AURORA INVESTMENT TRUST plc

REPORT & ACCOUNTS
2010

OBJECTIVE

Capital appreciation through investments listed mainly on the London Stock Exchange.

POLICY

To invest primarily in equities but with some exposure also to Fixed Interest. In general the portfolio will be weighted towards the larger rather than smaller capitalised stocks. A distinctive feature is an emphasis on investments in companies with exposure to economies growing at a faster rate than the UK.

BENCHMARK

The FTSE All-Share Index

	Year ended 28 February 2010 %	Five years ended 28 February 2010 %	Since launch (13/3/1997) %
Net Asset Value per share (NAV)^	+71.2	(16.7)	+95.9*
FTSE All-Share Index	+41.8	+9.7	+26.9

^ capital-only return
* by reference to a starting value of 97.78p (net of launch expenses)

OTHER COMPARATOR

Treasury 6.25% Stock

	Year ended 28 February 2010 %	Five years ended 28 February 2010 %	Since launch (13/3/1997) %
Share Price (total return)^	+103.1	(16.5)	+95.4
Treasury 6.25% stock 2010 (total return)^	+1.3	+25.9	+133.6

^ dividends paid, or interest, not reinvested

Chairman's statement

A Year of Recovery: the market rises 42%:

It was just a year ago that the financial world seemed to be coming to an end. The UK stock market, in common with those of the rest of the world, had fallen precipitously from a high in July 2007, although most of the damage had been done in the last 6 months following the dénouement of Lehman Brothers in September 2008. However the taxpayers rode to the rescue of the banking system and the Bank of England quenched the thirst for financial liquidity by slaking the system with squillions of gallons of money. So order was restored to financial markets and with it a huge recovery in the level of stock markets. The table below sets out how that evolved in the UK in the two halves of our financial year, together with the excellent recovery in our own net asset value (more of which later).

INDEX	28-Feb-09	28-Feb-10		'10v. '09
FTSE 100	3,830.1	5,354.5	YEAR	+39.8%
		4,908.9	1st 1/2	+28.2%
		5,354.5	2nd 1/2	+9.1%
FTSE All-share	1,929.8	2,736.8	YEAR	+41.8%
		2,520.7	1st 1/2	+30.6%
		2,736.8	2nd 1/2	+8.6%
FTSE AIM	389.1	667.6	YEAR	+71.6%
		593.0	1st 1/2	+52.4%
		667.6	2nd 1/2	+12.6%
AURORA NAV	111.9p	191.52p	YEAR	+71.2%
		162.98p	1st 1/2	+45.7%
		191.52p	2nd 1/2	+17.5%

However, before we get too carried away with the thought that all is now well, we should remind ourselves that markets remain very jittery indeed. The recent shenanigans in markets in Europe over the Greek Euro Tragedy remind us that rescuing banks, buying up bad loans and flooding markets with money treats the symptoms, not the causes.

The Year's Results: Net Asset Value: 191.52p (+71.2%) Benchmark (FTSE A-S): 2,736.8 (+41.8%)

Having suffered the misfortune of several years of poor returns – in part of our own making and in part because of miserable stock markets, it is very pleasing to be able to report that during this last year James Barstow, our portfolio manager, produced some excellent returns. Under any circumstances a rise in the net asset value of 71.2%, taking it up to 191.52p per share is most welcome. Our goal, as we have so often stated, is to make money for shareholders and that we did in the year to 28 February 2010. Our secondary aims must be to do better than our peer group and to outperform the stock market. Both of those subsidiary objectives were also achieved – something we haven't done for some time. So well done, James.

The two most important of the driving forces behind these returns were the commitment to the China theme, which runs through much of the stock selection and the recovery from very depressed levels in the share prices of many financial companies. There are three ways in which the portfolio is exposed to the growth of the Chinese, Asian and other emerging market economies, being investments in natural resources (raw materials and energy), in UK companies with significant business in these areas and in some AIM companies whose principal business is based in China. The table below illustrates the exposure to those sectors which benefit from China specifically and to emerging economies generally.

	Investment	% NAV	2010 Gain	2010 Gain p. sh.
Raw Materials	£6,480,275	26.1%	+£3,257,691	+25.2p
Energy	£5,743,177	23.2%	+£1,924,195	+14.9p
UK Cos	£2,886,214	9.7%	+£1,169,032	+9.0p
China Cos	£5,324,050	18.0%	+£2,125,554	+16.4p
Total:	**£20,433,716**	**77.0%**	**+£8,476,472**	**+65.5p**

While it should be noted that the companies involved in the table above benefit from the growth of China's economy, most of them are geographically diversified and not wholly dependent on that country. Direct exposure in terms of underlying sales and profits is of course much less. It is nevertheless a big commitment and one that paid off handsomely during the course of the year. We also ended the year with a considerable commitment to the financial sector (£5.5 million, 22.2% of NAV). Three of our holdings (in HSBC, Standard and Chartered and Prudential) are, in part, China plays and are included in the statistics above. The investment in financial stocks and shares showed a profit over the year of £2.4 million or 18.2p per share. In terms of the stocks themselves and the contribution that they made to the returns during the year, the table below sets out the top five contributors to the increase in the net asset value:

	Profit	Per share	%
Top 5 Contributors			
Asian Citrus	+£1,629,775	+12.6p	+124.5
Kazakhmys	+£1,024,329	+7.9p	+158.4
GCM Resources	+£695,202	+5.4p	+50.8
Barclays	+£675,376	+5.2p	+81.7
Xstrata	+£666,232	+5.1p	+107.3
TOTAL	**+£4,690,914**	**+36.2p**	

Fortunately – in a year of such dramatic recovery, there were few losers and none of any great significance when compared to the winners. The largest loss was suffered by our holding in Gresham Computing (£0.1 million, -1.0p per share).

Shareholders' Return:	**Share Price:**	**159.5p (+96.9%)**
	Recommended Dividend:	**3.45p (-31.0%; see below)**
	Discount:	**16.7% (v. 24.9%)**

As is usually the case within the investment trust sector, when asset values are rising and confidence is returning, discounts tend to fall and so it was with Aurora's shares. The discount a year ago was a rather horrific 24.9%, reflecting the stock market mood of the moment, the illiquidity of our shares and the bumpy track record we had. It subsequently shrank to 16.7% as the share price recovered from 81p to 159.5p, a rise of 96.9%. The table below shows the influence of the rise in the net asset value and the fall in the discount on the share price.

Attribution of Shareholders' Return		
Due to NAV change	+57.7p	+71.2%
Due to change in Discount	+20.8p	
Share Price change	+78.5p	+96.9%
Dividend paid in year	+ 5.00p	
Total Return	**+83.5p**	**+103.1%**

Even at this much lower level, the discount is still too high but I am afraid that we have not been in a position to buy back shares because we did not have sufficient reserves to do so (legal reason) and because to do so would have shrunk the liquidity of Aurora's shares even more (business reason). We do now have enough reserves, but the issue of size and liquidity of the Company remains; we are nevertheless giving careful thought to the discount problem, as discussed later in this statement.

Although the performance since launch some thirteen years ago has been absolutely satisfactory and relatively good – the net asset value has risen by 95.9% (FTSE A-s Index by 26.9%) – it has been far too bumpy a ride for shareholders. The Board of Directors has spent some time deliberating the reasons behind the volatility of the net asset value over the years – a feature that more short-term orientated investors do not like. While I cannot promise that it will not continue, we hope we understand the causes and can mitigate them in the future, namely that the characteristics of a concentrated portfolio with big exposures to certain sectors and companies tend to mean that we do well on the upside and poorly on the downside; we have undoubtedly been guilty of overstaying our welcome in certain areas that have done particularly well but which have subsequently fallen from grace.

The net income earned this year has suffered in part because the portfolio generated less income than it did a year ago and in part because last year we received a one off VAT repayment from HMRC, following the successful case brought against it in the European Court of Justice. As a consequence of the VAT repayment we were able to pay a special dividend of 1.75p, which will not be repeated this year; the total of the two payments amounted to 5p (3.25p final and 1.75p special). This year the Board is recommending a final dividend of 3.45p, 31% lower than the two dividends paid a year ago but 6.2% higher than last year's final dividend.

Annual General Meeting: 12 noon, 28 July 2010 at 145-157 St John Street, EC1

The Annual General Meeting will be held at 12 noon on Wednesday, 28 July at the offices of Cavendish Administration at 145-157 St John Street (nearest tube station: Farringdon). I do urge as many shareholders as possible to attend. It is the occasion when the Board of Directors meet with shareholders and account for the years activities. It gives you a chance to air your views and concerns and for us a chance to discuss them with you.

Your Directors quite understand that it is not possible for all shareholders to attend the AGM (indeed we would be rather short of space should you choose to do so!). We are, however, keen to understand the views of as many shareholders as possible; I would ask those who are not able to attend but would like to communicate with the Board to contact me – or indeed others of the Directors – and we will arrange either a meeting or a telephone call. On page 21 of the annual report you will see a list of the major shareholders and you will notice that it has changed somewhat over the past year. It is important for any board of directors to appraise itself of the (often) different views of its major shareholders so that it can be aware of each of them and, by knowing them, act as best it can in the interests of the shareholders as a whole.

Aurora, an investment trust with a difference:

Aurora is a small but rather special investment trust. Its shares are not an investment for everyone but by its very nature it will appeal to some investors. I thought I would take this opportunity to describe it, its peculiarities, its pluses and its minuses. The following are five of its own characteristics:

- *Themes based investment:* Unlike most investment funds in this day and age that are pigeonholed with a singular investment style (top down, bottom up, value, momentum, etc), we try to incorporate all these disciplines into the management of the portfolio. However our starting point is top down – identifying themes from which to select the reasonably valued stocks and shares of well managed companies.

  By and large we select blue chip stocks (large companies) to back our themes but we do also invest in smaller companies with particular exposure to the themes. We do not invest in themes or stocks just because they are part of our benchmark index, frightened lest we underperform it.

- *Long-term:* It is an investment trust where the portfolio is genuinely managed on a long-term basis. As a consequence we tend to ride the ups and downs of the themes we identify. Some of the themes, of course, go ex-growth as circumstances change and we have to move on from them.

- *Conviction investment:* We tend to have very concentrated portfolios in terms of both the themes (sectors) and the stocks we invest in. That too exacerbates the ups and downs of our net asset value.

- *Income:* While the clear objective is that of achieving capital gains – making money for shareholders – we believe that income has a value to shareholders and we aim to grow the dividend by at least the rate of inflation.

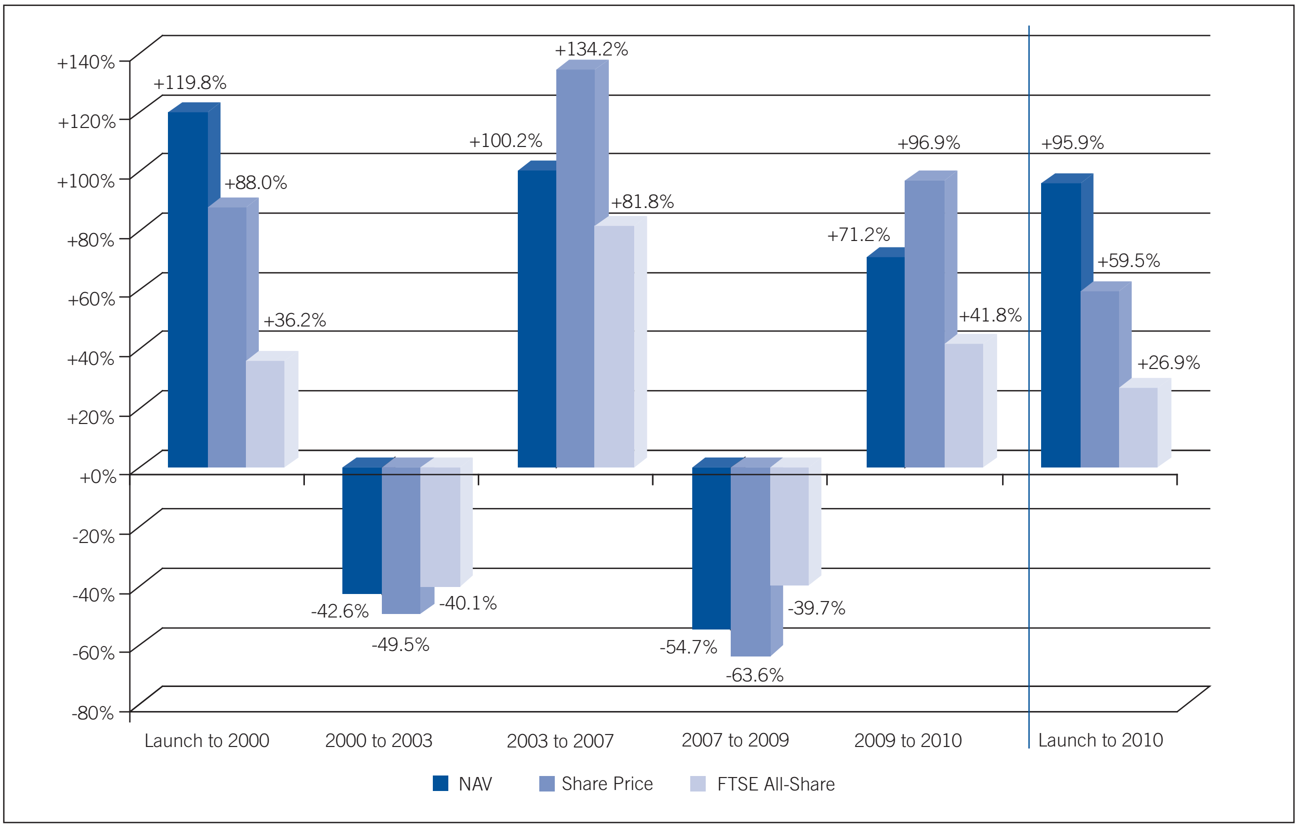
- *Management shareholding:* Unlike most investment trust companies, the portfolio manager has a significant shareholding in the Company (owning, at the date of this statement, circa 6½% of the Company's shares). Furthermore it is the only portfolio he manages and he focuses his entire efforts on it; he is not involved in asset gathering.

