24.5%, therefore the Company's Share Price outperformance of the Benchmark Index was 14.3%.

## Closed-ended company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed-ended funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open-ended funds and can therefore invest in less liquid investments.

## Contract for difference (CFD)

A contract for difference is an agreement to exchange the difference in value of a particular share or index between the time at which a contract is opened and the time at which it is closed. A CFD allows an investor to gain access to the movement in the share price or index by putting down a small amount of cash known as a margin.

CFDs do not have an expiry date like options or futures contracts. As opposed to an expiry date a CFD is effectively renewed at the close of each trading day and rolled forward if desired.

## Discount and premium\*

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV.

For example, if the share price was 90p and the NAV 100p, the discount would be 10%.

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. As at 30 November 2021, the share price was 935.00p (2020: 682.00p) and the audited NAV per share was 921.91p (2020: 681.24p), therefore giving a premium of 1.4% (2020: 0.1%) (please see note 9 of the Financial Statements for the audited inputs to the calculations).

Discounts and premia are mainly the consequence of supply and demand for the shares on the stock market.

## Gearing and borrowings\*

The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital, investment in derivatives and borrowings. The maximum exposure the Company may have to derivatives for investment purposes and efficient portfolio management purposes, in aggregate, is 120% of the Company's gross assets. The Company may use borrowings and enter into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance.

\* Alternative Performance Measures.

# Glossary

continued

The Company's gross and net gearing through the use of long and short CFD positions as at 30 November 2021 and 30 November 2020 is set out in the table below.

Gross and net gearing	Page	30 November 2021 £'000	30 November 2020 £'000	
Long investment positions (excluding BlackRock's Institutional Cash Series plc - Sterling Liquid Environmentally Aware Fund)	28	1,134,772	719,559	(a)
Short investment positions	28	24,925	11,123	(b)
Gross geared exposure (c = a + b)		1,159,697	730,682	(c)
Net geared exposure (d = a - b)		1,109,847	708,436	(d)
<b>Net assets</b>	<b>28</b>	<b>935,148</b>	<b>596,215</b>	<b>(e)</b>
<b>Gross gearing % of net assets (f = c / e x 100)</b>		<b>124.1%</b>	<b>122.6%</b>	<b>(f)</b>
<b>Net gearing % of net assets (g = d / e x 100)</b>		<b>118.7%</b>	<b>118.8%</b>	<b>(g)</b>

## Gross and net exposure

Market exposure gained through a CFD contract refers to the gross market value of the underlying securities to which the investor is exposed through the CFD contract. Gross exposure refers to the total exposure the investor has through both long and short positions added together. For example, an investor who has 110% long market exposure through CFDs and 20% short market exposure through CFDs has gross market exposure of 130%.

Net exposure refers to the exposure the investor has through long positions less any short positions. For example, an investor who has 110% long market exposure through CFDs and 20% short market exposure through CFDs has net market exposure of 90%; this method of measurement is looking at the net directional market exposure and takes into account the fact that long and short positions theoretically offset one another when the market moves in a particular direction.

## Leverage

Leverage is defined in the AIFMD as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{exposure}}{\text{net asset value}}$$

AIFMD sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an "exposure" under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that "the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond" should be excluded from exposure calculations.

The Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity's exposure is effectively reduced.

## Long and short exposure

CFDs enable an investor to benefit from the price of a stock falling as well as rising. This enables the investor to benefit from negative as well as positive views on individual stocks.

Entering into a CFD that results in a profit if the share price movement falls, is referred to as taking a short position. The counterparty pays the investor interest on the cash deposited with it, which collateralises the short positions and deductions are made from the value of the short CFD contract in respect of dividends payable in relation to these stocks. Entering into a CFD contract that results in a profit if the share price movement rises, is referred to as taking a long position. The investor pays a financing charge on long positions and receives payments from the counterparty in respect of dividends payable in relation to these long positions.

