

Directors / A Diverse Leadership Team



Susan Noble
Independent Non-Executive Chairman

A M N D

Date of Appointment:

March 2012

Appointed Chairman:

December 2017

External appointments:

Chair of Newton Investment Management Limited and Newton Capital Management Limited, an Associate Director of Manchester Square Partners.

Experience:

Formerly Chair of Alliance Trust Investments, a Director of Alliance Trust plc, a Managing Director of Goldman Sachs Asset Management, Head of European Equities and Head of Global Equities. Also a Director and Senior European Portfolio Manager at Robert Fleming Asset Management.

Last re-elected to the Board:

2018

Annual Remuneration:

£45,000

Employment by the Investment Manager:

None

Other connections with the Company or Investment Manager:

None

Shared Directorships with any other Company Directors:

None

Shareholding in Company:

13,665 Ordinary Shares



Nigel Rich CBE, FCA
Senior Independent Non-Executive Director

A M N D

Date of Appointment:

March 2012

External appointments:

Non-Executive Director of Matheson & Co Ltd, Chairman of Urban Logistics REIT plc and Chairman of The Tobacco Pipemakers and Tobacco Trade Benevolent Fund.

Experience:

Formerly Chairman of SEGRO plc, Xchanging plc, Ocean Group/Exel plc, CP Ships Limited and Hamptons Group Limited and Director of Pacific Assets Trust plc, Granada plc and ITV plc. Also formerly Managing Director of Jardine Matheson Holdings and Group Chief Executive, Trafalgar House plc.

Last re-elected to the Board:

2018

Annual Remuneration:

£31,500

Employment by the Investment Manager:

None

Other connections with the Company or Investment Manager:

None

Shared Directorships with any other Company Directors:

None

Shareholding in Company:

18,000* Ordinary Shares

* 3,000 held by Cynthia Rich.



Calum Thomson FCA
Independent Non-Executive Director

A M N D

Date of Appointment:

April 2017

Appointed Audit Committee Chairman:

June 2017

External appointments:

Non-Executive Director and Audit Committee Chair of The Diverse Income Trust plc, The Bank of London and The Middle East plc, BLME Holdings plc, Standard Life Private Equity Trust, and Baring Emerging Europe plc and Non-Executive Director of Schroder Unit Trusts Limited and Schroder Pension Management Limited. He is also Chairman of two charities La Serenissima (a Baroque Orchestra) and The Tarbat Discovery Centre (a Pictish museum).

Experience:

A qualified accountant with over 25 years' experience in the financial services industry, including 21 years as audit partner at Deloitte LLP, specialising in the asset management sector.

Last re-elected to the Board:

2018

Annual Remuneration:

£34,000

Employment by the Investment Manager:

None

Other connections with the Company or Investment Manager:

None

Shared Directorships with any other Company Directors:

None

Shareholding in Company:

8,898 Ordinary Shares



Anja Balfour
Independent Non-Executive Director

A M N D

Date of Appointment:

January 2018

External appointments:

Non-Executive Director of Schroder Japan Growth Fund plc, F&C Global Smaller Companies plc and Scottish Friendly Assurance Society Limited.

Experience:

Over 20 years' experience in managing Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and Axa Framlington. Previously a trustee of Venture Scotland and a Non-Executive Director of Martin Currie Asia Unconstrained Trust plc.

Elected to the Board:

2018

Annual Remuneration:

£29,000

Employment by the Investment Manager:

None

Other connections with the Company or Investment Manager:

None

Shared Directorships with any other Company Directors:

None

Shareholding in Company:

7,300 Ordinary Shares



Graham Kitchen
Independent Non-Executive Director

A M N D

Date of Appointment:

January 2019

External appointments:

Chairman of Invesco Perpetual Select Trust plc, Non-Executive Director of The Mercantile Investment Trust plc and Places for People and a member of the Investment Committee of the charity Independent Age.

Experience:

Over 25 years' experience as an investment manager at Invesco, Threadneedle and, until March 2018, Janus Henderson, where he was Global Head of Equities. He was previously Chair of the Investment Committee for the Cancer Research Pension Fund.

Appointed to the Board:

January 2019

Annual Remuneration:

£29,000

Employment by the Investment Manager:

None

Other connections with the Company or Investment Manager:

None

Shared Directorships with any other Company Directors:

None

Shareholding in Company:

9,000* Ordinary Shares

* 2,500 held by Jane Kitchen.