The most important characteristic of any investment trust is its management, the people actually involved with looking after it. In this respect James Barstow is the key figure. He is an experienced, enthusiastic and imaginative investor and unquestionably does things differently from other portfolio managers. However he cannot do it all on his own – no one can – and he is ably assisted by Stephen Wood who advises and helps him. Stephen, also an experienced investor, has quite different attributes and provides an excellent foil for James's exuberance. And finally there is the Board of Directors of which James is a member. I can say that of all the many, many investment trust boards that I have worked with over the last 40 plus years, we spend more time on investment than most I have worked with – an increasingly difficult task in this day and age of red taped governance.

Having said all of that, these characteristics are no guarantee of consistently good returns and we have been through two poor patches in the 13 years since the Company was launched – the latter one having been particularly poor. We have made mistakes – who hasn't? – but our long-term focus and our concentrated portfolios have meant that the mistakes were particularly painful in the short-term. We have been slow to take advantage of big profits and we have invested in too many concept stocks. It has all resulted in a bumpy ride – far too bumpy for the liking of many investors, particularly those with shorter term horizons.

As an illustration of this, we have produced a chart (below) which shows the volatility of the net asset value and the share price over its life. It illustrates that the market itself (in the shape of the FTSE All-share Index, our benchmark) has been pretty volatile but we have been rather more so. However it also illustrates that – over the life of the Trust to date – it has made money and has done quite a bit better than the stock market (NAV +96%; stock market +27%).

Volatility of NAV, Share price and FTSE All-Share Index



One of the problems about inconsistent returns – even if they are good over the long-term – is that the share price suffers even greater volatility on the back of the net asset value volatility. In good times there are more buyers than sellers and investors pay up for our shares but in bad times some of them become sellers at lower valuations. The fact that the share price tends to perform better in good times and worse in bad times than the net asset value (see above) demonstrates the added volatility of the share price. The longer a shareholder remains a shareholder, the less important discount changes are but the facts of the matter are that, in this day and age of much shorter investment time horizons, some investors don't like volatility; Aurora shareholders have experienced both volatile asset values and volatile discounts, which may well account for the high discounts obtaining in difficult times.

In an attempt to contain the level of the discount, we have bought back shares over the course of the life of the Company. We started out with 15,107,250; today we have 12,952,250, having bought back 2,155,000 or 14.2% of the original issue. The stock market value of Aurora at the end of our year amounted to just over £20 million, making it a very small investment trust company and, as I mentioned earlier, not a suitable investment for many large institutional investors with a short time horizon and therefore a need for instant liquidity. However there are investors who make commitments to funds our size and it is to them that we may offer something special.

We must however attempt to deal with the two volatilities to make our shares appealing. Shrinking the size of the Company even further will make it unappealing to an even wider range of investors. It is something that the Board has spent a lot of time on, learning from the mistakes of the last few years and imposing some disciplines on our risk management in order to avoid overstaying our welcome where we have made a lot of money, cutting our losses when we make mistakes and investing large amounts in stocks yet to turn profitable. We aim to capture more of the upside on a permanent basis and lower the downside. If we do succeed in that we will find more investors being interested in becoming shareholders on a long-term basis and that in turn will both lower the discount and reduce its volatility. In other words, adopting the fable of the Grand Old Duke of York, having marched the troops to the top of the hill, let's try to keep them there! Providing that we can succeed in that objective, there will be demand for the company's shares, market derived (as opposed to company derived) liquidity will return and a much lower discount will generally obtain.

Outlook:
We have a continuation vote coming up in two years time and so it is over that period that I will focus this assessment of the outlook. Shareholders were good enough to extend the life of the Company in 2007 – on its tenth anniversary and they will have to reassess the prospects in 2012.

It is in my opinion very difficult to assess the near term prospects for stock markets. The fact is that much of the world is awash with liquidity but short of credit and that makes it difficult for economies to grow and companies to prosper. There exists a view amongst many investors that the world can go to hell in a handcart but that at the same time companies can continue to grow their profits and dividends and share prices can continue to rise. I am afraid that this may be wishful thinking and the proponents of such logic are merely guilty of Mandy Rice-Daviesisms. A lot has been done by governments to address the crises but they themselves are wounded animals as the current sovereign debt crisis so clearly illustrates.

Time alone will tell how the various policies and their remedies will work out but I think it fair to surmise two things:

- The economies and stock markets of many areas of the world will continue to struggle but some will prosper;

- Volatility will continue to be one of the key characteristics of stock markets globally.

Having said that, the most important aspect of our prospects over the next two years lies in our own hands. Understanding these two points (above) and adhering to the lessons we have learnt from the past should help guide the investment of our portfolio and hopefully produce good returns for shareholders. James outlines the themes behind the management of the portfolio which focuses on the difficulty that the UK economy faces, the need to invest in those companies with exposure to those economies elsewhere which are able to grow (notably China but not exclusively) and to those sectors which are going to prosper in this very changed world that we live in. It isn't going to be easy but I do believe we are on the right track; so we should be able to produce good returns for shareholders.

Alex Hammond-Chambers
Chairman

16 June 2010

Manager’s review and outlook

Suffering as I do from the occasional bout of superstition, I approached, twelve months ago, the onset of this Company’s thirteenth year since launch with a certain degree of fear and trepidation, against a miserable background of tumbling markets. I did not have to worry for long. Six days into the new financial year the nadir was reached – a level which I very much hope will not be revisited.

After two long years of being pummelled by bad news, I must confess that my reactions to the news of the introduction of Quantitative Easing, as part of the largest policy blitz in history, were slower than they should have been. Then I realised that, from the point of view of a stock market investor, the monetary taps had certainly been turned on to their maximum limit at a time when the market was extremely oversold. A study of the VIX (index of volatility) was enough to convince me that a strong rebound was in prospect. WHOOPEE!

Furthermore, I concluded that the investment cycle had changed its orientation from being defensive in nature in favour of investments possessing future growth potential. Savers in profusion were set to avail themselves of the higher yields pertaining in the market from both fixed interest and equity investments at a time of low interest rates for an extended period of time. Accordingly, my morale soared.

A volcano may have been spewing from the North a plume of ash over much of the continent, but for the whole year it would appear that a huge dark shadow of gloom, emanating from ongoing worries about the scale of government deficits, obscured the vision of many, resulting from the catastrophic demise of the two former prestigious Scottish banks and two building societies. At such a time, brimming with ever increasing confidence, I gave much consideration to, but cast aside, the cautionary words of the Cassandras.

I set out to take advantage of some unbelievable bargains. Certainly last autumn, as the first signs of global recovery started to appear, the UK market remained undervalued in my opinion with considerable upside potential still in prospect.

The overall result has, I hope, brought a smile once more to the faces of shareholders. Although the Board often criticises me for excess optimism, I must confess that even in my wildest dreams I never contemplated for a single moment during the past twelve months that, when I came to write this year’s Report, the company’s NAV would be approaching a new record high.

Since then, a combination of BP's disastrous oil spillage, the enormity of the Prudential rights issue and the threat of a 40% windfall tax on Australian mining profits have brought about a sharp setback in the market. Mrs Merkel's recent announcement that the euro is in danger (a fact which most of us knew from its outset) and threats from North Korea have added considerably to investors' worries.

Returning to the sequential actions of the last year, in March 2009 I made full use of the overdraft facility. First, I bought two new holdings of fixed interest investments producing unbelievable mouthwatering double digit yields. I refer to Royal Sun 8.5%, and Amlin 6.5%; both these companies currently enjoy my required feature of strong relative pricing power.

If the former is a very staid company with a sound balance sheet, the latter is superbly managed with total outstanding debt even lower than the annual profit which has recently been announced. Since these investments not only produced a large net addition to the income stream, with interest rates at their current low levels, but also contained the prospect for making excellent capital gains, I managed to sleep soundly at night once more (after rather too lengthy a gap I might add!). Later I made two additions to the current holding of C & G 11.75% (cumulative) PIBS on an even higher yield basis.

To benefit from a leveraged financial play which was not a bank – a sector which I feared would take a long time to recover – I then made an addition to the existing holding of Man Group. This is a company whose image, and accordingly share price, but not balance sheet, had been greatly tarnished by its investment in Madoff funds, but one which I consider to be very professionally managed in general. In my opinion, it was a classic example of being one of the strongest companies in its sector and therefore likely to benefit at such times of turmoil at the expense of its weaker competitors.

The next step I took was to review the prospects for growth around the world. It did not take long for me to conclude that the outlook for the UK, European and Japanese economies was lacklustre in the extreme, and therefore to be avoided as far as is feasible for a UK growth oriented trust. The prospects for the US economy, on account of the high level of indebtedness amongst consumers and government alike, looked rather unappetising also, but one must never forget how resilient the Americans are at times of economic difficulty; they have proved it several times in the past to the astonishment of many.

By contrast, the outlook for the main Asian economies appeared to be relatively very attractive. All debate over whether de-coupling (by which is meant differential in the growth rate of GDP) has or has not taken place ended many months ago, despite their export trade to Developed nations being currently only a shadow of its former self.

Since one of the main aspects of our investment policy is to invest in companies exposed to faster growing economies than that of the UK, I decided to accentuate this feature in order to improve the likely returns from the portfolio. Accordingly, I disposed of rather staid UK oriented companies, such as Scottish & Southern Electricity, Drax and United Utilities without a moment's regret.

I remain a firm believer that the global economy is still enjoying the early years of the fourth commodity super-cycle in history – such is the enormous need for investment in infrastructure expenditure amongst the Emerging nations of China (whilst demographics permit) and India in particular, not to mention many others, such as Brazil and Russia. I therefore made use of these proceeds and continued to add to the exposure to the mining sector. I bought new holdings in Randgold and Medusa (gold in the Philippines) and also Rio Tinto once more, as well as adding to the holdings in Antofagasta, Kazakhmys and Xstrata, on account of the derisory ratings accorded to them by the market.

Readers of the previous Report may remember that I firmly predicted that this super-cycle had only been interrupted and not terminated. The sector was one of the top performers during the twelve months' trouncing the oil sector, to which the portfolio remains underweight. These two sectors produced gains of 120% and 23% respectively during the year. Indeed I have made the point in the past that the vast bulk of oil is bought and consumed by the nations likely to remain on a slow growth path, by contrast the vast bulk of metals are bought by the rapidly growing Emerging economies. Moreover, in my view, it takes even longer to extract metals than oil from the ground, once the deposit has been identified, on account of the greater environmental issues involved.

Sadly, another, this time unwanted, prediction came to pass. The holding in Venture Production was taken from us when institutions put up little resistance and succumbed to a meagre offer from Centrica. I used the proceeds to buy new holdings in Premier Oil and Tullow and to add to the holding in Standard Chartered.

At the moment, however, in this rapidly changing and unpredictable world I can see only three certainties. These are: the eventual onset of death, the inevitability of rising taxation in the UK and the rise of the Renmimbi against Sterling over the next few years. As I have no intention of investing in funeral parlours or taxation consultancies, I am left to consider how to profit from the revaluation of the Renmimbi at a time when it is not possible for a foreigner to make a deposit in that currency. My solution was to purchase holdings in purely domestic Chinese companies, which neither import nor export, but which are well positioned to benefit from future growth.

