Smithson
Investment Trust

Annual Report

for the year ended 31 December 2024

Smithson Investment Trust plc

Small &
Mid Cap
Investments
That
Have
Superior
Operating
Numbers

Fundsmith
Buy good companies
Don't overpay
Do nothing

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Smithson Investment Trust

Investment Objective

Smithson Investment Trust plc (the "Company") aims to provide shareholders with long term growth in value through exposure to a diversified portfolio of shares issued by listed or traded companies.

The Company's investment policy is to invest in shares issued by small and mid ("SMID") sized companies with a market capitalisation (at the time of initial investment) of between £500 million and £15 billion on a long-term, global basis. The Company's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies. It will pursue its investment policy by investing in approximately 25 to 40 companies.

Investment Approach

1. Buy good companies

The Investment Manager focuses on investing in those companies it believes can compound in value over many years. It seeks to achieve this by selecting companies that have an established track record of success, such as having already established a dominant market share in their niche product or service or having brands or patents which others would find difficult, if not impossible, to replicate. The Investment Manager believes such SMID sized companies tend to out-perform large companies and that there is also an investment opportunity to take advantage of greater discrepancies between the share price and valuation of SMID sized companies, in part due to lighter research coverage and less information being available on them. SMID sized companies tend to have higher expected returns but also higher expected risk, defined as price volatility (a measure of how much a company's price moves over time), when compared to larger companies. However, adding a small and mid cap portfolio to a large cap portfolio can raise expected returns without increasing risk, due to the different risk and return characteristics that SMID sized companies provide.

2. Don't overpay

The Investment Manager seeks to invest in SMID sized companies that exhibit strong profitability that is sustainable over time and generate substantial cash flow that can be reinvested back into the business. Its strategy is not to overpay when buying the shares of such companies and then do as little dealing as possible in order to minimise the expenses of the Company, allowing the investee companies' returns to compound for shareholders with minimum interference.

3. Do nothing

The Investment Manager looks to avoid companies that are heavily leveraged or forced to rely upon debt in order to provide an adequate return, as well as sectors and industries that innovate very quickly and are rapidly changing. It instead focuses on companies that have exhibited an ability to continue outperforming competitors and will look for companies that rely heavily on intangible assets in industries such as information technology, health care and consumer goods. The Company's investments will be long-term and the Investment Manager will not be forced to act when market prices are unattractive. This will then facilitate the compounding of the Company's investments over time as the companies continue to reinvest their cash flows.

Company Policies

- **Long term capital growth**

The Company is focused on long term capital growth and overall return rather than seeking any particular level of dividend. The Company will only declare dividends to the extent required to maintain the Company's tax status as an investment trust.

- **No hedging**

The Company will not use derivatives for currency hedging or for any other purpose.

- **No gearing**

The Company will not employ leverage save that it is permitted to use short term banking facilities to raise funds for liquidity purposes or for discount management purposes including the purchase of its own shares. Any such borrowing will be limited to 15 per cent. of the Company's net asset value.

Performance Highlights

	At 31 December 2024	At 31 December 2023
Net assets	**£2,129,897,000**	**£2,551,938,000**
Net asset value ("NAV") per ordinary share ("share")	**1,631.8p**	**1,598.0p**
Share price	**1,484.0p**	**1,415.0p**
Share price discount to NAV[1]	**9.1%**	**11.5%**

	For the year ended 31 December 2024 **% change[2]**	For the year ended 31 December 2023 **% change[2]**	For the period from Company's listing on 19 October 2018 to 31 December 2024 **% change[2]**
NAV total return per share[1]	**+2.1%**	**+13.3%**	**+63.2%**
Share price total return[1]	**+4.9%**	**+8.2%**	**+48.4%**
Comparator index total return	**+11.5%**	**+9.1%**	**+64.2%**
Ongoing charges ratio[1]	**0.9%**	**0.9%**	**1.0%**

Source: Bloomberg

This report contains terminology that may be unfamiliar to some readers. The Glossary at the back of this Annual Report gives definitions for frequently used terms.

5 Year Record

At 31 December	2024	2023	2022	2021	2020
Net assets	**£2,129,897,000**	**£2,551,938,000**	**£2,417,967,000**	**£3,367,070,000**	**£2,331,950,000**
NAV per ordinary share	**1,631.8p**	**1,598.0p**	**1,410.7p**	**1,961.0p**	**1,648.9p**
Share price	**1,484.0p**	**1,415.0p**	**1,308.0p**	**2,020.0p**	**1,710.0p**
Share price (discount)/ premium to NAV[1]	**(9.1)%**	**(11.5)%**	**(7.3)%**	**3.0%**	**3.7%**
Year ended 31 December					
NAV total return per share[1]	**+2.1%**	**+13.3%**	**(28.1)%**	**+18.9%**	**+31.4%**
Share price total return[1]	**+4.9%**	**+8.2%**	**(35.2)%**	**+18.1%**	**+31.7%**
Comparator index total return[3]	**+11.5%**	**+9.1%**	**(8.7)%**	**+17.8%**	**+12.2%**
Ongoing charges ratio[1]	**0.9%**	**0.9%**	**0.9%**	**1.0%**	**1.0%**