Committee membership key

- Chairman
- Member
- A Audit Committee
- M Management Engagement Committee
- N Nomination Committee
- D Disclosure Committee

Attendance at meetings

Name	Board	Audit	Management			Disclosure ¹
			Engagement	Nomination	Discipline	
Susan Noble	7 (7)	4 (4)	2 (2)	2 (2)	–	
Anja Balfour	6 (7) ²	3 (4) ²	1 (2) ²	1 (2) ²	–	
Steven Bates*	2 (2)	2 (2)	1 (1)	2 (2)	–	
Graham Kitchen**	4 (5) ³	2 (2)	1 (1)	0 (0)	–	
Nigel Rich	7 (7)	4 (4)	2 (2)	2 (2)	–	
Calum Thomson	7 (7)	4 (4)	2 (2)	2 (2)	–	

The number in brackets denotes the number of meetings each was entitled to attend.

¹ Generally meets on short notice. No meetings were held during the year.
² Ms Balfour missed a Board meeting, Audit Committee meeting, Management Engagement Committee meeting and Nomination Committee meeting (all held on the same day) due to a long-standing prior engagement that pre-dated her appointment as a Director.
³ Mr Kitchen missed one Board meeting due to a prior engagement that pre-dated his appointment as a Director.
 * Retired 19 December 2018.
 ** Appointed 1 January 2019.

The Directors present their report and the audited financial statements for the year ended 30 September 2019.

Status

The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006. It is a member of the AIC.

The Company changed its name from British Empire Trust plc to AVI Global Trust plc on 24 May 2019.

The Company has been approved as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion, under advice, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is a qualifying company for the purposes of Stocks & Shares ISAs.

The Company's Investment Manager is authorised as an AIFM by the Financial Conduct Authority under the AIFMD regulations. The Company has provided disclosures on its website, www.aviglobal.co.uk, incorporating the requirements of the AIFMD regulations.

Review of the Year

A review of the year and the outlook for the forthcoming year can be found in the Strategic Report and Investment Manager's Review.

Investment Objective, Policy and Restrictions

The objective of the Company is to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

Investments are principally in companies listed on recognised stock exchanges in the UK and/or overseas, which may include investment holding companies, investment trusts and other companies, the share prices of which are assessed to be below their estimated net asset value or intrinsic worth.

Although listed assets make up the bulk of the portfolio, the Company may also invest in unlisted assets with the prior approval of the Board.

The Company generally invests on a long-only basis but may hedge exposures through the use of derivative instruments and may also hedge its foreign currency exposures.

There are no geographic limits on exposure, as the Company invests wherever it considers that there are opportunities for capital growth. Risk is spread by investing in a number of holdings, many of which themselves are diversified companies.

The Company will not invest in any holding that would represent more than 15% of the value of its total investments at the time of investment.

Results and Dividends

Company profit for the year was £24,303,000, which included a profit of £21,169,000 attributable to revenue (2018: profit of £83,981,000, which included a profit of £16,933,000 attributable to revenue). The profit for the year attributable to revenue has been applied as follows:

	£'000
Current year revenue available for dividends	21,169
Interim dividend of 2.0p per Ordinary Share paid on 28 June 2019	2,218
Recommended final dividend payable on 6 January 2020 to shareholders on the register as at 6 December 2019 (ex dividend 5 December 2019):	
– Final dividend of 14.5p per Ordinary Share	15,855*
	18,073

* Based on shares in circulation on 8 November 2019.

Potential investments falling within the scope of the Company's investment objective will differ over the course of market cycles. The number of holdings in the portfolio will vary depending upon circumstances and opportunities within equity markets at any particular time.

The Company may gear its assets through borrowings which may vary substantially over time according to market conditions but which will not exceed twice the nominal capital and reserves of the Company.

Distribution Policy

Dividend distributions

The Company will ensure that its annual dividend each year will be paid out of the profits available for distribution and will be at least sufficient to enable it to qualify as an investment trust under the Corporation Tax Act. The Board may elect to pay a special dividend if the Company has exceptional receipts from its investments. The Company's primary objective is to seek returns which may come from any combination of increases in the value of underlying investments, a narrowing of discounts to underlying asset value and distributions by investee companies. The Board does not set an income target for the Investment Manager.

Frequency of dividend payment

The Company will normally pay two dividends per year, an interim dividend declared at the time that the half year results are announced, and a final dividend declared at the time that the annual results are announced. The final dividend will be subject to shareholder approval at the Annual General Meeting each year.

Buybacks

The Company may also distribute capital by means of share buybacks when the Board believes that it is in the best interests of shareholders to do so. The share buyback programme will be subject to shareholder approval at each annual general meeting.

Gearing Levels

The Company's Investment Policy, as disclosed above, permits a significant level of gearing, as do the Company's Articles of Association and the limits set under AIFMD (see the Company's website www.aviglobal.co.uk).

Under normal market conditions, it is expected that the portfolio will be fully invested, although net gearing levels may fluctuate depending on the value of the Company's assets and short-term movements in liquidity.