## NAV per share (Cum income NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'total equity' by the total number of ordinary shares in issue (excluding treasury shares) as set out in note 9 to the Financial Statements on page 102 for the audited inputs to the calculation. For example, as at 30 November 2021, total equity was £935,148,000 (2020: 596,215,000) and there were 101,435,964 (2020: 87,518,929) ordinary shares in issue (excluding treasury shares) as set out in note 9 to the Financial Statements on page 102 for the audited inputs to the calculation; the NAV was therefore 921.91p per ordinary share (2020: 681.24p).

Total equity is calculated by deducting from the Company's total assets its current and long-term liabilities and any provision for liabilities and charges.

\* Alternative Performance Measures.



## Net asset value (NAV) and share price return (with dividends reinvested)\*

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

NAV total return	Page	30 November 2021	30 November 2020	
Closing NAV per share (pence)	102	921.91	681.24	
Add back interim and final dividends (pence)	102	10.20	10.20	
Effect of dividend reinvestment (pence)		1.40	0.39	
Adjusted closing NAV (pence)		933.51	691.83	(a)
Opening NAV per share (pence)	102	681.24	634.10	(b)
<b>NAV total return (c = ((a - b)/b)) (%)</b>		<b>37.0</b>	<b>9.1</b>	<b>(c)</b>

Share price total return	Page	30 November 2021	30 November 2020	
Closing share price (pence)	102	935.00	682.00	
Add back interim and final dividends (pence)	102	10.20	10.20	
Effect of dividend reinvestment (pence)		1.43	0.11	
Adjusted closing share price (pence)		946.63	692.31	(a)
Opening share price (pence)	102	682.00	640.00	(b)
<b>Share price total return (c = ((a - b)/b)) (%)</b>		<b>38.8</b>	<b>8.2</b>	<b>(c)</b>

## Ongoing charges ratio\*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

\* Alternative Performance Measures.

As recommended by the AIC in its guidance, ongoing charges are calculated using the Company's annualised revenue and capital expenses (excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the year.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table:

Ongoing charges calculation	Page	30 November 2021 £'000	30 November 2020 £'000	
Management fee	99	3,652	2,097	
Other operating expenses	100	1,078	822	
Total management fee and other operating expenses		4,730	2,919	(a)
Performance fee	99	6,655	4,890	(b)
Total management and performance fees and other operating expenses (c = a + b)		11,385	7,809	(c)
Average daily net assets in the year		824,909	486,694	(d)
<b>Ongoing charges in the year excluding performance fees (e = a/d)</b>		<b>0.57%</b>	<b>0.60%</b>	<b>(e)</b>
<b>Ongoing charges in the year including performance fees (f = c/d)</b>		<b>1.38%</b>	<b>1.60%</b>	<b>(f)</b>

## Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate after expenses. They may retain up to 15% of revenue generated which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

## Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.









# Annual general meeting

◀ Once again international research data and analytics group YouGov made a notable contribution to performance. Its online-only research methods largely prevented major disruption to its business model during the pandemic and an ever-growing demand for real-time insight from governments, brands and companies has seen its share price more than double since March 2020.

# Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of BlackRock Throgmorton Trust plc will be held at the offices of BlackRock, 12 Throgmorton Avenue, London EC2N 2DL on Thursday, 24 March 2022 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed in the case of resolutions 1 to 14, as ordinary resolutions and, in the case of resolutions 15 to 17, as special resolutions).

## Ordinary business

1. To receive the report of the Directors of the Company and the Financial Statements for the year ended 30 November 2021, together with the report of the auditor thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 November 2021 (excluding any content relating to the remuneration policy).
3. To approve a final dividend of 8.00 pence per share.
4. To re-elect Mr Samuel as a Director of the Company.
5. To re-elect Mr Greenlees as a Director of the Company.
6. To re-elect Mrs Nash as a Director of the Company.
7. To re-elect Mrs Lane as a Director of the Company.
8. To re-elect Dr Burton as a Director of the Company.
9. To re-elect Ms Somerset Webb as a Director of the Company.
10. To re-appoint PricewaterhouseCoopers LLP as Auditor to the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
11. To authorise the Audit Committee to determine the Auditor's remuneration.
12. To increase the maximum limit on aggregate directors' fees payable in any one year to £250,000 per annum.