I therefore added to the existing holding in Asian Citrus, an extremely well managed and cash generative operator of three orange groves in China, encompassing no less than 100 square kilometers, indeed the largest orange producer in China; its profits are set to rise rapidly. The three components of rising profits are:- a production profile of tonnage which is set to double every 3.5 years for the next decade, as ever more young trees increase their production. Secondly, a rising proportion of sales to the growing supermarket industry realising 40% extra revenue per tonne than the price obtained from wholesalers at little extra cost (wax). In addition, the company is preparing to commence production and sales of blended orange juice at high margins, utilising mainly the smaller and less valuable fruit. The combination of these factors will provide a potent cocktail of profit and dividend growth.

My second major Chinese investment, West China Cement, is a play on the government of China's move to boost infrastructure spending in the hinterland economy as part of its carefully planned regional policy to open up new areas of industrial development. The intention is to retain 750m farmers in situ and discourage them from seeking higher levels of remuneration in the glitzy cities of Hong Kong, Shanghai or Beijing. Even at a time of severe tightening of bank credit to companies based in the more developed coastal provinces, it is most unlikely that this regional policy spending will be curtailed.

Under the chairmanship of an ex Tarmac senior director, this company has expanded its production capacity in recent years at an almost unbelievable pace. Its size is now already twice that of the entire UK capacity, or half that of the state of California. Not only do all seven plants possess the requisite reserves of limestone sufficient for 30 years production but their fuel efficiency and level of pollution controls are in line with best Western standards.

Since cement is very expensive to transport, the company's strategy has been to dominate the southern-most rather mountainous states of Shaanxi Province with high market shares, which currently range from 70% to 90%. Some 70% of its revenues are derived from 3-5 year government contracts to supply cement for the construction of the local sections of new high speed rail lines and motorways in their territory.

Having been assured that the bulk of the remaining 30% of output is consumed by the agricultural industry, I can therefore remain reasonably confident that current levels of revenue will persist for several more years. It is also worthy of mention that there are certainly no signs of any property bubble in this relatively backward area.

Although this has been a most profitable investment, the best is yet to come! This is certainly a company which has all the attributes which Mr Buffett would require, namely a secure franchise, high barriers to entry, high margins and strong cash flows sufficient to repay all debt within a year of cessation of capex. The company had the intention to obtain a full listing on the Hong Kong exchange at the end of May but, despite flourishing trading conditions, the date of this listing has since been postponed until the autumn on account of stock market turbulence. No cement company listed in Hong Kong has a P/E multiple of less than 10 times by contrast to the current rating of 4 times.

A smaller new investment is China Shoto, a company which is a leading manufacturer of backup batteries for the mobile telecom industry. It will benefit not only from the continuing rollout of 2G phones throughout the lesser developed regions but also from the introduction of 3G to a mere 150 (!) of the larger cities this year. Furthermore, the company is starting to export to both India and Brazil. The current rating may be paltry, but in my view the prospects are very exciting.

Pure Circle is a new entrant in the huge sweetener industry. From the plant stevia, which is externally sourced from ten countries, it extracts then refines molecules which are 200 times sweeter than normal sugar. The most important feature of the product, Reb A, is that it contains zero calories. Already to date there have been 105 different product launches in 80 countries across the globe in food, e.g. confectionary, ice cream and baked products, as well as in soft drinks.

Obesity is a huge health problem which is now receiving the attention of many health authorities around the globe. For example, all carbonated soft drinks, unless zero calorie, have recently been banned from sale within US schools. Accordingly, as a 'first mover', this company may be on the verge of causing a revolution in the gigantic sweetener business.

Outlook

As mentioned earlier, the outlook for GDP growth in the UK economy provides no reason to get excited, hence the diversification of country exposure in the portfolio. I do not think that the Bank of England's recent forecasts for growth are at all realistic. The recovery from a financial crisis always takes much longer than for normal recessions. Interest rates will therefore have to stay low for several years; moreover the policy of Quantitative Easing is likely to be extended.

The financing of growth both for companies and house buyers will be difficult against a background where some £500 bn. still has to be withdrawn from the British banking system. The new administration is already planning rises in taxation and severe reductions in public expenditure. Unemployment will remain high. Accordingly, despite low interest rates and the ongoing shortage of accommodation, the prospects of a nationwide bout of rising house prices as a confidence booster remains a mere pipedream.

Moreover, trade with Europe is likely to remain sluggish in the medium term. The fundamental flaws in the structure of the too hastily constructed euro are being savagely exposed daily in the marketplace in Athens, soon to be followed elsewhere I suspect. Once more history will be repeated and economics will eventually triumph over politics.

Long standing shareholders may remember that in 1998 I wrote that the euro as a concept had as much chance of being a commercial success as a three legged cat's prospects for successfully swimming the English Channel. How gratified I now feel when I recently read in the Financial Times an article by Sam Brittan, one of the former most ardent proponents of the euro. He swallowed his pride and described it as a project twenty years ahead of its time. Thank goodness few paid attention to his views in the past otherwise the UK would be enjoying youth unemployment of Spanish proportions!

Despite the foregoing, and the recent sharp setback in markets, I can assure shareholders that my morale is high. The portfolio has little exposure to the slow growth economies of the UK and Europe. Instead it is invested in companies such as BTG, which I expect to perform strongly as well as other companies with strong growth potential, some of which have already been mentioned. In addition, I have high hopes that GCM Resources will soon be granted permission to mine its vast Bangladesh coal deposit.

Finally, it is worth noting that China is set to become the second largest economy in the world this year, at a time when there is concern about an end to its rapid growth phase. However, I wish to repeat the sage words of one of the PRC representatives at Beijing:

'The government will keep the economy expanding at a rapid pace. Whereas the US economy can be likened to a limousine which, when it applies the brakes sharply, screeches to a halt; thereafter the driver sits admiring the view. By contrast, the Chinese economy has certain similarities with a motorbike. It often travels much faster, but, if the brakes are applied too savagely, the driver ends in pain in the gutter'.

In conclusion, I would once again like to take this opportunity to thank the Company's loyal and sometimes long-suffering shareholders for their continuing support and suggest that, against such a background, I feel confident that the portfolio will prosper in years to come.

MJ Barstow

16 June 2010

Directors' report

The Directors present their report and financial statements for the year ended 28 February 2010. This report deals with the results of Aurora Investment Trust plc and its subsidiary ("the Group").

BUSINESS REVIEW

Investment Policy

The Company's objectives are pursued through investments in securities, the majority of which are listed on the London Stock Exchange, predominantly comprising equities but allowing exposure to fixed interest and equity related securities. In general the portfolio is weighted towards the larger rather than smaller capitalised stocks. A distinctive feature is an emphasis on investments in companies with exposure to economies growing at a faster rate than the UK.

In pursuing this policy, the Manager takes into account the following considerations:

Distribution of the portfolio relative to the benchmark

An element of risk is inherent in investment undertaken on a selective basis. The Company seeks to mitigate the degree of risk by investing in securities in substantial organisations, normally listed or quoted and traded on the London Stock Exchange, and by spreading its investments across a range of such securities. However, notwithstanding these important discplines of diversification to mitigate risk, it should be noted that the nature of the portfolio has always been one with quite a short list of holdings, often referred to as "conviction investing".

The benchmark is the FTSE All-Share Index, which is an index of over 700 of the largest capitalised stocks quoted on the London market. This Index is not only representative of the UK economy but also includes a significant degree of international exposure, because the London Stock Exchange has become the stock market of choice for many of the emerging world's largest companies and, furthermore, many of the largest stocks are multinational companies with the majority of their revenues derived outside the UK. Therefore the Manager can achieve the aim of exposure to fast-growing economies while investing selectively in stocks quoted on the London market. However, the Manager makes no attempt to replicate the benchmark and the weightings of the portfolio to particular sectors may differ significantly from those of the benchmark.

A performance fee is payable to the Manager only if the benchmark is beaten and a NAV is achieved that is greater than the NAV at the time when the previous performance fee was paid. This incentivises the Manager to seek to achieve a superior distribution in the portfolio to that of the benchmark.

Risk diversification

At 28 February 2010 the Company's investments were spread across 40 holdings and across 8 main sectors (details are shown on pages 17 and 18).

The Board does not believe that it should normally or continuously impose prescriptive limits on the Manager regarding the geographic breakdown or distribution by sector of the portfolio. However, these matters are a subject of repeated discussion between the Board and the Manager and from time to time particular informal limits are agreed between them.

The Company can and sometimes does hold large positions in certain stocks. However, the Company, as an investment trust, is prohibited from creating a holding at the time of investment that represents more than 15% of the portfolio in any company. Furthermore, it does not hold more than 15% of the portfolio in other investment trusts.

Gearing Policy

The Company is usually geared to a moderate degree. Borrowings are limited by the articles to a maximum of 30% of NAV. The Board has adopted a policy whereby under normal circumstances borrowings are to be kept to within approximately 20% of the Company's NAV, but with the flexibility to rise for limited periods. This flexibility is considered desirable to avoid the possibility of forced sales in adverse market conditions.

The Board keeps the level of gearing and the extent, if any, of borrowing in foreign currencies under close review.

Hedging

The Company does not use derivatives to hedge market or currency exposure.

Objectives and key performance indicators (KPIs)

The Company's principal investment objective is to achieve capital growth. The Company's success in attaining its objectives is measured by reference to KPIs as follows:

a) The Company seeks to achieve a positive total return over the long-term. To measure its success, the Board compares shareholders' returns from owning the shares (share price appreciation and dividends) over one and five years and since launch to the return on an appropriate gilt-edged security (without reinvestment of dividends or interest). The Board considers long-term performance to be of greater importance than short-term and that the five-year comparison is the Company's Primary KPI.

b) The Company's Benchmark is the FTSE All-Share Index, against which the Net Asset Value (NAV) return (capital only) is compared. After achieving the goal of making absolute returns for shareholders, the next aim is to provide a better return from the portfolio than from the market as measured by the Benchmark.

c) The Company also seeks to outperform other companies that it considers to be its Peer Group. The Company's one and five year NAV returns are therefore compared with those of the AIC UK Growth Sector Size Weighted Average.

d) The Company seeks to ensure that the operating expenses of running the Company as a proportion of NAV (the Total Expense Ratio) are reasonable.

The Board has also sought to achieve a dividend rising in line with inflation, although this is not defined as a KPI.

Performance

Since its launch the management of the Company's investments has been contracted to Mars Asset Management Limited, which is regulated by the FSA. The principal participant in the management of the Company's investments is James Barstow (managing director). Mr Barstow reports in detail upon the Company's activities in his Report on pages 9 to 12.

The Company's performance relative to the KPIs described above was as follows:

(a) Performance of share price vs. gilt edged security

	Year ended 28 February 2010	Five years ended 28 February 2010	Since launch (1997)
Share price and dividends	+103.1%	(16.5)%	+95.4%
Treasury 6.25% stock 2010 and interest	+1.3%	+25.9%	+133.6%

The Company has outperformed the 6.25% gilt in the current period but not over five years or since launch.

(b) Performance of NAV vs. Benchmark

	Year ended 28 February 2010	Five years ended 28 February 2010	Since launch (1997)
Net Asset Value per share	+71.2%	(16.7)%	+95.9%*
Benchmark	+41.8%	+9.7%	+26.9%

All NAV figures are for capital-only performance
*by reference to a starting value of 97.78p (net of launch expenses).

The Company has achieved this objective since launch and during the year ended 28 February 2010, but over the five years ended on that date it did not achieve outperformance of the Benchmark KPI.

(c) Performance vs. Peer Group

	Year ended 28 February 2010	Five years ended 28 February 2010
Net Asset Value per share	+71.2%	(16.7)%
AIC UK Growth Sector	+54.8%	+34.33%

The Company has achieved this objective over one year, but not over five years.

(d) Total Expense Ratio

	Year ended 28 February 2010	Year ended 28 February 2009
Total Expense Ratio	1.81%	1.77%

The ratio is calculated excluding finance costs but including operating expenses charged to capital and applied to the average NAV of the year. (The figure for 2009 excludes the favourable effect of the VAT reclaim).

Increase in dividend

The Company has succeeded in achieving a steady increase in the level of dividend paid. This performance has been maintained during the year ended 28 February 2010 and a dividend of 3.45p per share is recommended, representing an increase of 6.2% over 2009.

The Company was also able to pay a special dividend in 2009, having received additional income during the year ended

28 February 2009 in the form of a recovery of VAT formerly paid. This special factor was not repeated in 2010.

Revenue result and dividend
The Group's revenue profit after tax for the period amounted to £563,345 *(2009: profit £879,243)*.

At the Annual General Meeting on 28 July 2010 a resolution will be proposed to approve a final dividend of 3.45p *(2009: 3.25p)* per ordinary share, absorbing £446,852 *(2009: £420,948 plus special dividend absorbing £226,664)*. The final dividend will be paid on 6 August 2010 to shareholders on the register at 25 June 2010; the ordinary shares will go ex-dividend on 23 June 2010. In accordance with International Financial Reporting Standards this dividend is not reflected in the financial statements for the year ended 28 February 2010.