The Company's debt as a percentage of total equity as at 30 September 2019 was 11.1%. Long-term debt comprised three tranches of Loan Notes, of £30m, €30m and €20m, and shorter-term debt a JPY4.0bn unsecured revolving credit facility.

The £15m of Debenture Stock was redeemed on 3 June 2019 at £129.224 per £100 in principal amount of Stock and accrued interest.

Directors

The Directors of the Company are listed on pages 36 and 37. All served throughout the period under review with the exception of Graham Kitchen, who was appointed as a non-executive Director on 1 January 2019. Steven Bates retired from the Board on 19 December 2018.

In accordance with the recommendations of the AIC's Code of Corporate Governance, Mr Kitchen will stand for election at the AGM. The remaining Directors of the Board will retire at the forthcoming AGM and offer themselves for re-election.

As set out on page 43, the Board carries out an annual review of each Director and of the Board as a whole. The Board considers that all Directors contribute effectively, possess the necessary skills and experience and continue to demonstrate commitment to their roles as non-executive Directors of the Company. Following the performance review, it was agreed that all Directors should stand for election/re-election, and the election/re-election of each of the Directors is recommended by the Board.

The Company has provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 30 September 2019 are set out in the Directors' Report on Remuneration Implementation on page 79.

Nigel Rich is a non-executive director of Matheson & Co Ltd, a subsidiary of Jardine Matheson whose subsidiary, Jardine Strategic, is an investee company. The Board has a procedure for managing any potential conflicts of interest and Mr Rich would, if considered necessary, absent himself from discussions on investments in Jardine Matheson and related companies.

Interests in Share Capital

Information on the structure, rights and restrictions relating to share capital is given on page 50.

At 30 September 2019 and 8 November 2019, the following holdings representing more than 3% of the Company's voting rights had been reported to the Company:

	Number held at 30 September 2019	Percentage held at 30 September 2019	Percentage held at 8 November 2019
Lazard Asset Management LLC	7,889,193	7.16	7.22
Wells Capital Management, LLC	6,220,593	5.65	5.69
Alliance Trust Limited	6,205,593	5.64	5.68
Hargreaves Lansdown Asset Management Limited	5,832,334	5.30	5.33
1607 Capital Partners, LLC	5,442,504	4.94	4.98
Halifax Share Dealing Limited	5,427,484	4.93	4.96
Charles Stanley & Co Limited	4,966,694	4.51	4.54
Smith & Williamson Investment Management Limited	3,781,990	3.43	3.46

No other changes have been notified.

The general powers of the Directors are contained within the relevant UK legislation and the Company's Articles of Association. The Directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles of Association or applicable legislation. The Articles of Association may only be amended by way of a special resolution of shareholders.

Management Arrangements

AVI is the Company's appointed AIFM, and is engaged under the terms of an Investment Management Agreement ('IMA') dated 17 July 2014. The IMA is terminable by one year's notice from either party, other than for "cause".

The Investment Manager is entitled to an annual management fee of 0.70% of the net assets of the Company, calculated quarterly by reference to the net assets at the preceding quarter end and paid monthly.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 2 July 2014, and is paid a fee on a sliding scale between 0.5 basis points and 4 basis points based on the assets of the Company. The Depositary Agreement is terminable on 90 calendar days' notice from either party.

JPMorgan Chase Bank, National Association, London Branch, has been appointed as the Company's Custodian under an agreement dated 2 July 2014. The agreement will continue for so long as the Depositary Agreement is in effect and will terminate automatically upon termination of the Depositary Agreement, unless the parties agree otherwise.

Link Company Matters Limited was appointed as corporate Company Secretary on 1 April 2014. The current annual fee is £69,696, which is subject to an annual RPI increase. The Agreement may be terminated by either party on six months' written notice.

With the Board's consent, AVI has sub-contracted certain fund administration services to Link Asset Services. The cost of these sub-contracted services is borne by AVI from its own resources and not by the Company.

Financial Risk Management

The principal risks and uncertainties facing the Company are set out on pages 8 to 10. The principal financial risks and the Company's policies for managing these risks are set out in note 14 to the financial statements.

Greenhouse Gas Emissions

The Company's environmental statements are set out in the Strategic Report on page 11.

Auditor

KPMG LLP have indicated their willingness to continue in office and Resolutions will be proposed at the forthcoming AGM to re-appoint them as Auditor and to authorise the Directors to determine their remuneration.

Annual General Meeting

The Notice of the AGM to be held on 19 December 2019 (the 'Notice') is set out on pages 84 to 87.