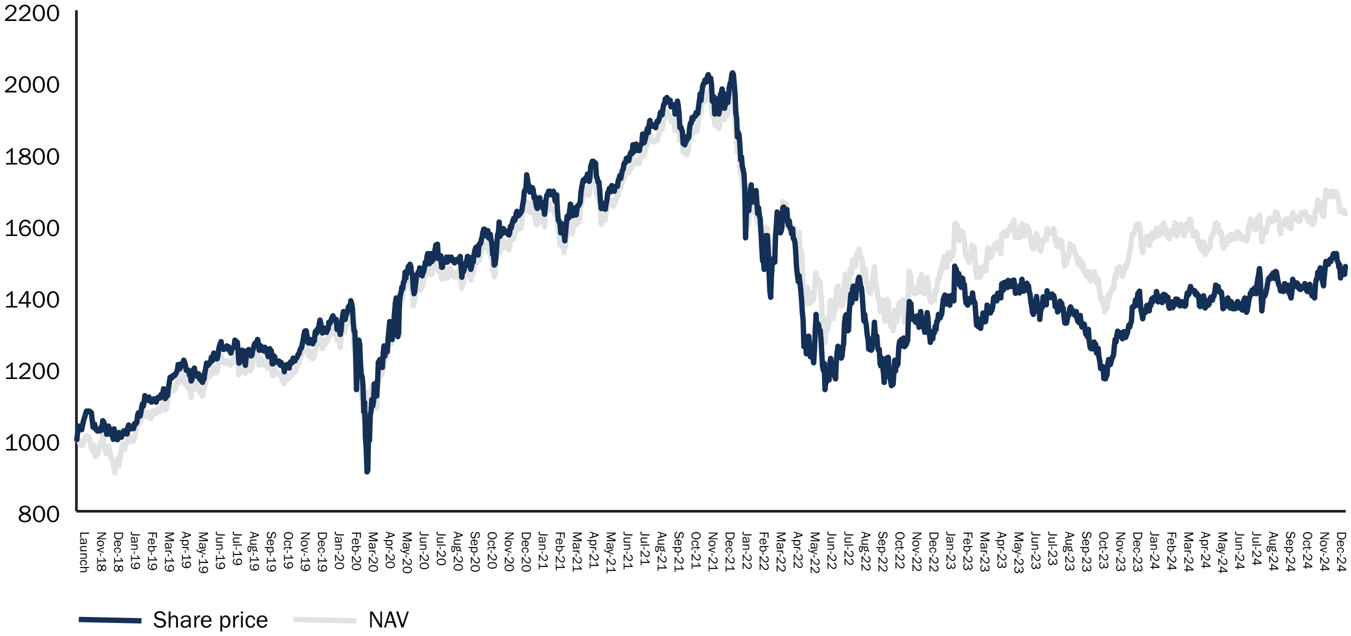
1 These are Alternative Performance Measures ("APMs"). Definitions of these, together with how these measures have been calculated, are disclosed on pages 77 to 78 where it is made clear how these APMs relate to figures disclosed and calculated under IFRS.

2 Total returns are stated in GBP sterling.

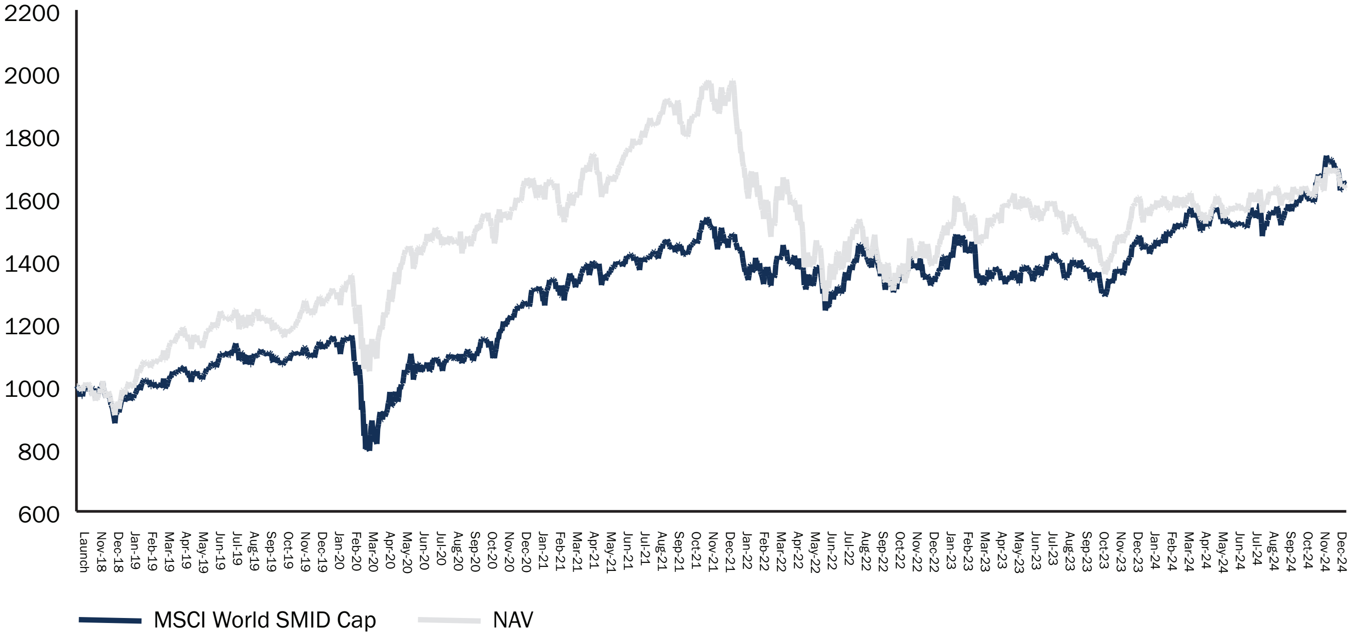
3 MSCI World SMID Cap Index £Net. Source: www.msci.com.