Risk analysis
The Board considers that the principal risks faced by the shareholders of the Company fall into two categories:

External Risks
Poor performance in the UK and/or world economies; poor corporate profits and dividends.

Poor stock market performance caused by market-specific factors, such as rising interest rates, the unwinding of "bubbles" or disinvestment by institutions, superimposed on general economic factors, or caused by shocks, wars, disease etc. The Board does not consider, however, that short-term volatility represents a risk for the long-term shareholder that the Company seeks to avoid, since it regards long-term performance to be of primary importance.

Internal Risks
Poor asset management, which may include poor stock selection, excessive concentration of the portfolio, mistakes regarding currency movements, speculation in shares of companies without sound or established businesses and speculation in derivatives.

Poor control of borrowing, including borrowing at excessive rates of interest relative to likely returns and borrowing excessive amounts leading to the breach of covenants and possible enforced sales of assets at disadvantageous prices.

Poor governance, compliance or administration, including particularly the risk of loss of S1159 (formerly S842) status.

All these and other risks can result in shareholders not making acceptable returns from their investment in the Company.

Risk controls
External risks
Information on the mitigation of risk by diversification and by control of gearing and hedging is given in the Investment Policy section on page 13 above.

Further details concerning currency risks, liquidity risks and interest rate risks are given in note 19 on page 45.

Internal risks
The control of risks related to governance, compliance and administration is dealt with in the report on Corporate Governance on pages 24 to 28.

Five year summary

The following data are all expressed as pence per share. NAV figures are all calculated at bid prices. They are shown both as previously published and as adjusted by adding back the final dividend for each year.

Year	NAV	Dividend in respect of year	Special dividend	Share price (mid market)
2006	244.98	2.95	–	215.5
2007	246.88	3.10	–	222.5
2008	203.04	3.15	–	181.0
2009	111.86	3.25	1.75	81.0
2010	191.52	3.45	–	159.5

*The dividend in respect of the year is no longer shown as a liability at year end under IFRS.

Outlook

The outlook for the Group is discussed in the Chairman's Statement on page 8 and the Manager's Review and Outlook on page 12.

TOP TEN HOLDINGS

At 28 FEBRUARY 2010

All holdings are of ordinary shares, unless otherwise stated

	By valuation £'000	Percentage of Portfolio
West China Cement	2,441	8.23
Asian Citrus	2,125	7.17
GCM Resources	2,034	6.86
BTG	2,008	6.77
Kazakhmys	1,475	4.97
BP	1,302	4.39
Xstrata AG	1,287	4.34
Prudential	1,205	4.06
Standard Chartered	1,172	3.95
Antofagasta	1,104	3.72
	16,153	54.46
Other holdings	13,506	45.54
Total investments	**29,659**	**100.00**

PORTFOLIO ANALYSIS

At 28 FEBRUARY 2010

	Percentage of Portfolio
Information Technology	4.48
Resources	41.15
General Industries	10.73
Non-Cyclical Services	15.53
Cyclical Services	4.38
Financials	18.51
Fixed Interest	5.22
	100.00

ANALYSIS OF INVESTMENTS BY SECTOR

At 28 FEBRUARY 2010

All holdings are of ordinary shares, unless otherwise indicated

	Company	Value £'000	Percentage of Portfolio
Fixed income	Amlin 6.5%	453	1.53
	Cheltenham & Gloucester 11.75% PIBS	570	1.92
	RSA Group 8.5%	526	1.77
		1,549	5.22
Banks, Retail	Barclays	781	2.63
	HSBC Holdings	510	1.72
	Standard Chartered	1,172	3.94
		2,463	8.29
Financials	Charlemagne Capital	298	1.00
	Man Group	562	1.89
		860	2.89
General Industrials	BAE Systems	187	0.63
	Rolls Royce Group	558	1.88
		745	2.51
Information Technology	China Shoto	462	1.55
	Synchronica	180	0.61
		642	2.16
Insurance	Aviva	975	3.28
	Prudential	1,205	4.06
		2,180	7.34
Mining	Anglo Pacific	383	1.29
	Antofagasta	1,104	3.72
	BHP Billiton	803	2.70
	GCM Resources	2,034	6.86
	Kazakhmys	1,475	4.96
	Medusa Mining Ltd	312	1.05
	Randgold Resources	444	1.49
	Rio Tinto	673	2.26
	Xstrata AG	1,287	4.34
		8,515	28.67

ANALYSIS OF INVESTMENTS BY SECTOR

Continued

	Company	Value £'000	Percentage of Portfolio
Non-Cyclical Consumer Goods	Asian Citrus	2,125	7.15
	Bright Futures Group	15	0.20
	BTG	2,008	6.76
	GlaxoSmithKline	182	0.61
	Purecircle Ltd	296	1.00
		4,626	15.72
Oil Exploration & Production	BP	1,302	4.38
	Petro Matad Ltd	383	1.29
	Premier Oil	554	1.87
	Royal Dutch Petroleum 'B' Shares	493	1.66
	Tullow Oil	119	0.40
		2,851	9.60
Oil, Integrated	BG Group	858	2.89
Software	Emblaze	479	1.61
	Gresham Computing	209	0.71
		688	2.31
Transport	Arriva	767	2.58
Cyclical Services	Ceres Power Holdings	474	1.60
Basic Industries	West China Cement	2,441	8.22
	Total Portfolio	**29,659**	**100.00**

ANALYSIS BY TYPE, MARKET & CURRENCY

	£'000
Ordinary shares	28,110
Fixed interest securities	1,549
	29,659
Listed securities	20,639
AIM securities	9,005
Other	15
	29,659
Denominated in sterling	29,659
Denominated in euros	–
	29,659

OTHER INFORMATION

Legal and taxation status

In the opinion of the Directors, the Company has conducted its affairs so as to be able to seek approved investment trust status from HM Revenue and Customs under Section 1159 of the Finance Act 2010 for the year ended 28 February 2010. The Company will continue to seek approval each year. Approval of investment trust status has been received for all years to 28 February 2009. Under Section 833 of the Companies Act 2006 the Company is an investment company and operates as such.

The Company's wholly-owned subsidiary AIT Trading Limited ("AIT") undertakes purchases of investments for re-sale in the shorter term, with the objective of achieving a trading profit. At 28 February 2010 AIT held no investments *(2009: £Nil)*.

Share capital

The Company has one class of capital, Ordinary Shares. There are no special restrictions or obligations. Shareholders have equal rights with regard to distributions of all kinds in proportion to their shareholdings. Final dividends are payable subject to approval by the AGM; interim dividends can be paid by the Directors, but it is not the Board's policy to do so. Purchases of the Company's own shares may be carried out if the relevant sanction is given by shareholders. Resolutions at general meetings may be carried by a show of hands, when each shareholder present in person or by proxy has one vote, or by poll, when each shareholder present in person or by proxy has one vote for every share.

At 28 February 2010 there were 14,391,389 shares in issue, of which 1,439,139 were held in Treasury. Therefore the number of shares with voting rights was 12,952,250.

Purchase of own shares

A resolution is to be proposed at the Annual General Meeting (AGM) to renew the Company's powers to purchase its own shares. This is item 8 in the Notice of Meeting.

Authority was granted on 15 July 2009 to purchase up to 1,941,542 shares, but no purchases were made up to 28 February 2010 or have since been made up to the date of this report. Nevertheless, the Directors recommend that these powers continue to be held in reserve in case of need. The renewed authority sought by the Company is to purchase up to 14.99% of the voting shares in issue at the time of this year's AGM. If no further purchases are made before the AGM the new authority will again be for 1,941,542 shares.

Holding shares in Treasury

The Board monitors on an ongoing basis whether shares should be repurchased and, if so whether they should be held in Treasury. The maximum number that can be held in Treasury is 10% of the shares in issue. The current position is that this capacity is fully utilised, with 1,439,139 shares being held in Treasury, compared to 14,391,389 shares in issue. Shares held in Treasury will only be re-sold at a discount lower than that at which purchased, thus resulting in a net increase in NAV per share over the combined transaction.

Issue of own shares for cash

The Directors recommend that their powers to allot shares for cash, granted at the last Annual General Meeting, be renewed, providing them with flexibility to allot to applicants on demand a limited number of Ordinary Shares (representing approximately 5% of the current issued share capital of the Company) for cash on a non pre-emptive basis.

Resolution 9 in the Notice of the Annual General Meeting will, if passed, give the Directors the general power to allot securities up to an aggregate nominal amount of £179,892 representing 5% of the issued share capital of the Company at the date of this document.

Resolution 10 will, if passed, empower the Directors to make allotments of shares for cash other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders.

Notice of General Meetings

The Company is currently able to call general meetings, other than an annual general meeting, on 14 clear days' notice and would like to continue to hold this ability in reserve, in case of need. Under the Companies Act 2006, the default notice period for all general meetings is 21 days, but shareholders can approve the calling of meetings (other than annual general meetings) on 14 days' notice. Resolution 11 seeks such approval. The approval would be effective until the company's next annual general meeting, when it is intended that a similar resolution will be proposed. The company must ensure that it offers the facility for shareholders to vote by electronic means accessible to all shareholders if it is to call general meetings on 14 days' notice.

The Board and re-election of directors

The Directors of the Company and of AIT at any time during the year are stated below.

Alex Hammond-Chambers (Chairman)
James Barstow FCA
David H. Hunter (retired 15 July 2009)
Richard Robinson

All directors are non-executive, in as much as Mr Barstow is an employee of Mars Asset Management Limited and not of the Company.

Directors are required by the Company's Articles to retire by rotation at the Annual General Meeting so that each director is subject to re-election at a maximum interval of three years. Mr Barstow, being a representative of the Manager, is subject to annual re-election. However, the Board has determined as a matter of policy that all directors should submit to annual re-election.

Mr Hunter retired at the Annual General Meeting last year. Accordingly, resolutions will be put to re-appoint Mr Hammond-Chambers, Mr Barstow and Mr Robinson. The Board has interviewed a number of candidates to join the Board and hopes to make an announcement at an appropriate time regarding the appointment of an additional director.

The report on Corporate Governance on pages 24 to 28 below contains a description of the Board's composition, of its method of operation, of its work during the year and that of its Committees and of how its performance has been evaluated. The Board recommends that all directors should be re-elected.

Under the Articles, the Directors are indemnified by the Company against losses and liabilities incurred in the performance of their duties. The Articles permit insurance cover against directors' and officers' liabilities to be arranged by the Company and such a policy is maintained.

Directors' shareholdings

The Directors' shareholdings in the Company, all of which were beneficially owned, were:

	At 28 February 2010 and at the date of this report Ordinary shares	At 28 February 2009 Ordinary shares
A Hammond-Chambers	**15,000**	15,000
MJ Barstow	**839,000**	754,000
DH Hunter	**N/A**	20,000
R Robinson	**0**	0

During the year, no rights to subscribe for shares in or debentures of the Company or its subsidiary have been granted to, or exercised by, any director or a member of his immediate family. No shares in AIT were held by any director.

Management contract

The manager is appointed under a contract subject to twelve months' notice, and is remunerated at a rate of 0.75% per year of the Group's Total Assets, payable monthly in arrears. The manager is also entitled to an annual performance-related fee equal to 10% of any outperformance by the Group's NAV over the FTSE All-Share Actuaries' Index. If the Group's NAV underperforms the Index, the amount of that underperformance will be carried forward and no further performance-related fee will be payable until the NAV has both recovered the underperformance carried forward and exceeded the performance on a cumulative basis (and such performance fee would then be calculated only on the amount of the cumulative outperformance). Any performance fee in excess of 0.75% of NAV must be invested by the Manager, net of tax, in the Company's ordinary shares, which must then be held by the Manager for at least five years.

For the purposes of fee calculation, NAV is the value of the Group's shareholders' funds and Total Assets are the Group's shareholders' funds plus borrowings, less the current-year revenue balance. No performance fee was earned in respect of the year ended 28 February 2010 *(2009: £Nil)*.

Management engagement

The Remuneration Committee and the Board have reviewed the position of the Manager. The process of evaluation is described in the report on Corporate Governance on page 26.

Having taken into account the performance of and the prospects for the Company, the Committee and the Board have concluded that the continuation of the existing management contract is in the interests of shareholders.

Company Secretary and Administrator

Cavendish Administration Limited ("Cavendish") was the secretary of the Company for the entire year under review, and remains so. Cavendish is also responsible for all administrative matters. Cavendish is appointed under a contract subject to 180 days' notice and receives a fee of 0.125% per year of Total Assets.

Borrowings

At 28 February 2010 the gross external borrowings of the Company and of the Group were £4,957,780 *(2009: £675,000)*, of which Euro borrowings comprised £Nil *(2009: £Nil)*. US dollar borrowings were Nil at 28 February 2010 *(2009: £Nil)*. Cash balances were also held with Lloyds TSB Bank and the total net debt of the Group to Lloyds TSB Bank was £4,888,072 *(2009: £363,731)*.