Resolution 12 – Authority to allot shares

The Directors seek to renew the general and unconditional authority to allot up to 36,447,898 Ordinary Shares of 10p each, representing approximately one-third of the issued Ordinary Share capital (excluding shares held in treasury). The Directors will only exercise this authority if they consider it to be in the best interests of the Company generally. This authority would expire 15 months after the date of the passing of the resolution or, if earlier, at the next AGM of the Company.

No shares were issued in the year.

As at 8 November 2019, 6,659,438 shares are held in treasury, representing 5.7% of the issued share capital.

Resolution 13 – Authority to issue shares outside of pre-emption rights

The Directors seek to renew the authority to allot, other than on a pre-emptive basis, Ordinary Shares (including the grant of rights to subscribe for, or to convert any securities into Ordinary Shares) for cash up to a maximum of 5,467,184 Ordinary Shares, being approximately 5% of the Ordinary Shares (excluding shares held in treasury) in issue as at 8 November 2019, and to transfer or sell Ordinary Shares held in treasury.

The Directors will only exercise this authority if they consider it to be advantageous to the Company. Shares will not be issued or sold from treasury other than at or above the prevailing net asset value.

No shares were issued in the year.

Resolution 14 – Share buyback facility

At the AGM held on 19 December 2018, the Directors were authorised to make market purchases of up to 14.99% of the shares in circulation at the date of that meeting. As at 8 November 2019, 1,677,943 shares have been bought back under this authority. At the forthcoming AGM, the Directors will seek to renew the authority for up to 14.99% of Ordinary Shares in issue (excluding shares held in treasury), representing 16,390,619 Ordinary Shares as at 8 November 2019, to be bought back. Purchases would be made in accordance with the provisions of the Companies Act and Listing Rules. The authority will expire 15 months after the date of the passing of the resolution or, if earlier, at the next AGM of the Company.

Details of shares bought back during the year under review can be found in note 12 to the financial statements.

Ordinary Shares bought back may be held in treasury for cancellation or sale at a future date rather than being cancelled upon purchase. The Directors will not exercise the authority granted under this resolution unless they consider it to be in the best interests of shareholders and shares would only be bought back at a discount to the prevailing NAV.

Resolution 15– Notice period for general meetings

This resolution will allow the Company to hold general meetings (other than an AGM) on 14 clear days' notice. The notice period for general meetings of the Company is 21 clear days unless: (i) shareholders approve a shorter notice period, which cannot however be less than 14 clear days; and (ii) the Company offers the facility for all shareholders to vote by electronic means. AGMs must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time sensitive, non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Details of the above resolutions are contained in the Notice.

Recommendation

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

Corporate Governance

The Listing Rules and the Disclosure Guidance and Transparency Rules ('Disclosure Rules') of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject. The provisions of the UK Corporate Governance Code ('UK Code') issued by the Financial Reporting Council ('FRC') in April 2016 are applicable for the year under review. The related Code of Corporate Governance ('AIC Code') issued by the AIC in July 2016 addresses all of the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are specific to investment trusts. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The FRC has confirmed that AIC member companies which report against the AIC Code and which follow the AIC Guide will meet the obligations in relation to the UK Code and associated disclosure requirements of the Disclosure Rules.

The Board notes the publication of the revised AIC Code in February 2019, which is applicable to the Company for the financial year ending 30 September 2020. The Board has noted the changes that have been made in the revised AIC Code and, where appropriate, is putting processes into place to ensure that it will be in compliance. The Company will report against compliance with the revised AIC Code in next year's Annual Report and Accounts.

The AIC Code can be viewed at www.theaic.co.uk.

The UK Code can be viewed at www.frc.org.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code and the AIC Guide (which incorporates the UK Code) provides shareholders with full details of the Company's Corporate Governance compliance.

Throughout the year ended 30 September 2019, the Company has complied with the provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions 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 as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Principles of the AIC Code

The AIC Code is made up of 21 principles split into three sections covering:

- The Board
- Board Meetings and Relationship with the Investment Manager
- Shareholder communications

The Board

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	<p>The Chairman, Susan Noble, was independent of the Investment Manager at the time of her appointment and remains so.</p> <p>There is a clear division of responsibility between the Chairman, the Directors, the Investment Manager and the Company's other third-party service providers. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information.</p>
2. A majority of the Board should be independent of the Manager.	<p>The Board consists of five non-executive Directors, each of whom is independent of the Investment Manager. No member of the Board is a director of another investment company managed by the Company's Investment Manager, nor has any Board member been an employee of the Company, its Investment Manager or any of its service providers.</p> <p>Nigel Rich is the Senior Independent Director.</p>
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	<p>All Directors submit themselves for annual re-election by shareholders.</p> <p>The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the AGM (see principle 7).</p>
4. The Board should have a policy on tenure, which is disclosed in the annual report.	<p>The Board has a policy requiring that Directors should stand down after a maximum of nine years, but will consider the term of the Chairman separately, taking account of the need for an orderly transition.</p> <p>It considers that a long association with the Company and experience of a number of investment cycles can be valuable to its deliberations and does not compromise a Director's independence. However, it does also recognise the need for progressive refreshing of the Board (see principle 6).</p>