Smithson
Investment Trust

Total return performance against NAV for the period from the Company's listing on 19 October 2018 to 31 December 2024[1]



Net Asset Value total return performance against MSCI World SMID Cap Index for the period from the Company's listing on 19 October 2018 to 31 December 2024[2]



1 Source: Bloomberg

2 Figures rebased to 1000 as at date of Company's listing

Introduction

I am pleased to present the Annual Report of Smithson Investment Trust plc (the "Company") for the year ended 31 December 2024.

This is the sixth Annual Report since the Company's IPO in October 2018, and my first as the Chairman of the Board. I was delighted to be appointed shortly after the year-end as I believe strongly in the Company's strategy and the investment process adopted by the Investment Manager.

Investment performance

The Company's NAV per share increased by 2.1% during the year, compared to the MSCI World SMID Cap Index total return of 11.5%, a disappointing 12 month performance. Over the same period the Company's share price rose by 4.9%.

In the period from inception to 31 December 2024 the Company's net asset value (NAV) per share has increased by 63.2%, an annualised return of +8.2%, similar to the return of +8.3% per annum from the MSCI World SMID Cap Index over the same period. The Company's NAV per share performance in its first three years to the end of 2021 was exceptional, with an annualised return of +23.4% well ahead of the Index, but over the last three years the performance has not been as strong and has lagged the Index with poor years in 2022 and 2024.

The actions being taken to address this are discussed in the Investment Manager's Review, and I am looking forward to leading the Board and supporting the Investment Manager in the present challenging global investment markets and geopolitical backdrop.

Investment policy

The small and mid-sized listed companies' sector offers excellent opportunities for an active fund manager to deliver strong returns to investors.

For the 20 years to December 2020 the annualised return from global small and mid-sized companies outperformed the return from large companies by 2.7 percentage points. Combining this trend with the ability for an active manager to select the best names from within the small and mid-sized sector and the potential for strong long-term returns is clear.

In the period since the Company's launch, however, the trend has reversed. Since the end of 2018 the MSCI World Index has returned +120%, whilst the MSCI World SMID Cap Index has returned +79%. Whether or not this overall trend reverts, the concentration of investment flows into the world's largest companies and the focus of investor attention on these businesses, together with the lower level of focus from analysts on smaller companies, means that there are many good smaller companies with attractive valuations for an active manager to take advantage of.

The Investment Manager will only invest in good companies – those which can sustain a high return on capital employed, with profit that is reflected in cash flow, and that have strong growth potential so that the cash generated can be reinvested at high rates of return.

The Investment Manager will not overpay and will therefore only invest in companies whose valuations are attractive because they do not reflect the value of future cashflows. Even the highest quality companies can reach a valuation at which they are no longer attractive investments.

The Investment Manager will then "do nothing" hoping to hold the investments for a long period of time to allow the compounding of the reinvestment of cash at good rates of return to take effect. As the Investment Manager explains in the investment review, this can be more difficult with smaller companies whose businesses tend to be less well established than larger companies, and the Investment Manager will look to divest when the value of a holding reaches its potential, or the outlook for the business and markets change adversely.

As noted above, the Company's investment performance from inception to 31 December 2024 was similar to the global small-mid cap index. Performance over the last three years has knocked the longer-term record.

The Investment Manager has reflected on the performance of the last three years and has made some adjustments to the investment management team and the investment process in order to return the Company to the sustained long-term performance the Board believe it is capable of delivering.

An additional Board proposal to help in this regard is to amend the Company's investment policy so that the portfolio manager may invest in any company that, at the time of initial investment, has a market capitalisation within the range of the constituents of the MSCI World SMID Cap Index. Under the current investment policy, the portfolio manager is restricted to investing in companies that, at the time of initial investment, have a market capitalisation of between £500 million and £15 billion. At the year end the market capitalisation range of the Company's reference index was $64 million to $67.4 billion. The Board believes that this change will remove an unnecessary restriction and will ensure that the portfolio manager's stock universe is made up of the same sized companies as the comparator index. Shareholders will be asked to approve the change through a resolution that will be proposed at the AGM.