During the year the Company advanced funds to AIT to finance AIT's purchases of investments. At 28 February 2010 AIT owed £725,625 *(2009: £937,625)* to the Company.

Market information

The Company's share capital is listed on the London Stock Exchange. The market price is shown daily in the *Financial Times* and *The Daily Telegraph*. The NAV per share is calculated twice monthly and released twice monthly to the London Stock Exchange and monthly to the Association of Investment Companies. The Company subscribes to the website www.trustnet.com, which compares the Company's performance to that of its peer group.

Custody and Banking

The Northern Trust Company was custodian to the Group throughout the year. Lloyds TSB Bank plc was the Group's banker throughout the year.

Payment of suppliers

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company contracts with its suppliers the terms on which business will take place and abides by such terms. By far the most significant supplier of services to the Company is the investment manager, as described above. The investment manager is reimbursed according to Group Total Assets at the close of each month and is due to be paid within the month following; the Company has maintained payments according to this schedule throughout the year.

There were no invoiced, unpaid trade creditors outstanding at 28 February 2010 *(2009: £Nil)*; amounts shown as creditors in the Balance Sheet comprised accrued expenses and other uninvoiced short-term liabilities. Brokers' commissions are paid in accordance with Stock Exchange terms and are included in Sales for Future Settlement and Purchases for Future Settlement.

Significant shareholdings

The directors have been notified of, or have identified, at the date of this report the following shareholdings comprising 3% or more of the issued share capital of the Company:

	At 28 February 2010 Ordinary Shares	%	At the date of this report Ordinary Shares	%
Clients of Midas Investment Management	3,850,678	29.7	3,850,678	29.7
Clients of Jupiter Asset Management	1,268,536	9.8	1,268,536	9.8
Clients of Brewin Dolphin	999,649	7.7	970,439	7.5
Midas Capital (Iimia)	850,000	6.6	825,000	6.4
MJ Barstow	839,000	6.5	839,000	6.5
Clients of Pershing Keen	620,898	4.8	616,861	4.8
CG Asset Management	442,000	3.4	442,000	3.4

Settlement of Ordinary Share transactions

Ordinary shares in the Company are settled by the CREST share settlement system.

Donations

The Company did not make any donations during the year under review.

Going concern

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going-concern basis in preparing the accounts.

Auditors

In so far as each of the directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the auditors are unaware, and each member of the Board has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Grant Thornton UK LLP be re-appointed as auditors of the Company will be put to the Annual General Meeting.

Social, Ethical and Environmental matters

Being an investment company, with no staff, premises, manufacturing or other operations of its own, the Company does not have any direct influence on social, ethical and environmental matters. However, the Manager bears in mind such matters when choosing investments and aims to avoid investment into companies that are found to perform badly in those areas.

By order of the Board

Cavendish Administration Limited
Company Secretary

16 June 2010

Statement of Directors' Responsibilities for the Annual Report

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have also elected to prepare financial statements for the Company on the same basis. The financial statements are prepared in accordance with the Companies Act 2006, IFRS and, in the case of the Group, Article 4 of the EU's IAS Regulation.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- follow applicable International accounting standards as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume the Company will continue.

The directors are responsible for ensuring that adequate accounting records are kept which 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the website used by the Company.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under the Disclosure & Transparency Rules 4.1.12
The directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

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

For and on behalf of the Board

Alex Hammond-Chambers
Chairman

16 June 2010

Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is appropriate for the Company. In doing so, the Board is particularly guided by the AIC Code of Corporate Governance issued by the Association of Investment Companies. The resulting procedures enable the Company to comply with almost all provisions relevant to the Company in the Principles and Provisions of Good Governance ("the Combined Code") published in its latest revised form by the Financial Reporting Council in 2008. Those instances where the Company's practice differs from that of the AIC Code or the Combined Code are stated and explained at the foot of this report.

This Corporate Governance statement forms part of the Directors' Report.

The Board

Board composition

The Board currently consists of a Chairman, Mr Hammond-Chambers, an independent director, Mr Robinson, and Mr Barstow. Mr Barstow has served since the Company started in business in 1997, Mr Hammond-Chambers joined the Board on 3 October 2002 and Mr Robinson joined the Board on 18 December 2007.

All Board members except Mr Barstow are independent of the investment manager, Mars Asset Management Limited, of which Mr Barstow is a director and shareholder. Mars Asset Management Limited supplied fund management services to the Company throughout the period under a contract described under the "Management" section in the Directors' Report on page 20. With this exception, there were no contracts subsisting during or at the end of the year in which a director was or is materially interested.

Alex Hammond-Chambers, aged 67, worked for Ivory & Sime for 27 years, serving as chairman during 1985-91. He currently sits on a number of investment trust and company boards, including Montanaro European Smaller Companies Trust, International Biotechnology Trust, Fidelity Special Values and Hansa Trust. He has served as a governor of the NASD in the USA and as Chairman of the AIC.

James Barstow FCA, aged 60, is the Managing Director of Mars Asset Management Limited. He is the fund manager primarily responsible for the Company and for formulating the investment rationale and policies of Mars Asset Management Limited.

Richard Robinson, aged 52, is investment director of the Paul Hamlyn Foundation. He was previously Head of Charities at Schroders plc and before that a senior fund manager at Rothschild Asset Management Ltd and has over 25 years' experience in the financial services sector. He is a director of Soutterham Bank, the publisher Constable & Robinson Ltd and the property company 11 Rutland Gate Ltd.

As described below under "Evaluation of Board Performance" the Board conducts a review of its strengths and weaknesses, with the aim of ensuring that there is available a good balance of attributes that are useful to the direction of the Company, in addition to the skills and commitment of the Manager. The Chairman has extremely wide and deep experience of the governance of investment trusts through the other relevant directorships that he has held and his close involvement with the AIC. Mr Robinson has a long track record of success in the fields of investment and asset management. The Board confirms that its members are highly experienced, both generally and in respect of the direction of an investment trust, and that the backgrounds and seniority of the independent directors provide the Board with a high overall level of independence.

Policy with regard to tenure and reappointment

The Board considers that the benefits of experience and seniority to be particularly important and generally help promote independent performance by directors in carrying out their duties. Therefore the Board's policy will not be to follow rigid procedures in the matter of requiring directors to cease to act either at the end of nine years' service or on reaching the age of 70.

The Directors have appointment letters which do not state any specific term. The Company's Articles of Association state that a third of the directors, or the nearest whole number not exceeding one-third, retire by rotation at each Annual General Meeting. The Company's Articles were amended at the AGM in 2001 to ensure that directors are subject to re-election at a maximum interval of three years, thus complying with Code provision A.7.1. Also, the Listing Rules of the UK Listing Authority now require a director representing the Manager, in the Company's case Mr Barstow, to stand for re-election at the AGM each year. Further, the Board recognises that different shareholders may have different views on issues of tenure and reappointment. Bearing this in mind, the Board has decided that each director will be subject to annual re-election by shareholders, although this is not a requirement of the Articles.

How the Board operates

The Board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board undertakes no executive functions, but is responsible to shareholders for the overall strategy and performance of the Company. It reviews and evaluates all aspects of the Company's performance and all functions performed by the service providers.

There is no formal schedule of matters reserved for the Board. Such a schedule would be inappropriate since the Board decides on all aspects of the activities of the Company and is of sufficiently small size to decide upon most such matters as a full Board.

A procedure has been adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Attendance at Board meetings

The Board holds at least four meetings a year.

During the year ended 28 February 2010 there were six meetings of the Board. Mr Hammond-Chambers, Mr Barstow and Mr Robinson attended all the meetings. Mr Hunter attended all three board meetings prior to his retirement. There were also three meetings of the Board's committees, as detailed below and on page 29.

Evaluation of Board performance

The Board has instituted a procedure for the evaluation of director performance, whereby each director reports to the Chairman upon his ability to meet a given set of criteria. These criteria relate to the director's personal qualities, his competence and experience, both generally and with specific reference to the Company's business, his contribution to boardroom proceedings and his independence, including a review of any potential conflicts of interest. Each director indicates to the Chairman whether there are any areas in which additional training or other assistance would enable him to perform his duties better. The Board then evaluates the Chairman in a similar way.

Directors' Remuneration

A report on directors' remuneration is included on page 29 below.

Board Committees

Since all directors are non-executive and the Chairman is both non-executive and independent, the Board considers, first, that it is unnecessary for Committees to have separate chairmen and secondly that Committee meetings should be attended by all directors except on those occasions when, as described below, it is inappropriate for the representative of the Manager to be involved. The main purpose of the Committees in the context of the Company's structure is that their existence ensures that time is set aside on a formal basis to cover certain important issues of governance, without those issues obscuring the flow of general Board business. The Committees have formal terms of reference, which are available to shareholders upon request from the Company's registered office.

Audit Committee

It is considered appropriate that issues related to the review of the annual financial statements, the appointment of the auditor and internal control procedures, including those of the Manager and the Secretary, should be considered by those directors who are independent. Therefore the Board has formed an Audit Committee, which is comprised of those directors who are independent of the investment manager, namely Mr Hammond-Chambers and Mr Robinson. The Audit Committee has formal terms of reference and copies of these are available on request from the Company Secretary of the Company.

Mr Hammond-Chambers acts as chairman of the Committee, which is not in accordance with the guidance of the Smith report, but is considered appropriate to the circumstances of the Company.

The Audit Committee also reviews any non-audit services provided by the auditor. Such services have been, and are, limited to the provision of advice on tax compliance. The Committee considers that such advice can be more efficiently and economically provided by the same firm as that conducting the audit, particularly in view of the fact that the audit of an investment trust cannot be completed without a review of its tax status. The Committee is satisfied that the provision of such advice does not in any way prejudice the objectivity and independence of the auditor.

All members of the Committee are active in the investment markets and/or the investment trust sector and the Committee considers that all have recent and relevant financial experience.

During the year ended 28 February 2010 the Audit Committee met twice. Both independent directors attended both meetings.

Remuneration and Management Engagement Committee

The Board has formed a Remuneration and Management Engagement Committee, which considers the level of fees paid to directors and also considers issues related to the engagement of the Manager and other service providers, making recommendations as appropriate to the Board. Since all the executive functions of the Company are delegated to service providers, issues concerning the remuneration of those functions relate to the payment of service providers rather than of directors or employees. The Committee therefore considers whether amounts paid to service providers are appropriate, with particular reference to those contracted to the Company on a continuing basis, including the Manager, and whether those contracts should be maintained.

The criteria which are taken into consideration when reviewing the performance of the Manager are as follows:

- Quality of team – the skills and particularly the experience of the team involved

- Commitment to the investment trust business generally and to the Company in particular

- Investment management skills – experience, track record, use of gearing, knowledge of currency issues and other investment related considerations

- General management skills – understanding of administrative and financial issues and working relationship with the Administrator/Company Secretary

- Shareholder relations – consciousness of and commitment to shareholders' needs and objectives, share price awareness and discount management

- Reasonableness of Management Agreement – fees, notice period and duties

When considering issues related to directors' fees and the remuneration of service providers other than the Manager, the Committee comprises all the directors. Mr Barstow stands down from the Committee when the management contract is under discussion.

The work of the Committee during the year ended 28 February 2010 is further described, including the number of meetings and attendance at those meetings, in the Directors' Remuneration Report on page 29.

Relations with Shareholders and with Investee Companies

Relations with shareholders

The investment manager has a programme of meetings with the largest shareholders and reports back to the Board on these meetings. The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Exercise of voting powers

Since the Company's investments are usually in large companies and form only a small proportion of their issued capital, the Company does not have a fixed policy always to vote its holdings, but treats each case on its merits. The Board is opposed to "mindless" voting carried out merely as a box-ticking exercise and prefers that all voting should be carefully considered. The Board delegates voting of a routine nature to the Manager, but retains ultimate control and the Manager consults the Board with regard to any voting on controversial issues.

Social and environmental policy

The Company has no staff, premises, manufacturing or other operations. The Company encourages investee companies to adopt responsible social and environmental policies.

Internal Controls

Review of internal controls

The Combined Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the Financial Reporting Council (Turnbull Review Group) and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

Assessment by the Board of service providers

The investment manager and the administrator are normally invited to attend each full meeting of the Board and have in practice done so. Between these meetings there is further, regular contact with the investment manager and the administrator. The manager reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary. Directors receive and consider regular monthly reports from the administrator, giving full details of all holdings in the portfolio and of all transactions and of all aspects of the financial position of the Company. The administrator reports separately in writing to the Board concerning risks and internal control matters within its purview, including internal financial control procedures, compliance with S1159 and secretarial matters, highlighting any changes which have occurred. Additional ad hoc reports are received as required and directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the investment manager and the administrator enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis through the year and again, formally, at year end and this process of assessment has continued up to the date of this report.