## Special business

### Ordinary resolutions

13. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to 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 up to an aggregate nominal amount of £515,924 (being 10% of the aggregate nominal amount of the issued share capital excluding

treasury shares of the Company at the date of this notice) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023 but so that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

14. That, subject to the passing of resolution 13, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to 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 up to a further aggregate nominal amount of £257,962 (being a further 5% of the aggregate nominal amount of the issued share capital excluding treasury shares of the Company at the date of this notice) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023 but so that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

### Special resolutions

15. That, in substitution for all existing authorities and subject to the passing of resolution 13, the Directors of the Company be and are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority granted by resolution 13, as if Section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:
  - (a) shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;
  - (b) shall be limited to the allotment of equity securities and/or sale of equity securities held in treasury for cash up to an aggregate nominal amount of £515,924 (representing 10% of the aggregate nominal amount of the issued share capital, excluding treasury shares of the Company at the date of this notice); and

- (c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per share as close as practicable to the allotment or sale.

16. That, subject to the passing of resolution 14, the Directors of the Company be and are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority granted by resolution 14, as if Section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

- (a) shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;
- (b) shall be limited to the allotment of equity securities and/or sale of equity securities held in treasury for cash up to a further aggregate nominal amount of £257,962 (representing 5% of the aggregate nominal amount of the issued share capital, excluding treasury shares of the Company at the date of this notice); and
- (c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per share as close as practicable to the allotment or sale.

17. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 5p in the Company (Shares), the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the Act) to make market purchases of Shares (within the meaning of Section 693 of the Act), provided that:

- (a) the maximum number of Shares hereby authorised to be purchased is 15,467,411 (being 14.99% of the Company's issued ordinary share capital, excluding treasury shares at the date of this notice);
- (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 5p being the nominal value per share;
- (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of: (i) 5% above the average of the market value of a Share

for the five business days immediately preceding the date of purchase as derived from the Daily Official List of the London Stock Exchange; and (ii) the higher of the price quoted for (a) the last independent trade of; and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and

- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2023 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All Shares purchased pursuant to the above authority shall be either:

- (i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or
- (ii) cancelled immediately upon completion of the purchase.

By order of the Board

**KEVIN MAYGER**

For and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
4 February 2022

Registered Office:  
12 Throgmorton Avenue  
London EC2N 2DL



# Notice of annual general meeting

continued

Notes:

1. A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy, you may use the form of proxy enclosed with this annual report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by not later than 11.00 a.m. on 22 March 2022. Amended instructions must also be received by the Company's registrar by the deadline for receipt of forms of proxy. Alternatively, you can vote or appoint a proxy electronically by visiting [eproxyappointment.com](http://eproxyappointment.com). You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 11.00 a.m. on 22 March 2022.
3. Proximity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 11.00 a.m. on 22 March 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity'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.
4. Completion and return of the form of proxy will not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
5. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only ordinary shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
6. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
7. Only shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of the ordinary shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the time of adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
9. Shareholders who hold their ordinary shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: [euroclear.com/CREST](http://euroclear.com/CREST). Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of The Uncertificated Securities Regulations 2001.
11. If the Chairman, as a result of a proxy appointment, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and Financial Conduct Authority.
12. Any questions relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under Section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the

answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (i) the audit of the Company's Financial Statements (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
  - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Under Sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:
  - (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
  - (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

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

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

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 10 February 2022, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16. As at 4 February 2022 (being the last practicable date prior to the publication of this Notice of Annual General Meeting), the Company's issued share capital consisted of 103,184,864 ordinary shares of 5p each, excluding shares held in treasury. Each ordinary share carries the right to one vote and therefore the total voting rights in the Company as at the date of this report are 103,184,864.

17. Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting, can be accessed at [blackrock.com/uk/thrg](http://blackrock.com/uk/thrg).

18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

# Share fraud warning

Be ScamSmart



## Investment scams are designed to look like genuine investments



### Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

### Avoid investment fraud

**1 Reject cold calls**

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

**2 Check the FCA Warning List**

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

**3 Get impartial advice**

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

### Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

**Remember: if it sounds too good to be true, it probably is!**

SGN001

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