Discount

The Company's shares, which had traded at a premium to NAV for the vast majority of the period from launch in 2018 through to the end of 2021, started trading at a discount in early 2022, and have continued to do so throughout 2023 and 2024. The discount at the beginning of the year was 11.5% but narrowed to 9.1% by the year end.

The Board believes that investors are best served when the Company's share price trades close to the Company's NAV per share. The share price is affected by the interaction of supply and demand, and by general investor sentiment which reflects a number of factors which has, over the last three years, been more negative than positive. The Company's investment performance over the last three years has also been a factor.

The Board has sought to mitigate the discount through a share buy back programme that started in 2022. In that year, the Company bought back 5.7 million shares, 3.2% of the total shares that were in issue. The buyback programme was increased in 2023 when the Company bought back 11.7 million shares and was increased again in 2024 when the Company bought back 29.2 million shares. The Company has therefore bought back more than 25% of the shares in issue before the programme started. Buying shares back at a discount is accretive to NAV per share, and added 2.4% to the NAV per share during the year.

During 2024 the Company utilised nearly all the authority to buy back shares granted by shareholders at the 2024 AGM and accordingly secured additional authority at the general meeting convened in January 2025 to cover the period up until the next AGM.

The Board will continue to take action to mitigate the discount.

Continuation vote

The Company's shares traded at an average discount of 11.5% over the year. Since this exceeds 10%, the Directors, as outlined in the Interim Report, will propose an ordinary resolution at the Annual General Meeting (AGM) in April, seeking shareholder approval for the Company's continuation. The Board recommends unanimously that shareholders vote in favour of the resolution.

Results and dividends

The Company has returned a revenue profit of £4.4 million in the year ended 31 December 2024 (2023: £3.0 million) and now has a positive accumulated balance on its revenue account for the first time. In order to retain its investment trust status, the Company is therefore required to pay a dividend. The Board will accordingly propose an ordinary resolution at the AGM, that a dividend of 0.58 pence per share be paid on 2 May 2025 to shareholders on the register on the record date of 4 April 2025.

This marks the Company's first-ever dividend payment. However, given the nature of its investments, shareholders should not anticipate a substantial annual dividend in the future.

Governance and Board composition

I joined the Board as a non-executive Director and Chairman on 27 January 2025, succeeding Diana Dyer Bartlett. Diana will continue as a non-executive Director and will take on the role of Chair of the Audit Committee replacing Lord St John of Bletso who has retired from the Board. On behalf of the Board, I would like to thank Anthony for his service as a Director of the Company since inception, and to thank Diana for her service as Chair of the Board since February 2022.

All Directors will stand for election or re-election at the AGM. Details of the Directors' background and experience are given on page 30.

Shareholders should be aware that I was appointed to the Board during a closed period, a period when directors are not allowed to transact in the Company's shares. I intend to buy shares in the Company in the near future.

The Board reviews its composition on a regular basis, having regard to corporate governance requirements as well as the experience and skill sets of its members. Having recently appointed me, the Board is now intending to expand to five members as set out in the Corporate Governance section of this Report.

Annual General Meeting and shareholder engagement

The Company will hold its AGM on 23 April 2025. The notice of the Annual General Meeting will be posted to shareholders along with this Annual Report and a copy will also be made available on the Company's website at www.smithson.co.uk. My fellow Directors and I are keen to meet with shareholders, and we encourage shareholders to come to the meeting and to stay for the light lunch which is to be held afterwards. Shareholders are reminded that, whether or not they are able to attend the AGM in person, they are welcome, to submit any questions they may have for the Board, at any time, by emailing smithsonchairman@fundsmith.co.uk. Please submit proxy votes in respect of the resolutions to be proposed at the AGM, irrespective of whether you intend to attend the AGM.

Simon Barnard, the Company's portfolio manager, will give a presentation at the AGM which will be recorded and made available on the Company's website after the meeting. Simon and members of his team will also be able to answer questions from shareholders at the AGM.

We encourage shareholders to visit the Company's website where more information is available on the Company.

Outlook

The new financial year has started positively with the Company's NAV up 5.9%, 4.8% ahead of the comparator index, for the period from 1 January 2025 to 28 February 2025. The NAV from inception to 28 February 2025 is up 72.8%, 6.9% ahead of the comparator index.

The Board is pleased that the Company's Investment Manager and his team remain focused on the things they can control and remain resolute in applying a systematic and disciplined focus to find exciting opportunities for attractive long-term investment.

The Board believes that the strategy of identifying and owning high quality small and mid-sized companies that are capable of sustainable growth and that can compound in value over many years, will perform well for investors over the long term and through different economic conditions.

The Board continues to have confidence that the Company's Investment Manager can execute this strategy successfully, and the Board believes that as the Company offers investors exposure to some of the best companies available in the small and mid-cap sector, the long-term investor will be well rewarded.

Mike Balfour
Chairman

5 March 2025

The Investment Manager's Review was first published as a letter to shareholders on 27 January 2025 and is incorporated as published within the Company's Strategic Report as it continues to be an accurate assessment of the Company's investment performance during the year to 31 December 2024.