Financial Aspects of Internal Control

The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by the investment manager and the administrator to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include monthly production of management accounts and NAV calculations, monitoring of performance at regular board meetings, supervision by directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, the Board keeps under its own direct control all material payments out of the company other than for investment purposes. Payment of management and administration fees is authorised only by directors, including at least one independent director, after they have studied the financial data upon which those fees are based.

The directors' statement of responsibilities in respect of the accounts is on page 23 and a statement of going concern is on page 21. The report of the auditors is on page 30.

Statement of compliance with the Combined Code

The Company has complied, throughout the year ended 28 February 2010, with the AIC Code and the relevant provisions of section 1 of the Combined Code, except for the provisions relating to the role of Chief Executive, executive directors' remuneration and the need for an internal audit function. For the reasons set out in the preamble to the AIC Code the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. The Board has therefore not reported further on these areas. In accordance with Financial Reporting Council endorsement, full details of compliance with the AIC Code are set out below.

The size and structure of the Board is such that it is considered unnecessary to identify a senior independent director other than the Chairman, who is de facto the senior independent director.

The size and structure of the Board, with three non-executive members of whom two are entirely independent, makes it essential that a decision concerning the recruitment of a director should be decided by the whole Board; it also makes discussion of such a matter by the complete Board entirely practicable. Therefore a Nominations Committee to make recommendations on the appointment of new directors has not been established. However, the process of identifying and interviewing candidates for nomination would be led by the independent directors, who would at all times be the driving force behind the recruitment process.

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

Information not subject to audit

Remuneration Committee

The Company has two wholly independent non-executive directors and a third director, Mr Barstow, who is employed by the Manager. The Remuneration Committee comprises the whole Board when considering directors' fees and the remuneration of contracted service suppliers other than the Manager. Mr Barstow stands down when issues related to the Manager's fees are discussed.

During the year ended 28 February 2010, the Committee met once. All directors were present.

Policy on directors' fees

The Board's policy is that the remuneration of non-executive directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive directors' fees are determined within the limit set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits.

The Committee reviewed the level of directors' fees during the year ended 28 February 2010 and concluded that the level of fees should remain unchanged, at £26,250 per year for the Chairman, £17,500 per year for non-executive directors other than Mr Barstow and £15,000 per year for Mr Barstow. However, Mr Barstow has continued to disclaim the increase in fees determined on his behalf in 2007 and is remunerated at £11,000 per year. The Committee will keep the position under review and will consider an increase in the levels of remuneration if general market rates of remuneration for non-executive directors increase and if the current improvement in the Company's performance is sustained. No change is anticipated for the coming year.

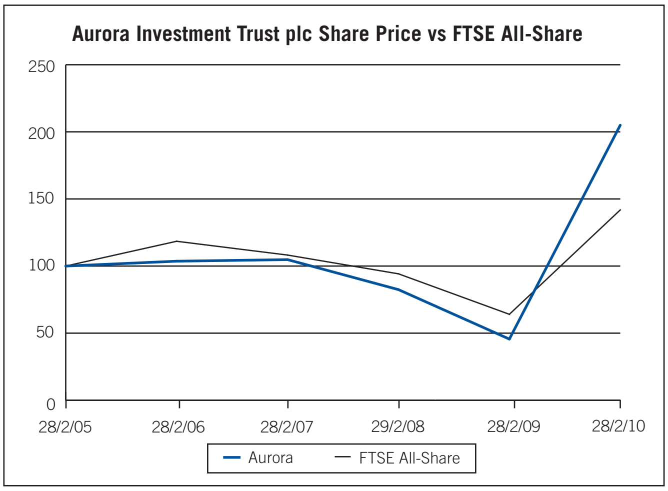
No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 28 February 2010.

Directors' service contracts

The Directors do not have service contracts. The Directors have appointment letters which do not state any specific term. However, the Company's Articles require that Directors are subject to re-election by shareholders at a maximum interval of three years.

Performance

The performance of the Company's shares, with dividends reinvested, is compared to that of the FTSE All-Share Index, which is the Company's Benchmark.



Information subject to audit

Directors' emoluments for the year

The following emoluments in the form of fees were payable to the directors who served during the year:

	2010 £	2009 £
Alex Hammond-Chambers	**26,250**	26,250
James Barstow	**11,000**	11,000
Michael Heathcoat Amory	**–**	10,208
David Hunter	**6,515**	17,500
Richard Robinson	**17,500**	17,500
	61,265	82,458

The fees of Mr Hammond-Chambers were paid to Alex Hammond-Chambers & Company.

By order of the Board

Cavendish Administration Limited
Company Secretary

16 June 2010

Report of the independent auditor to the members of Aurora Investment Trust plc

We have audited the financial statements of Aurora Investment Trust plc for the year ended 28 February 2010 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and parent company statements of changes in equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the directors' statement, set out on page 21, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Julian Bartlett
Senior Statutory Auditor

for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

16 June 2010

Consolidated statement of comprehensive income

For the year ended 28 February 2010	Notes	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Gains on investments designated at fair value through profit or loss		**–**	**10,539**	**10,539**	–	(12,643)	(12,643)
Exchange differences on overdraft		**–**	**–**	**–**	–	(8)	(8)
Realised gains of trading subsidiary at fair value through profit or loss		**76**	**–**	**76**	129	–	129
Investment income	2	**815**	**–**	**815**	876	–	876
Interest on VAT recovered		**–**	**–**	**–**	49	–	49
Total income		**891**	**10,539**	**11,430**	1,054	(12,651)	(11,597)
Investment management fees	3	**(94)**	**(94)**	**(188)**	(80)	(80)	(160)
Recovery of VAT on management fees		**–**	**–**	**–**	124	243	367
Other expenses	3	**(199)**	**–**	**(199)**	(217)	–	(217)
Profit/(loss) before finance costs and tax		**598**	**10,445**	**11,043**	881	(12,488)	(11,607)
Finance costs	6	**(43)**	**(43)**	**(86)**	(14)	(14)	(28)
Profit/(loss) before tax		**555**	**10,402**	**10,957**	867	(12,502)	(11,635)
Tax	7	**9**	**–**	**9**	12	–	12
Profit/(loss) and total comprehensive income for the year		**564**	**10,402**	**10,966**	879	(12,502)	(11,623)
Earnings per share	9	**4.35p**	**80.31p**	**84.66p**	6.76	(96.20p)	(89.44p)

The revenue and capital columns, including the revenue and capital earnings per share data, are supplementary information prepared under guidance published by the AIC. As permitted by S408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's profit for the financial year was £10,885,975 *(2009: loss £11,756,451)*.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. All revenue is attributable to the equity holders of the parent company. There are no minority interests.

The Board recommends a final dividend of 3.45p per share (see note 8) out of the Company's revenue profit of 3.74p per share

The notes on pages 39 to 46 form part of these accounts

Company no. 03300814

Consolidated balance sheet

At 28 February 2010	Notes	**2010 £'000**	2009 £'000
Non-current assets			
Investments designated at fair value through profit or loss	10	**29,659**	14,242
Current assets			
Sales for future settlement		**–**	91
Other receivables		**86**	95
Cash and cash equivalents		**101**	908
		187	1,094
Total assets		**29,846**	15,336
Current liabilities			
Purchases for future settlement		**–**	123
Other payables		**82**	50
Bank overdraft		**4,958**	675
		5,040	848
Total assets less current liabilities		**24,806**	14,488
Equity			
Called up share capital	12	**3,598**	3,598
Capital redemption reserve		**179**	179
Share premium account		**10,997**	10,997
Gains on disposal	14	**11,290**	11,382
Investment holding losses	14	**(1,345)**	(11,839)
Revenue reserve		**87**	171
Total equity		**24,806**	14,488
Net assets per ordinary share	15	**191.52p**	111.86p

Approved by the Board of Directors on 16 June 2010 and signed on their behalf by:

A Hammond-Chambers

MJ Barstow

The notes on pages 39 to 46 form part of these accounts

Consolidated statement of changes in equity

For the year ended 28 February 2010	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity		**3,598**	**179**	**10,997**	**11,382**	**(11,839)**	**171**	**14,488**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(92)**	**10,494**	**564**	**10,966**
Dividends paid	8	**–**	**–**	**–**	**–**	**–**	**(648)**	**(648)**
Closing equity		**3,598**	**179**	**10,997**	**11,290**	**(1,345)**	**87**	**24,806**

For the year ended 28 February 2009	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity		3,777	–	10,997	15,067	(1,923)	(300)	27,618
Total comprehensive income/(loss) for the year		–	–	–	(2,586)	(9,916)	879	(11,623)
Dividends paid	8	–	–	–	–	–	(408)	(408)
Purchase of own shares	12	(179)	179	–	(1,099)	–	–	(1,099)
Closing equity		3,598	179	10,997	11,382	(11,839)	171	14,488

The notes on pages 39 to 46 form part of these accounts

Consolidated cash flow statement

For the year ended 28 February 2010	Note	2010 £'000	2009 £'000
Net cash flow from operating activities			
Cash inflow from investment income and interest		**824**	927
Cash inflow from held for trading current asset investments		**164**	41
Cash outflow from management expenses		**(355)**	(403)
Cash inflow from reclaim of VAT expense		**–**	367
Payments to acquire non-current asset investments		**(13,272)**	(13,813)
Receipts on disposal of non-current asset investments		**8,274**	15,422
Tax recovered		**9**	26
Net cash flow from operating activities	16	**(4,356)**	2,567

Cash flows from financing activities		
Purchase of own shares	**–**	(1,099)
Dividends paid	**(648)**	(408)
Increase/(decrease) in bank borrowings	**4,283**	(392)
Interest paid	**(86)**	(74)
Net cash flow from financing activities	**3,549**	(1,973)

(Decrease)/increase in cash	**(807)**	594
Cash and cash equivalents at beginning of year	**908**	322
(Decrease)/increase in cash	**(807)**	594
Currency translation difference	**–**	(8)
Cash and cash equivalents at end of year	**101**	908

The notes on pages 39 to 46 form part of these accounts

Company balance sheet

At 28 February 2010	Notes	**2010 £'000**	2009 £'000
Non-current assets			
Investments designated at fair value through profit or loss	10	**29,659**	14,242
Investment in subsidiary	11	**9**	141
		29,668	14,383
Current assets			
Sales for future settlement		**–**	3
Other receivables		**86**	95
Cash and cash equivalents		**92**	855
		178	953
Total assets		**29,846**	15,336
Current liabilities			
Purchases for future settlement		**–**	123
Bank overdraft		**4,958**	675
Other payables		**82**	50
		5,040	848
Total assets less current liabilities		**24,806**	14,488

Equity			
Called up share capital	12	**3,598**	3,598
Capital redemption reserve		**179**	179
Share premium account		**10,997**	10,997
Gains on disposal	14	**11,290**	11,382
Investment holding losses	14	**(2,062)**	(12,635)
Revenue reserve		**804**	967
Total equity		**24,806**	14,488

Approved by the Board of Directors on 16 June 2010 and signed on their behalf by:

A Hammond-Chambers

MJ Barstow

The notes on pages 39 to 46 form part of these accounts

Company statement of changes in equity

For the year ended 28 February 2010	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity		**3,598**	**179**	**10,997**	**11,382**	**(12,635)**	**967**	**14,488**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(92)**	**10,573**	**485**	**10,966**
Dividends paid	8	**–**	**–**	**–**	**–**	**–**	**(648)**	**(648)**
Closing equity		**3,598**	**179**	**10,997**	**11,290**	**(2,062)**	**804**	**24,806**

For the year ended 28 February 2009	Notes	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Realised capital reserve £'000	Unrealised capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity		3,777	–	10,997	15,067	(2,853)	630	27,618
Total comprehensive income/(loss) for the year		–	–	–	(2,586)	(9,782)	745	(11,623)
Dividends paid	8	–	–	–	–	–	(408)	(408)
Purchase of own shares	12	(179)	179	–	(1,099)	–	–	(1,099)
Closing equity		3,598	179	10,997	11,382	(12,635)	967	14,488

The notes on pages 39 to 46 form part of these accounts

Company cash flow statement

For the year ended 28 February 2010	Note	**2010 £'000**	2009 £'000
Net cash inflow from operating activities			
Cash inflow from investment income and interest		**820**	922
Cash outflow from management expenses		**(355)**	(403)
Cash inflow from reclaim of VAT expense		**–**	367
Payments to acquire non-current asset investments		**(13,272)**	(13,813)
Receipts on disposal of non-current asset investments		**8,274**	15,422
Tax recovered		**9**	26
Net cash inflow from operating activities		**(4,524)**	2,521
Cash flows from investing activities			
Decrease/(increase) in investment in subsidiary		**212**	(6)
Cash flows from financing activities			
Purchase of own shares		**–**	(1,099)
Dividends paid		**(648)**	(408)
Increase/(decrease) in bank borrowings		**4,283**	(392)
Interest paid		**(86)**	(74)
Net cash flow from financing activities		**3,549**	(1,973)
(Decrease)/increase in cash		**(763)**	542
Cash and cash equivalents at beginning of year		**855**	321
(Decrease)/increase in cash		**(763)**	542
Currency translation difference		**–**	(8)
Cash and cash equivalents at end of year		**92**	855

The notes on pages 39 to 46 form part of these accounts

Notes to the consolidated financial statements

1. Accounting policies

Basis of Accounting

The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect, and to the extent that they have been adopted by the European Union.