The Board continued

AIC Code Principle	Compliance Statement
5. There should be full disclosure of information about the Board.	<p>All of the Directors are resident in the UK and their biographical details, set out on pages 36 and 37 of this Report, demonstrate the wide range of skills and experience that they bring to the Board.</p> <p>Details of the Board's Committees and their composition are set out on page 48 of this Report.</p> <p>The Audit Committee comprises all of the Directors, all of whom are considered to be independent. The Chairman of the Company is a member of the Audit Committee, but does not chair it. Her membership of the Audit Committee is considered appropriate given the Chairman's extensive knowledge of the financial services industry.</p> <p>The Board considers that, as it is comprised of non-executive Directors, it is not necessary to establish a separate Remuneration Committee. Further information on Directors' remuneration is set out under principle 8 below.</p> <p>The terms and conditions of the Directors' appointments are set out in Letters of Appointment, which are available for inspection on request at the registered office of the Company and at the AGM.</p>
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	<p>With the retirement of Mr Bates at the 2018 AGM, the Nomination Committee discussed the required skills and experience of a new non-executive Director, bearing in mind the balance of skills on the Board. These requirements were reviewed with independent recruitment consultants prior to the search for a suitable candidate. Following this process, Graham Kitchen was appointed as a Director and brings considerable investment experience to the Board (see principle 9).</p> <p>The Nomination Committee conducts annually a skills audit to enable the Board to identify any skill shortages to be filled by new Directors.</p> <p>The experience of the current Directors is detailed in the biographies of the Directors, set out on pages 36 and 37 of this Report.</p> <p>When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively.</p> <p>The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates. The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established:</p> <ul style="list-style-type: none">• all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and• long lists of potential non-executive Directors should include diverse candidates of appropriate merit.

AIC Code Principle	Compliance Statement
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.	<p>The Board, meeting as the Nomination Committee, has a formal process to evaluate its own performance and that of its Chairman annually. The Chairman leads the assessment, which covers the functioning of the Board as a whole, the effectiveness of the Board Committees and the independence of each Director. Where necessary, the Chairman discusses the responses with each Director individually. The Chairman absents herself from the Board's review of her effectiveness as the Company Chairman, and this review is led by the Senior Independent Director.</p> <p>The Board is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.</p> <p>During 2017, an independent review of the Board was undertaken by Lintstock Limited, the results of which were considered in detail by the Board. The Board has agreed that an independent review of the Board will be commissioned regularly and a further review will be commissioned in 2020.</p>
8. Directors' remuneration should reflect their duties, responsibilities and the value of their time spent.	<p>The Board periodically reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the time commitment and responsibility of each Board member. Details of the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Implementation Report on pages 78 and 79 and in note 3 to the financial statements.</p> <p>As all of the Directors are non-executive, the Board considers that it is acceptable for the Chairman of the Company to chair meetings when discussing Directors' fees. The Chairman's remuneration, additional remuneration paid to the Chairman of the Audit Committee and additional remuneration paid to the Senior Independent Director are determined by the Board in the absence of the individuals affected. The Board periodically takes advice from external independent advisers on Directors' remuneration.</p> <p>All Directors own shares in the Company, all of which were purchased in the open market and using the Directors' own resources. No stock options or other performance-related elements have been awarded.</p>
9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	<p>The Nomination Committee is comprised of the whole Board, which is made up entirely of Independent Directors and, subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking re-election at the AGM.</p> <p>As disclosed in the 2018 Annual Report, Mr Bates retired as a Director following the 2018 AGM.</p> <p>Fletcher Jones Executive Search was appointed to assist with the search for a new non-executive Director. They produced a long list of candidates for the role of non-executive Director and a number were selected for interview by the Committee. Following this process, Graham Kitchen was appointed as a non-executive Director on 1 January 2019.</p> <p>There is no connection between the Directors or the Company and Fletcher Jones.</p>

The Board continued

AIC Code Principle	Compliance Statement
10. Directors should be offered relevant training and induction.	<p>New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise, including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate.</p> <p>The Directors have access to the advice and services of the Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.</p>
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	<p>Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.</p>