Dear Fellow Shareholder,

The performance of Smithson Investment Trust ('Smithson'), along with comparators, is laid out below. In 2024 the Net Asset Value per share (NAV) of the Company increased by 2.1% and the share price increased by 4.9%. Over the same period, the MSCI World Small and Mid Cap Index ('SMID'), our reference index, increased by 11.5%. We also provide the performance of UK bonds and cash for comparison.

	Total Return[5] 1 January 2024 to 31 December 2024 %	Launch to 31 December 2024 Cumulative %	Launch to 31 December 2024 Annualised %
Smithson NAV[1]	+2.1	+63.2	+8.2
Smithson Share Price	+4.9	+48.4	+6.6
Small and Midcap Equities[2]	+11.5	+64.2	+8.3
UK Bonds[3]	-2.3	-7.0	-1.2
Cash[4]	+5.1	+12.9	+2.0

[1] Source: Bloomberg, starting NAV 1000.

[2] MSCI World SMID Cap Index, £ Net source: www.msci.com.

[3] Bloomberg/Barclays Bond Indices UK Govt 5-10 yr, source: Bloomberg.

[4] Month £ Interest Rate source: Bloomberg.

[5] Alternative Performance Measure (see pages 77 to 78).

After a strong market sell-off in the last few days of the year, our final performance for 2024 can only be described as mediocre. It will also be marked down as the second time since inception in 2018 that we have finished the year behind our reference index.

Despite expectations at the end of 2023 that interest rates were close to peaking for this cycle, they actually increased again during 2024, with US 10 year bond yields rising from 3.9% at the start of the year to 4.5% by the end, exacerbated by comments from the Federal Reserve in December that interest rate cuts in 2025 will be less than expected. While it is tempting to point out again the headwind to strategy performance that this creates (causing the larger future profits of our faster growing and more highly rated companies to be discounted more by the higher interest rates), not everything can be blamed on this.

As described later in more detail, our individual performance detractors were not particularly severe, with no single position detracting as much as our worst performer in 2023, a year in which the portfolio generated a double digit return and outperformed the benchmark by four percentage points. Instead, it was a lack of outstanding winners getting the portfolio motoring; the top performer this year would have ranked only 5th on last year's hit list. However, big winners were definitely out there, even in the small and mid-cap sector, which again underperformed the large cap sector, this time by 11% over the year.

What to do? This year's performance has prompted us to expend time and thought on potential improvements and as a result we have made incremental changes to our process. To become world class in any endeavour requires not only a relentless high effort, but the focus of that effort into a singular area of expertise. And, like a magnifying glass focusing the sun's energy onto a single spot, the more effective the focus, the brighter your result.

Thus, the primary change to our process is to focus ever closer on the specific areas where we think the best long term returns will reside, with the exclusion of all distractions. We are already fortunate to have the luxury to ignore any area of the market that we don't think will provide sustainable long term returns and can therefore remove the noise of such things as meme stocks, unprofitable companies, fluctuating commodities (including bitcoin) and all other highly volatile diversions. But while we were concentrating on companies of £500 million to £15 billion in market capitalisation, we now believe our attention should be placed into businesses in the lower half of this range, driven by the fact that many of our companies have grown quite large during our period of ownership. It makes intuitive sense to us that a good small company has a much greater probability of increasing in value multiple times than a large one. You will notice the first change in the portfolio to directly address this described below.

Further, we believe that if we can find small companies which are improving their profitability by serving long term growth areas within our typical sectors of technology, industrials, consumer and healthcare, there will be plenty of future 'multiple bagger' investments presented to us. We have identified many such growth areas including the electrification of industry and transport, energy infrastructure construction and maintenance, space and aerospace industry suppliers, AI deployment and data centre construction, healthcare diagnostics and small pharmaceutical and biotechnology company research and development. Other recent changes in the portfolio have originated from these avenues of discovery.

This year, we have also made the first addition to the investment management team, with Kurran Aujla joining as an analyst. Will Morgan recently left the company.

Of course, the overarching investment strategy, proven over decades, of buying good companies, not overpaying and then holding as long as we can to allow our investments to compound in value, remains unchanged. To demonstrate the quality of the companies in the portfolio, the table below outlining their average operating metrics shows that they remain far superior to the average company in the Index.

LTM Figures	Smithson Investment Trust	MSCI WSMID
ROIC	26%#	8%
Gross Margin	62%	30%
Operating Profit Margin	25%	8%
Cash Conversion	104%	80%
Interest Cover	61x	5x

Source: Fundsmith

Data for the MSCI World SMID Cap Index is shown ex-financials, with weightings as at 31.12.2024.

Data for MSCI World SMID Cap Index is on a weighted average basis, using last available reported financial year figures as at 31.12.2024.

Data for Smithson is on a weighted average basis, ex-cash, using last available reported financial year figures as at 31.12.2024.

Interest cover (EBIT ÷ net interest) data for Smithson and MSCI World SMID Cap Index is done on a median average basis.

Return On Invested Capital for Smithson excludes Verisign which now has a negative balance of invested capital after share buybacks.