Under IFRS, the AIC Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued in January 2009 has no formal status, but the Group has taken the guidance of the SORP into account to the extent that is appropriate and compatible with IFRS.

The accounting policies are unchanged from those used in the last annual financial statements except where otherwise stated. The particular accounting policies adopted are described below:

(a) Accounting Convention

The accounts are prepared under the historical cost basis, except for the measurement of fair value of investments.

(b) Basis of Consolidation

The Group accounts consolidate the accounts of the Company and of its subsidiary AIT Trading Limited ("AIT"), both drawn up to 28 or 29 February each year. As permitted by S408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The amount of the Company's profit for the financial year, before consolidation adjustments, is £10,885,975 *(2009: loss £11,756,451).*

(c) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, investments are designated as fair value through profit and loss on initial recognition in accordance with IAS 39. At this time, fair value is the consideration given, excluding material transaction or other dealing costs associated with the investment.

After initial recognition such investments are valued at fair value. For quoted investments this is established by reference to bid, or last, market prices depending on the convention of the exchange on which the investment is quoted. Gains or losses are recognised in the capital column of the Income Statement. All purchases and sales of investments are accounted for on a trade date basis.

The investment of the Company in AIT is valued at cost less impairment.

(d) Income from Investments

Investment income from ordinary shares is accounted for on the basis of ex-dividend dates. Income from fixed interest shares and securities is accounted for on an accruals basis using the effective interest method. Special Dividends are assessed on their individual merits and are credited to the capital column of the Statement of Comprehensive Income if the substance of the payment is a return of capital; with this exception all investment income is taken to the revenue column of the Statement of Comprehensive Income. Income from gilts and bank interest receivable is accounted for on an accruals basis using the effective yield.

(e) Capital Reserves

The Company is precluded by its Articles from making any distribution of capital profits by way of dividend. Realised profits and losses on disposals of investments are taken to the gains on disposal account. Unrealised revaluation movements are taken to the investment holding losses account via the capital column of the Statement of Comprehensive Income.

(f) Investment Management Fees, Finance Costs and Other Costs

Finance costs and monthly management fees are allocated between capital and revenue according to the Board's expected long-term split of returns between capital gains and income; one-half of these costs are charged to gains on disposal via the capital column of the Statement of Comprehensive Income. Performance-related fees are charged to gains on disposal via the capital column of the Statement of Comprehensive Income. Other costs are normally charged to revenue, unless there is a compelling reason to charge to capital. Tax relief in respect of costs allocated to capital is credited to capital via the capital column of the Statement of Comprehensive Income on the marginal basis.

(g) Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply at their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity.

(h) Foreign currency

The currency of the primary economic environment in which the Group companies operate (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Group. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet date, monetary items and non-monetary assets and liabilities, which are fair valued and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Statement of Comprehensive Income and allocated to capital if of a capital nature or to revenue if of a revenue nature. Exchange differences allocated to capital are taken to gains on disposal or investment holding losses, as appropriate.

(i) Cash and cash equivalents

Cash and Cash Equivalents in the Cash Flow Statement comprise cash held at bank and overdrafts and does not include loans, long-term debt or bank overdrafts that are akin to long-term debt.

(j) Dividends payable to equity shareholders

Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they are paid, or have been approved by shareholders in the case of a final dividend.

2. Income

	2010 £'000	2009 £'000
Income from investments:		
Franked dividends from listed or quoted investments	**561**	742
Unfranked income from overseas dividends	**62**	47
Income from listed fixed interest securities	**192**	60
	815	849
Other income:		
Bank interest receivable	**–**	27
	815	876
Interest on VAT reclaim	**–**	49
	815	925

3. Investment management fees and other expenses

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Investment management fees						
– monthly	**94**	**94**	**188**	80	80	160
– performance	**–**	**–**	**–**	–	–	–
	94	**94**	**188**	80	80	160
Administration fees	**36**	**–**	**36**	31	–	31
Custodian's fees	**14**	**–**	**14**	14	–	14
Registrar's fees	**8**	**–**	**8**	7	–	7
Directors' fees	**72**	**–**	**72**	96	–	96
Consultancy payment to broker	**–**	**–**	**–**	19	–	19
Auditors' fees – audit of the Company and of the consolidated financial statements	**18**	**–**	**18**	22	–	22
– audit of the subsidiary	**2**	**–**	**2**	2	–	2
Tax advice	**4**	**–**	**4**	(8)	–	(8)
Miscellaneous expenses	**45**	**–**	**45**	34	–	34
Total other expenses	**199**	**–**	**199**	217	–	217

The Group financial statements are required to comply with regulation 5(1)(b) of the Companies (Disclosure of Auditor remuneration and Liability Limitation Agreements) Regulations 2008.

4. Directors' fees

The fees paid or accrued were £71,656 (*2009: £95,641*). There were no other emoluments. The figures shown for directors' fees in note 3 above include employers' National Insurance charges or VAT, as appropriate. Full details of the fees of each director are given in the Directors' Remuneration Report on page 29.

5. Transaction charges

	2010 £'000	2009 £'000
Transaction costs on purchases of investments	**91**	87
Transaction costs on sales of investments	**23**	35
Total transaction costs included in gains or losses on investments at fair value through profit or loss	**114**	122

6. Interest payable and similar charges

		2010			2009	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable	**36**	**36**	**72**	12	12	24
Facility and arrangement fees and other charges	**7**	**7**	**14**	2	2	4
	43	**43**	**86**	14	14	28

7. Taxation

		2010			2009	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax	**–**	**–**	**–**	–	–	–
Overseas tax	**(9)**	**–**	**(9)**	(12)	–	(12)
Tax charge in respect of the current year	**(9)**	**–**	**(9)**	(12)	–	(12)

Current taxation
The current taxation charge for the year is different from the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2010 £'000	2009 £'000
Total profit/(loss) before tax	**10,957**	(11,635)
Theoretical tax at UK corporation tax rate of 28% *(2009: 28%)*	**3,068**	(3,258)
Effects of:		
Capital (losses)/profits that are not taxable	**(2,913)**	3,500
UK dividends which are not taxable	**(157)**	(207)
Increase/(decrease) in excess tax losses	**31**	(21)
Expenses charged to capital account for which a deduction is claimed	**(38)**	(26)
Actual current tax	**(9)**	(12)

The Company is an investment trust and therefore is not charged to tax on capital gains.

Factors that may affect future tax charges
The Company has tax losses of £5,099,437 *(2009: £4,964,906)* in respect of management expenses and of £1,836,239 *(2009: £1,750,935)* in respect of loan interest. Its subsidiary has trading losses carried forward of £905,642 *(2009: £981,323)*. These amounts are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

8. Ordinary dividends

	2010 £'000	2009 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year 2009 at 3.25p *(2008: 3.15p)*	**648**	408
Dividends not reflected in the financial statements:		
Proposed final dividend for the year 2010 at 3.45p *(2009: 3.25p* and special dividend at 1.75p)	**447**	648

9. Earnings per share

Earnings per share are based on the profit of £10,965,467 *(2009: loss £11,622,457)* attributable to the weighted average of 12,952,250 *(2009: 12,995,045)* ordinary shares of 25p in issue during the year, excluding shares held in Treasury.

Supplementary information is provided as follows: revenue earnings per share are based on the revenue profit of £563,345 *(2009: £879,243)*; capital earnings per share are based on the net capital profit of £10,402,122 *(2009: loss £12,501,700)*, attributable to 12,952,250 *(2009: 12,995,045)* ordinary shares of 25p.

10. Investments designated at fair value through profit or loss

	2010 £'000	2009 £'000
UK listed or quoted securities	**29,659**	14,242
Total non-current investments	**29,659**	14,242
Movements during the year:		
Opening balance of investments, at cost	**26,081**	30,450
Additions, at cost	**13,149**	13,454
Disposals – proceeds received or receivable	**(8,270)**	(15,097)
– (plus)/less realised (losses)/profits	**44**	(2,726)
– at cost	**(8,226)**	(17,823)
Cost of investments at 28 February	**31,004**	26,081
Revaluation of investments to market value:		
Opening balance	**(11,839)**	(1,923)
Transfer to realised capital reserve – realised gains recognised as unrealised in the previous year	**1,061**	(4,363)
Increase/(decrease) in unrealised appreciation debited to capital reserve	**9,433**	(5,553)
Balance at 28 February	**(1,345)**	(11,839)
Market value of non-current investments at 28 February	**29,659**	14,242

The Company holds notifiable interests in the following companies, the percentage shown being the relevant proportion of the share capital held: Bright Futures Group 10.61%, GCM Resources 3.87%.

11. Subsidiary

The Company has an investment in AIT Trading Limited, a wholly owned subsidiary registered in England and Wales, which comprised two ordinary shares of £1 each. AIT undertakes purchases of investments for re-sale in the shorter term, with the objective of achieving a trading profit. The profit before tax of AIT for the year was £79,494 *(2009: profit £133,994)*. The net deficit of AIT at the Balance Sheet date was £716,696 *(2009: net deficit £796,191)*. No dividend was paid from AIT to the Company *(2009: £nil)*.

During the year the Company advanced interest-free short-term loans to AIT to finance its trading operations. At 28 February 2010 the amount outstanding was £725,625 *(2009: £937,625)*.

	2009 £'000	Movement £'000	**2010 £'000**
Loan to AIT	937	(212)	**725**
Provision for impairment	(796)	80	**(716)**
Net investment	141	(132)	**9**

12. Share capital

At 28 February		**2010**	2009
Authorised			
Ordinary shares of 25p	Number	**40,000,000**	40,000,000
	£'000	**10,000**	10,000
Allotted, issued and fully paid			
Ordinary shares of 25p	Number	**14,391,389**	14,391,389
	£'000	**3,598**	3,598

The Company made no purchases of shares during the year *(2009: 650,000 shares)* and cancelled no shares *(2009: 715,861 shares)*. As at the date of this report, the Company has 14,391,389 shares in issue, of which 1,439,139 are held in Treasury; the number of voting shares in issue is 12,952,250.

13. Total equity

Total Equity includes, in addition to Share Capital, the following reserves:

Capital Redemption Reserve. When any shares are redeemed or cancelled, a transfer of realised profit must be made to this reserve in order to maintain the level of capital that is not distributable.

Share Premium Account. When shares are issued at a premium to their nominal value, the "capital profit" arising on their allotment must be held in a Share Premium Account, which is not distributable in the ordinary course and may be utilised only in certain limited circumstances.

Capital profits arising from the Company's investment transactions are held as Capital Reserves, subdivided between Gains on Disposal for profits arising upon sales of investments and Investment Holding profits/losses for portfolio revaluations. The movements on this account are analysed in note 14 below.

The Company's Revenue Reserves are the net profits that have arisen from the Company's revenue income in the form of dividends and interest, less operating expenses and dividends paid out to the Company's shareholders.

14. Capital reserves

	2010 £'000	2009 £'000
Gains/(losses) on disposal		
Opening balance	**11,382**	15,067
Gains/(losses) on disposal recognised in current year	**1,105**	(7,090)
Gains/(losses) on disposal previously recognised as investment holdings gains/(losses)	**(1,061)**	4,363
Net gains and losses on realisation of investments	**44**	(2,727)
Expenses of capital management: management fees	**(94)**	(80)
finance costs	**(43)**	(14)
Net expenses	**(137)**	(94)
Exchange differences	**1**	(8)
Share purchase costs	**–**	(1,099)
VAT recovered	**–**	243
Total transfer to gains on disposal	**(92)**	(3,685)
Balance of gains on disposal account at 28 February	**11,290**	11,382

	2010 £'000	2009 £'000
Investment holding gains/(losses)		
Opening balance	**(11,839)**	(1,923)
Transfer to gains/(losses) on disposal – gains/(losses)	**1,061**	(4,363)
– exchange differences	**–**	–
Revaluation of investments – listed	**9,433**	(5,553)
Total transfer to investment holding losses	**10,494**	(9,916)
Balance of investment holding losses account at 28 February	**(1,345)**	(11,839)
Total capital reserve at 28 February	**9,945**	(457)

The capital reserves of the Company are identical to those of the Group, except that a provision is made when necessary against the Company's investment holding account for any amount loaned to AIT Trading Limited that is not covered by the subsidiary's net assets. At 28 February 2010 such a provision was made of £716,696 *(2009: £796,191)*.