Board Meetings and Relationship with the Investment Manager

AIC Code Principle	Compliance Statement
12. Boards and managers should operate in a supportive, co-operative and open environment.	<p>The Board meets regularly throughout the year and a representative of the Investment Manager is in attendance, when appropriate, at each meeting and most Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.</p>
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	<p>The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the level of permitted gearing and borrowings, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's treasury and share buyback policies.</p> <p>The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, gearing, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues.</p> <p>The Audit and Management Engagement Committees of the Board respectively review the Company's risk matrix and the performance and cost of the Company's third-party service providers.</p> <p>The Board has agreed arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense.</p>

Board Meetings and Relationship with the Investment Manager continued

AIC Code Principle	Compliance Statement
14. Boards should give sufficient attention to overall strategy.	<p>The Board is responsible for strategy and has established a predetermined annual programme of agenda items under which it reviews the objectives and strategy of the Company at each meeting. In addition to the regular Board meetings, the Board meets specifically on one additional day each year to focus on strategy and any other issues that require in-depth attention.</p>
15. The Board should regularly review both the performance of, and contractual arrangements with, the Manager (or executives of a self-managed company).	<p>The Management Engagement Committee meets at least once a year. It reviews annually the performance of the Investment Manager. The Committee considers the quality, cost and remuneration method of the service provided by the Investment Manager against its contractual obligations and the Board receives regular reports on compliance with the Investment Restrictions which it has set. It also considers the performance analysis provided by the Investment Manager. In view of the level of data available from independent service providers, and the appraisal undertaken by the Board, the Board does not consider a formal independent appraisal of the Investment Manager's service to be necessary.</p> <p>Following a formal annual review, and bearing in mind the long-term performance of the Company, the Board concluded that, in its opinion, the continuing appointment of AVI, the Investment Manager, on the terms agreed, is in the interests of its shareholders as a whole.</p> <p>The Audit Committee reviews the Investment Manager's compliance and control systems in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with, and the services provided by, the Custodian, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained. (See also principle 18 and the Report of the Audit Committee).</p>
16. The Board should agree policies with the Manager covering key operational issues.	<p>The IMA between the Company and the Investment Manager sets out the limits of the Investment Manager's authority, beyond which Board approval is required. The Board has also agreed investment guidelines with the Investment Manager, including guidelines on the deployment of gearing, which are considered at each Board meeting.</p> <p>Representatives of the Investment Manager attend each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which the Investment Manager is required to refer to the Board, for example, investing in unquoted investments.</p> <p>The Board delegates investee company communication to the Investment Manager. The Board has also delegated discretion to the Investment Manager to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for consideration.</p> <p>AVI is a signatory of the UK Stewardship Code issued by the FRC. The Board has reviewed the Investment Manager's Stewardship Policy, which includes its Corporate Governance and Voting Guidelines, and which is published on the Investment Manager's website: www.assetvalueinvestors.com.</p> <p>The Board recognises that appropriate environmental, social and governance policies are usually a reflection of good management and encourages AVI to consider this when evaluating investments.</p> <p>Reports on commissions paid by the Investment Manager are submitted to the Board regularly.</p>

Board Meetings and Relationship with the Investment Manager continued

AIC Code Principle	Compliance Statement
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	<p>The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary.</p> <p>The Board considers the discount or premium to NAV of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting and over the longer term.</p> <p>At each meeting, the Board reviews reports from the Investment Manager's marketing department on marketing and shareholder communication strategies. It also considers their effectiveness as well as measures of investor sentiment and any recommendations on share buybacks.</p>
18. The Board should monitor and evaluate other service providers.	<p>The Management Engagement Committee reviews, at least annually, the performance of all of the Company's third-party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010, together with their policies on whistle-blowing and cyber crime prevention.</p> <p>A review of the Investment Manager and the other service providers undertaken during the year concluded that the services provided to the Company were satisfactory and that the agreements entered into with them were operating in the best interests of the shareholders.</p> <p>The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon.</p> <p>The Directors have carried out a review of the effectiveness of the Company's systems of internal control as they have operated over the year and up to the date of approval of the Annual Report. Given the nature of the business, the Company is reliant on its service providers and their internal controls. As set out in more detail in the Report of the Audit Committee on pages 73 to 75, the Company has in place a system for assessing the adequacy of those controls. There were no material matters arising from the review of the Company's controls that required further investigation and no significant failings or weaknesses were identified.</p>