Not overpaying for these companies can be assessed by looking at the average free cash flow yield (the free cash flow divided by the market capitalisation) of the portfolio. This has increased to 3.3% from 2.8% this time last year. Over the last twelve months, the growth in free cash flow for our companies was 45% on a weighted average basis, although this includes several companies rebounding in profitability from a low point induced by the pandemic. The median average figure, which in this case is likely more instructive, was 22%.

Regarding our holding period, while our ambition is to maintain our positions for many years, this is particularly difficult with small companies, for three main reasons:

1) management teams, particularly those which are founder-led, are able to and sometimes prone to abruptly change the capital allocation strategy of the company;

2) the niche markets in which small companies operate can quickly shift in terms of demand trends or competitive dynamics, exacerbated by some companies having exposure to just a single market;

3) the more volatile share prices of small capitalisation companies relative to large capitalisation ones can lead to more frequent valuation extremes in the former group.

All of the divestments made from the portfolio this year can be explained by one or more of the issues listed above. This trading activity, as well as new additions to the portfolio, meant that discretionary portfolio turnover (excluding share buybacks), was 35.9% compared to 27.2% in 2023. We believe this is a reasonable level given the necessity to take more frequent action when managing a portfolio of smaller capitalisation companies and remains well below the average turnover for all actively managed equity funds, which tends to be above 60%, according to Morningstar.

Costs of all dealing, including taxes, amounted to 0.03% (3 basis points) of NAV in the period, similar to the 0.03% incurred in 2023. The Ongoing Charge Figure was 0.86% of NAV, compared with 0.87% in 2023. This includes the Management Fee of 0.9%, applied to the market capitalisation of the Trust, which was lower than the NAV during the year. Combined, this means the Total Cost of Investment in the Trust was 0.89% of NAV (2023: 0.90%).

In terms of portfolio changes, having explained the purchases during the first half year of HMS Networks, Choice Hotels, Inficon, Reply and Melexis and the sales of IPG Photonics, Temenos and Domino's Pizza Enterprises in the interim report, I shall simply comment here on those changes that were made in the second half of 2024.

We bought a position in Monotaro, which is an online MRO (maintenance and repair organisation) based in Japan selling all the products that businesses need to run, except for raw materials. For example, products sold include safety clothing, tools, spare parts and office furniture. Monotaro is the largest online reseller in Japan, with around 15% market share, but currently only 20% of the Japanese domestic MRO market is online. This provides a good path to growth and we expect revenue to grow at around 15% a year as most of the marginal growth in the industry accrues to Monotaro as the largest player, supported by its broad product selection and strong online presence. Further, the company was founded as a JV by the US company WW Grainger, which still holds a 50% stake, and which was so impressed with Monotaro's technology that it has licenced it for use in its own US online business.

We also acquired a position in Medpace, a US company that provides outsourced research and development and drug trial services to small pharmaceutical and biotechnology companies. This is an attractive market being the fastest growing part of the pharmaceutical industry. These small companies typically opt for full service contracts given a lack of internal infrastructure, and such contracts often carry the highest margins, making Medpace one of the fastest growing, highest margin and highest return contract research organisations in the industry. The company has only grown organically to date (i.e. with no acquisitions), and continues to be run by the founder. It is also currently trading on a lower than average rating due to market concerns regarding the post-pandemic funding environment for biotechnology companies, although weak funding environments have proven to be short lived when they occurred in the past.

These new positions were funded by selling out of three existing holdings. TechnologyOne, a company which had increased in share price by five times during our period of ownership, had become the highest rated company in the portfolio and was trading at a valuation we could no longer justify. We also sold out of Fortinet, which, after having increased in share price by four times since we acquired it in 2020, had become very large at over $60bn in market capitalisation, making it an appropriate source of capital with which to acquire smaller companies. Finally, Cognex was sold as its exposure to deteriorating economic conditions in China and the global autos sector was causing the business to struggle, while it appears the market still had high hopes for the company, given it was trading on a lofty multiple.

To discuss in more detail the fund performance, let's start with what went wrong. The top five detractors to performance are shown below.

	Country	Contribution %
Temenos	Switzerland	-1.3%
Spirax Group	UK	-1.3%
Domino's Pizza Enterprises	Australia	-1.2%
Fevertree Drinks	UK	-1.1%
Qualys	United States	-1.0%

Source: Northern Trust

Temenos, a Swiss banking software company, caused us much frustration over the first few months of the year. We now believe that the company will require more investment in the short and medium term to fix a badly managed transition to a Software-as-a-Service (SaaS) business model, which will likely place pressure on both margins and returns over the coming years. We therefore sold the company in the first half.

Spirax Group, the industrial business based in the UK, has been a victim of slowing global industrial production growth over the last couple of years, which has continued falling, down from 1.5% in August to 0.9% now. All regions have slowed but there was particular weakness in China due to its struggling property market having knock-on effects across its economy. Further to this, Spirax's peristaltic pumps business has a large exposure to the biopharma business which has been weak since the pandemic-stimulated boost faded away. Still, the latest trading statement showed some acceleration in group revenue growth, with all business units now growing again, which we take as a positive early sign of recovery.