15. Net assets per ordinary share

The figure for net assets per ordinary share is based on £24,806,111 *(2009: £14,448,254)* divided by 12,952,250 *(2009: 12,952,250)* voting ordinary shares in issue at 28 February 2010, excluding shares held in Treasury.

16. Reconciliation of profit before finance costs and tax to net cash inflow from operating activities

	2010 £'000	2009 £'000
Profit/(loss)	**11,043**	(11,607)
(Increase)/decrease in non-current investments	**(15,417)**	14,285
Decrease in sales for future settlement	**91**	203
Decrease in other receivables	**9**	6
Decrease in purchases for future settlement	**(123)**	(324)
(Decrease)/increase in other payables	**32**	(30)
Taxation recovered	**9**	26
Currency adjustment on bank loan	**–**	8
Net cash inflow from operating activities	**(4,356)**	2,567

17. Related party transactions

Details of transactions with AIT Trading Limited are set out in note 11.

Details of the management, administration and secretarial contracts can be found in the Directors' Report on pages 20 and 21. As disclosed in that Report, Mr Barstow is a director both of the Company and of the Manager. Fees payable to the Manager are detailed in note 3 on page 40. Other payables include accruals of a monthly management fee of £18,317 *(2009: £8,978)* and an administration fee of £3,587 *(2009: £1,721)*. No performance fee was accrued *(2009: £Nil)*. All figures include VAT.

18. Financial assets/liabilities

Investments are carried in the balance sheet at fair value. For other financial assets and financial liabilities, the balance sheet value is considered to be a reasonable approximation of fair value.

Group

Financial assets

The Group's financial assets comprise equity investments, fixed interest securities, short-term receivables and cash balances. The currency and cash-flow profile of those financial assets was:

	2010 Interest bearing £'000	**2010** Non-interest bearing £'000	**2010** Total £'000	2009 Interest bearing £'000	2009 Non-interest bearing £'000	2009 Total £'000
Non-current investments at fair value through profit or loss:						
– £ sterling equities	**–**	**28,153**	**28,153**	–	13,200	13,200
– £ fixed interest	**1,549**	**–**	**1,549**	1,042	–	1,042
	1,549	**28,153**	**29,702**	1,042	13,200	14,242
Short-term trade receivables	**–**	**–**	**–**	–	91	91
Cash at bank:						
Floating rate – £ sterling	**101**	**–**	**101**	908	–	908
	1,650	**28,153**	**29,803**	1,950	13,291	15,241

Cash at bank includes £31,271 *(2009: £597,817)* held by the Group's custodian, The Northern Trust Company.

Financial liabilities

The Group finances its investment activities through the Company's ordinary share capital, reserves and borrowing. The Group's financial liabilities comprise its overdraft facility and other short-term trade payables. Foreign currency balances are stated in the accounts in sterling at the exchange rate as at the Balance Sheet date.

The Company has an overdraft facility of up to £6 million (or the equivalent in euros and/or US dollars) with Lloyds TSB Bank plc, upon which interest is charged at the bank's variable interest rate. The facility is secured upon the shares and securities of the Company. It is repayable upon demand, but normally is reviewed annually by the bank.

The currency and cash-flow profile of the Group's financial liabilities was:

	2010 £'000	2009 £'000
Interest bearing: Bank overdraft:		
Sterling	**4,958**	675
Euros	**–**	–
US dollars	**–**	–
	4,958	675
Non-interest bearing:		
Short-term trade payables	**–**	123
	4,958	798

19. Financial instruments – risk analysis

Company and Group

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on page 15. Issues associated with portfolio distribution and concentration risk are discussed in the Investment Policy section of the Business Review on page 13. This note, which is incorporated in accordance with accounting standard IFRS7, examines in greater detail the identification, measurement and management of risks potentially affecting the value of financial instruments and how those risks potentially affect the performance and financial position of the Company.

The risks concerned are categorised as follows:

A) Potential Market Risks, which are principally (i) Currency Risk (ii) Interest Rate Risk and (iii) Other Price Risk.

B) Liquidity Risk

C) Credit Risk

Each is considered in turn below:

A (i) Currency Risk

All the securities listed on pages 17 and 18 are listed on the London Stock Exchange or quoted on AIM. Where the underlying currency or currency of quotation is not sterling this is noted. No part of the portfolio was denominated in Euros at 28 February 2010. The element of currency risk on investments may be indirect and reflected in the effect of underlying currency movements upon the London market price, whether quoted in Euros or not, but at 28 February 2010 no part of the portfolio was invested in Irish companies.

Based on the portfolio as at 28 February 2010, there was no currency risk arising from the possibility of a fall in the value of sterling against the Euro, impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 28 February 2010. In view of the elimination of foreign currency borrowings, no sensitivity analysis is presented for this risk.

A (ii) Interest Rate Risk

The weighted average interest rate of the fixed rate financial assets is 9.09% *(2009: 8.15%)* and the weighted average period for which rates are fixed is indefinite *(2009: indefinite)*. The list of the Company's holdings on pages 17 and 18 includes details of the split between equities and fixed interest securities.

With the exception of cash, no interest rate risks arise in respect of any current asset. All cash held as a current asset is sterling denominated, earning interest at the bank's or custodian's variable interest rates.

Interest is charged on the bank overdraft at the bank's variable interest rates as appropriate to the currency concerned in the case of each balance. At 28 February 2010, the Company's total borrowing was £4,957,780: all of which was borrowed in sterling, upon which the interest rate at the year end was 1.45%.

A 2% rise in LIBOR, applied to the sterling overdraft balance as at 28 February 2010, would decrease net revenue by £99,156 on an annual basis.

A (iii) Other Price Risk

The principal price risk for the Company is the price volatility of shares that are owned by the Company. As described in the Manager's Review, the Company spreads its investments across different sectors and geographies, but has maintained relatively strong concentrations in particular sectors selected by the Manager.

B Liquidity Risk

Liquidity Risk is considered to be small, because the portfolio is invested in readily realisable securities. As a consequence, cash flow risks are also considered to be small. The Manager estimates that, under normal market conditions and without causing excessive disturbance to the prices of the securities concerned, c75% of the portfolio could be realised within seven days.

The Company's overdraft facility is repayable upon demand, although normally renewed annually. The Directors believe that the facility will be renewed in 2010. In view of the Company's ability to sell investments, as stated above, the Company is able to reduce or eliminate its borrowing, if necessary.

C Credit Risk

The Company invests in quoted equities and fixed interest securities. The Company's investments are held by The Northern Trust Company ("the Custodian"), which is a large international bank with a high reputation. The Company's normal policy is to remain fully invested at most times and not to hold very large quantities of cash. At 28 February 2010, Group cash at bank comprised £31,271 held by the Custodian and £69,708 (including AIT Trading limited) held by Lloyds TSB Bank plc, also a large international bank with a very high credit rating.

No sensitivity analysis is presented on Credit Risk with regard to investments and cash. In the opinion of the Directors, the only risk is that of 100% failure of the Custodian or of Lloyds TSB Bank plc, which is considered a remote contingency.

Credit Risk arising on transactions with brokers relates to transactions awaiting settlement. This risk is considered to be very low because transactions are almost always undertaken on a delivery versus payment basis with member firms of the London Stock Exchange.

D Capital management policies and procedures

The Group's capital management objectives are:

– to ensure the Group's ability to continue as a going concern; and

– to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in other comprehensive income.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities other than its subordinated loan. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group has honoured its covenant obligations, including maintaining capital ratios, since the overdraft was taken out in 1997.

20. Fair value hierarchy
Under IFRS7 investment companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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.

The valuation techniques used by the Company are explained in the Accounting Policies Note 1(c) on page 39. All investments held by the Company as at 31 December 2009 are considered to fall within Level 1.

21. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 3 Business Combinations (Revised 2008) (effective from 1 July 2009)
The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)
The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)
The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

Phase 1: Classification and Measurement

Phase 2: Impairment methodology

Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

Directors, manager and advisers

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A Member of the Association of Investment Companies

Notice of meeting

Notice is hereby given that the Annual General Meeting of Aurora Investment Trust plc will be held on the Third Floor, 145-157 St John Street, London EC1V 4RU on Wednesday 28 July 2010, at 12.00 noon, for the following purposes:

Ordinary Business:

1. To receive and adopt the financial statements for the year ended 28 February 2010, with the reports of the directors and auditors thereon.

2. To re-elect Mr Hammond-Chambers as a director of the Company.

3. To re-elect Mr Barstow as a director of the Company.

4. To re-elect Mr Robinson as a director of the Company.

5. To re-appoint Grant Thornton UK LLP as auditors to the Company and to authorise the directors to fix their remuneration.

6. To approve an ordinary dividend of 3.45p per ordinary share in respect of the year ended 28 February 2010.

Special Business:

To consider and if thought fit pass the following resolution as an ordinary resolution:

7. To approve the Directors' Remuneration Report.

To consider and if thought fit pass the following resolutions as special resolutions:

8. THAT the Company be and is hereby generally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 25p each in the capital of the Company ("Ordinary Shares"), provided that:

   (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 1,941,542;

   (b) the minimum price which may be paid for an Ordinary Share is 25p;

   (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the Daily Official List of the UK Listing Authority for the 5 business days immediately preceding the day on which the Ordinary Share is purchased;

   (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2011 or, if earlier, on the expiry of 12 months from the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time;

   (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

9. THAT, in substitution for all existing powers, but without prejudice to the exercise of any such power prior to the date hereof, the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company up to an aggregate nominal amount of £179,892 (being 5% of the aggregate nominal value of the issued share capital as at the date of this document) PROVIDED THAT this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever should first occur, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

10. THAT, subject to the passing of resolution 9, the directors be and are hereby empowered to allot equity securities (as defined in the Act) pursuant to the authority and during the period of the authority conferred by resolution 9, wholly for cash up to an aggregate nominal amount of £179,892, as if Section 561 of the Act did not apply to such allotment.

11. THAT a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next annual general meeting after the date of the passing of this resolution.

By order of the Board

CAVENDISH ADMINISTRATION LIMITED
Company Secretary

Registered Office:
Crusader House
145-157 St John Street
London EC1V 4RU

16 June 2010

NOTES

1. Proxies
A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. Forms of proxy need to be deposited with the Company's registrar, Capita Registrars at 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting. CREST members may utilise the CREST proxy appointment service by following the directions set out in the form of proxy enclosed with this document.

2. Right to attend and vote
Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at 6.00 p.m. on 10 July 2010 or, in the event of any adjournment, at 6.00 p.m. on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. Corporate members
In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – http://www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

4. Nominated persons
Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a 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 an agreement, to give instructions to the member as to the exercise of voting rights.

The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

5. Total number of shares and voting rights
As at 11 June 2010 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 14,391,389 Ordinary Shares, carrying one vote each. Of these shares 1,439,139 were held in treasury. Therefore, the total voting rights in the Company as at that date are 12,952,250.

Form of proxy
Aurora Investment Trust plc

I/We ____

of ____

(BLOCK CAPITALS PLEASE)

being (a) member(s) of Aurora Investment Trust plc appoint the chairman of the meeting

or *(see note 1)* ____

of ____

as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at 145-157 St John Street, London EC1V 4RU on 28 July 2010 at 12.00 noon and at any adjournment thereof.

*Please indicate with an **X** in the spaces provided how you wish your votes to be cast on the resolutions specified.*

Resolution		For	Against	Withheld
1.	To receive and adopt the directors' report, the annual accounts and the auditors' report for the year ended 28 February 2010.			
2.	To re-elect Mr Hammond-Chambers as a director.			
3.	To re-elect Mr Barstow as a director.			
4.	To re-elect Mr Robinson as a director.			
5.	To re-appoint Grant Thornton UK LLP as auditors to the Company and to authorise the directors to fix their remuneration.			
6.	To declare an ordinary dividend of 3.45p per ordinary share in respect of the year ended 28 February 2010.			
7.	To approve the Directors' Remuneration Report.			
8.	To authorise the Company to purchase its own shares.			
9.	To authorise the directors to allot securities.			
10.	To authorise the directors to allot such securities referred to in resolution 9 free from pre-emption rights.			
11.	To authorise the Company to hold general meetings other than AGMs at 14 days' notice.			

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature .... Dated this .... day of 2010

Notes

1. If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.
2. The proxy form must be lodged at the Company's registrars, Capita Registrars, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.
3. Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
4. A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.
5. If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the proxy form.
6. In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

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FIRST FOLD

BUSINESS REPLY SERVICE
Licence No MB 122

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PXS
34 BECKENHAM ROAD
BECKENHAM
KENT
BR3 4TU

SECOND FOLD