Shareholder Communications

AIC Code Principle	Compliance Statement
<p>19. The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.</p>	<p>A detailed analysis of the substantial shareholders of the Company is provided to the Directors at each Board meeting. Representatives of the Investment Manager regularly meet institutional shareholders and private client asset managers to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting.</p> <p>Regular reports on investor sentiment and industry issues from the Company's broker are submitted to the Board.</p> <p>The Directors are available to meet shareholders. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the Registered Office. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the Investment Manager. The Investment Manager will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming AGM. The Directors welcome the views of all shareholders and place considerable importance on communications with them.</p>
<p>20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesman.</p>	<p>All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the Investment Manager, the Auditor, legal advisers, broker and Company Secretary.</p>
<p>21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.</p>	<p>The Board aims to provide shareholders with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year reports. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares and the publication by the Investment Manager of a monthly fact sheet.</p> <p>The Annual Report provides information on the Investment Manager's investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in the Strategic Report under Principal Risks on pages 8 to 10, and in note 14 to the financial statements.</p> <p>The Investment Portfolio is listed on pages 14 and 15.</p> <p>The Company's website, www.aviglobal.co.uk, is regularly updated with monthly factsheets and provides useful information about the Company including the Company's financial reports and announcements.</p>

Board Committees

The Board has agreed a schedule of matters specifically reserved for decision by the full Board, subject to which the Board has delegated specific duties to Committees of the Board which operate within written terms of reference. Link Company Matters Limited acts as Company Secretary to each Committee. No persons other than the Committee members are entitled to attend Committee meetings unless formally invited by the Committee. Copies of the terms of reference for Board Committees are available from the Company Secretary and on the Company's website.

Management Engagement Committee

The Management Engagement Committee meets at least once each year and comprises the whole Board, being independent Directors. The main functions of the Committee are to define the terms of the IMA, ensuring that they follow good industry practice, are competitive and are in the best interests of shareholders. The Committee monitors the Investment Manager's compliance with the terms of the IMA and the Investment Manager's performance.

The Committee also reviews the services and performance of the Company's other third-party service providers.

Nomination Committee

The Nomination Committee comprises the whole Board and convenes to undertake the annual appraisal of the performance of the Board, its Committees and the Directors and, if agreed, to propose the re-election of the Directors, each of whom will retire at the AGM. It also meets to consider the appointment of new Directors to the Board. Candidates for nomination may be sourced from outside the Company using third-party search and selection services as well as potential candidates known to Directors through their extensive knowledge of the industry.

The Board has agreed to follow the recommendations of the AIC Code that the Directors of FTSE 350 companies should be subject to annual re-election by shareholders.

Information about the work of the Nomination Committee during the year can be found on pages 42 and 43.

Audit Committee

The Audit Committee met four times in the year and comprises the whole Board, being independent Directors. All members of the Committee have recent and relevant financial experience. The Audit Committee has set out a formal Report on pages 73 to 75 of the Annual Report.

Disclosure Committee

A Disclosure Committee, comprising all Directors, meets as and when required to ensure inside information is identified and disclosed, if necessary, in a timely fashion.

Due to the necessity for meetings to be called on short notice, the quorum for the Committee is two members, at least one of whom shall be either the Chairman, the Chairman of the Audit Committee or the Senior Independent Director.

Anti-Bribery and Corruption Policy

The Company has adopted an Anti-Bribery and Corruption Policy and has reviewed the statements regarding compliance with the Bribery Act 2010 by the Company's Investment Manager and key service providers. These statements are reviewed regularly by the Management Engagement Committee.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of the Report of the Directors 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 of the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and establish that the Company's Auditor is aware of that information.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that no disclosures are required in relation to Listing Rule 9.8.4.

Going Concern

The Directors have carefully reviewed the current financial resources and the projected expenses of the Company for the next 12 months. On the basis of that review and as the majority of net assets are securities which are traded on recognised stock exchanges, the Directors are satisfied that the Company's resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Viability

The Directors consider viability as part of their continuing programme of monitoring risk. The Directors believe five years to be a reasonable time horizon to consider the continuing viability of the Company, reflecting a balance between a longer-term investment horizon and the inherent shorter-term uncertainties within equity markets, although they do have due regard to viability over the longer term and particularly to key points outside this time frame, such as the due dates for the repayment of long-term debt. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits. The following facts support the Directors' view of the viability of the Company:

- In the year under review, expenses (including finance costs and taxation) were adequately covered by investment income.
- The Company has a liquid investment portfolio.
- The Company has long-term debt of £30m and €30m which both fall due for repayment in 2036 and €20m which falls due for repayment in 2037. This debt was covered over 12 times as at the end of September 2019 by the Company's total assets. The Directors are of the view that, subject to unforeseen circumstances, the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt.
- The Company has short-term debt of JPY1.465bn via an unsecured revolving credit facility.
- The Company has a large margin of safety over the covenants on its debt.

The Company's viability depends on the global economy and markets continuing to function. The Directors also consider the possibility of a wide-ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are in *ad valorem* investment management fees, which would reduce if the market value of the Company's assets were to fall.

In order to maintain viability, the Company has a robust risk control framework which, following guidelines from the FRC, has the objectives of reducing the likelihood and impact of: poor judgement in decision-making; risk-taking that exceeds the levels agreed by the Board; human error; or control processes being deliberately circumvented.