Domino's Pizza Enterprises, the Australian Domino's franchisor also performed poorly during the year. This is a company that had performed very well until 2021, after which mis-execution in several markets, including Japan and Germany, led to underperformance. While management has set out a plan to recover sales in these markets, we believe that given the amount of time this turnaround might take, our shareholders' capital would be better deployed in other opportunities, and we sold the position. Interestingly, the company's supervisory Board appeared to share our impatience and recently parted ways with the long serving CEO.

Fevertree is the UK producer of premium tonics and mixers. While its margins have been recovering from the logistics and raw material cost squeeze it suffered in recent years, its overall demand environment has become weaker over the last 12 months due to declining alcohol consumption, particularly the gin market in the UK, its largest and most profitable market.

Qualys is a US company providing cyber security software and its order growth has been held back recently by the macroeconomic uncertainty leading to reductions in corporate IT budgets. We expect this to be temporary and for orders to recover once corporate budgets start growing again. Indeed, in the latest results, billings growth rebounded to 14%, sending the share price up 16% at the time of the report. As it happens, there was also bid speculation reported on the same date, causing the shares to jump a further 10% by the end of the day.

The top five contributors to performance are shown below.

	Country	Contribution %
Fortinet	United States	1.6%
Fisher & Paykel Healthcare	New Zealand	1.4%
Addtech	Sweden	1.0%
TechnologyOne	Australia	0.9%
Diploma	UK	0.9%

Source: Northern Trust

Fortinet, the US cybersecurity company performed extremely well this year, up 55% in share price terms, after results in Q2 and Q3 positively surprised the market. In particular, the growth rate of bookings started reaccelerating in Q2 after a substantial slowdown over the last couple of years. This news sent the share price up 25% in a single day, which once more demonstrates that equity returns are anything but linear.

Fisher & Paykel Healthcare, the medical device company based in New Zealand, had a much better year as its demand recovered from the post-Covid lull it had experienced over the last couple of years, propelling the share price to new highs.

Addtech, the diversified Swedish industrial business, has only been in the portfolio for 3 years but over that time its share price has more than doubled. Earnings results over the last 12 months continued to be better than expected, primarily due to its strategy of frequently acquiring small, profitable companies at low multiples of earnings.

TechnologyOne, the software company based in Australia, continued its strong share price performance as the business managed to maintain the mid-teens revenue growth it has achieved since 2022. This is a result of a successful transition to Software-as-a-Service (SaaS) for its Enterprise Resource Planning (ERP) software, which has proven popular with institutional clients such as universities and the UK government.

Diploma is an industrial distribution business that has performed so well over the last few years that it has grown into our largest holding. This has been achieved through an admirable ability by management to maintain organic growth in the mid single digit range despite the slowing global industrial production, while also adding new companies to the group which have significantly outperformed management's initial expectations, thus proving to be extremely good value acquisitions.

The current positioning of the fund is shown below, with a breakdown of the portfolio in terms of sector and geography at the end of the period. The median year of foundation of the companies in the portfolio at the year end was 1965 – our companies may be small, but they are not unproven.

Sector	31 December 2024 (%)	31 December 2023 (%)
Industrials	42%	36%
Information Technology	20%	28%
Healthcare	13%	12%
Consumer Discretionary	11%	10%
Consumer Staples	8%	8%
Financials	4%	3%
Materials	2%	2%
Cash	–	1%

Source: Northern Trust

The Industrials sector weighting has increased over the year due to the outperformance of several of our industrial companies, including Addtech and Diploma mentioned already, but also with notable performances from Rational and Verisk. The Information Technology sector declined in weight due to the sale of IPG Photonics, Temenos, TechnologyOne and Fortinet, and despite the addition of HMS Networks, Inficon, Reply and Melexis. Healthcare was the only other notable mover, increasing in weight due to the addition of Medpace.

Country of Listing	31 December 2024 (%)	31 December 2023 (%)
USA	50%	45%
UK	16%	14%
Italy	9%	10%
Germany	7%	7%
Switzerland	5%	8%
New Zealand	4%	3%
Sweden	3%	3%
Denmark	3%	4%
Japan	2%	–
Belgium	1%	–
Australia	–	5%
Cash	–	1%

Source: Northern Trust

The table above illustrates how the regional exposure in terms of country of listing has changed during the year. The USA is the largest country exposure and increased further due to the outperformance of the country relative to other developed markets in 2024. The other countries to change meaningfully are Switzerland, after the acquisition of Inficon, Australia, after the sale of Dominos Pizza Enterprises and TechnologyOne and Japan, with Monotaro being our first direct exposure to the country.

The geographical weighting that we pay most attention to though is the economic exposure of our companies, measured by the origin of revenue (below). Here, one can see that portfolio changes have meant that the exposure to North America now more closely matches the listed weighting, as our US based acquisitions have more domestic exposure as a proportion of their business than the ones which were sold. The exposure to Europe has decreased in line with this change while the exposure to emerging markets was little changed.