Taking the above into account, and the potential impact of the principal risks as set out on pages 8 to 10, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of approval of this Annual Report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements 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, they are required to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS').

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether the financial statements have been prepared in compliance with IFRS, subject to any material departures disclosed and explained therein;
- provide additional disclosures where compliance with the specific requirements of IFRS are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with relevant laws and regulations, and for ensuring that the Annual Report includes information required by the Disclosure Rules of the FCA.

The financial statements of the Company are published on the Company's website at www.aviglobal.co.uk. The Directors are responsible for ensuring the maintenance and integrity of the information relating to the Company published on this website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Declaration

The Directors listed on pages 36 and 37, being the persons responsible, hereby confirm to the best of their knowledge:

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and the Investment Manager's Review 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 the Company faces.

In the opinion of the Board, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

Approval

The Report of the Directors has been approved by the Board.

By Order of the Board

Link Company Matters Limited

Corporate Secretary

11 November 2019

Governance / Capital Structure

As at 30 September 2019

The Company's capital structure comprises Ordinary Shares and Loan Notes.

Ordinary Shares

At 30 September 2019, there were 116,003,133 (2018: 129,526,165) Ordinary Shares of 10p each in issue, of which 5,877,465 (2018: 17,681,674) were held in treasury and therefore the total voting rights attaching to Ordinary Shares in issue were 110,125,668.

Income entitlement

The profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed shall be distributed by way of interim, final and (where applicable) special dividends among the holders of Ordinary Shares, subject to the payment of interest to the holders of Loan Notes.

Capital entitlement

After meeting the liabilities of the Company and the amounts due to Loan Note holders on a winding-up, the surplus assets shall be paid to the holders of Ordinary Shares and distributed among such holders rateably according to the amounts paid up or credited as paid up on their shares.

Voting entitlement

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held.

The Notice of Meeting and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their shares on matters in which they have an interest, there are no restrictions on the voting rights of Ordinary Shares.

Transfers

There are no restrictions on the transfer of the Company's shares other than a) transfers by Directors and Persons Discharging Managerial Responsibilities and their connected persons during closed periods under the Market Abuse Regulation or which may constitute insider dealing, b) transfers to more than four joint transferees and c) transfers of shares which are not fully paid up or on which the Company has a lien provided that such would not prohibit dealings taking place on an open and proper basis.

The Company is not aware of any agreements between shareholders or any agreements or arrangements with shareholders which would change in the event of a change of control of the Company.

Loan Notes

At 30 September 2019, there were in issue fixed rate 20 year unsecured private placement notes (the 'Loan Notes'). The Loan Notes were issued in the following tranches:

- on 15 January 2016: 4.184% Series A Sterling Unsecured Loan Notes 2036
- on 15 January 2016: 3.249% Series B Euro Unsecured Loan Notes 2036
- on 1 November 2017: 2.93% Euro Senior Unsecured Loan Notes 2037

Income entitlement

Interest is payable half-yearly in each case at rates of 4.184% per annum on the £30m Sterling Loan Notes, 3.249% per annum on the €30m Euro Loan Notes and 2.93% per annum on the €20m Euro Senior Loan Notes.

Capital entitlement

The Loan Note holders are entitled to repayment of principal and outstanding interest on the redemption date or, if earlier, on the occurrence of an event of default. The redemption dates are:

- 15 January 2036 for the 4.184% Series A Sterling Unsecured Loan Notes 2036
- 15 January 2036 for the 3.249% Series B Euro Unsecured Loan Notes 2036
- 1 November 2037 for the 2.93% Euro Senior Unsecured Loan Notes 2037

The Loan Notes are unsecured. If the Company is liquidated, the Loan Notes are redeemable by the Company at a price which is the higher of par and:

- for the 4.184% Series A Sterling Unsecured Loan Notes 2036, the price at which the Gross Redemption Yield on the date of redemption is equivalent to the yield on a reference UK government bond
- for the 3.249% Series B Euro Unsecured Loan Notes 2036 and for the 2.93% Euro Senior Unsecured Loan Notes 2037, the price at which the Gross Redemption Yield on the date of redemption is equivalent to the yield on a reference German government bond,

in each case together with interest accrued up to and including the date of redemption.

Had the Company been liquidated on 30 September 2019, the redemption premium would have amounted to £27.4m over and above the fair values.

The estimated fair values of the Loan Notes as at 30 September 2019 were Series A: £35.6m and Series B: £32.8m and Euro Senior: £21.3m, being £5.7m, £6.3m and £3.8m respectively above the amortised values excluding interest.

Voting entitlement

The holders of the Loan Notes have no right to attend or to vote at general meetings of the Company.