Source of Revenue	31 December 2024 (%)	31 December 2023 (%)
North America	51%	41%
Europe	27%	34%
Asia Pacific	17%	19%
Eurasia, Middle East, Africa	3%	4%
Latin America	2%	2%

Source: Fundsmith

In closing, the performance of the portfolio this year is far from what we expect. But with a systematic and disciplined focus on where we hope to find exciting opportunities and an incessant determination to leave no stone unturned in our pursuit of attractive long term investments, we feel confident about the future of the Trust and appreciate your continued support.

Simon Barnard
Fundsmith LLP
Investment Manager

5 March 2025

Investments held as at 31 December 2024

Security	Country of incorporation	Fair value £'000	% of investments
Diploma	UK	115,514	5.3
Verisign	USA	103,194	4.9
Rational	Germany	94,541	4.4
Verisk Analytics	USA	91,858	4.3
Moncler	Italy	87,428	4.1
Fisher & Paykel Healthcare	New Zealand	84,674	4.0
Choice Hotels	USA	83,275	3.9
MSCI	USA	79,819	3.8
Geberit	Switzerland	79,809	3.8
Clorox	USA	79,602	3.7
Top 10 Investments		**899,714**	**42.2**
Graco	USA	76,701	3.6
Spirax-Sarco Engineering	UK	75,934	3.6
Recordati	Italy	75,632	3.6
Equifax	USA	73,939	3.5
Sabre	USA	62,485	2.9
Qualys	USA	61,351	2.9
Halma	UK	61,240	2.9
Ambu	Denmark	61,231	2.9
IDEX	USA	60,613	2.8
Exponent	USA	59,443	2.8
Top 20 Investments		**1,568,283**	**73.7**
Rollins	USA	59,161	2.8
Oddity	Israel	53,933	2.5
Paycom Software	USA	52,732	2.5
Nemetschek	Germany	50,711	2.4
HMS Networks AB	Sweden	47,136	2.2
Croda	UK	40,720	1.9
Fevertree Drinks	UK	40,007	1.9
Reply Spa	Italy	36,668	1.7
Medpace	USA	33,831	1.6
Monotaro	Japan	33,568	1.6
Inficon	Switzerland	32,016	1.5
Doximity	USA	30,283	1.4
Addtech	Sweden	25,070	1.2
Melexis	Belgium	22,922	1.1
Total Investments		**2,127,041**	**100.0**

Investment Objective

The Company's investment objective is to provide shareholders with long term growth in value through exposure to a diversified portfolio of shares issued by listed or traded companies.

Investment Policy

As at the date of this Annual Report, the Company's investment policy (including defined terms) is as set out in its IPO prospectus dated 17 September 2018.

The Company's investment policy is to invest in shares issued by small and mid-sized listed or traded companies globally with a market capitalisation (at the time of initial investment) of between £500 million and £15 billion. The Company's approach is to be a long-term investor in its chosen shares. It will not adopt short-term trading strategies. Accordingly, it will pursue its investment policy by investing in approximately 25 to 40 companies as follows:

(a) the Company can invest up to 10 per cent. in value of its gross assets (as at the time of investment) in shares issued by any single body;

(b) not more than 20 per cent. in value of its gross assets (as at the time of investment) can be in deposits held with a single body. This limit will apply to all uninvested cash (except cash representing distributable income or credited to a distribution account that the depositary holds);

(c) not more than 20 per cent. in value of its gross assets (as at the time of investment) can consist of shares issued by the same group. When applying the limit set out in (a) this provision would allow the Company to invest up to 10 per cent. in the shares of two group member companies (as at the time of investment);

(d) the Company's holdings in any combination of shares or deposits issued by a single body must not exceed 20 per cent. in value of its gross assets (as at the time of investment);

(e) the Company must not acquire shares issued by a body corporate and carrying rights to vote at a general meeting of that body corporate if the Company has the power to influence significantly the conduct of business of that body corporate (or would be able to do so after the acquisition of the shares). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20 per cent. or more of the voting rights of that body corporate; and

(f) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10 per cent. of the shares issued by that body corporate.

The Company may also invest cash held for working capital purposes and awaiting investment in cash deposits and money market funds.

For the purposes of the investment policy, certificates representing certain shares (for example, depositary interests) will be deemed to be shares.

Proposed Changes to the Investment Policy

As required by the UK Listing Rules, any material changes to the Company's Investment Policy as set out above will require the approval of shareholders by way of an ordinary resolution at a general meeting and the approval of the FCA.

The Directors are proposing an amendment to the Company's Investment Policy in a resolution at the Annual General Meeting of shareholders on 23 April 2025. Form more information, please see the Chairman's Statement on pages 5-7.

Hedging Policy

The Company will not use portfolio management techniques such as interest rate hedging and credit default swaps.

Additionally, derivatives will not be used for currency hedging or any other purpose.

Borrowing Policy

The Company has the power to borrow using short-term banking facilities to raise funds for short-term liquidity purposes or for discount management purposes including the purchase of its own shares, provided that the maximum gearing represented by such borrowings shall be limited to 15 per cent. of the net asset value at the time of drawdown of such borrowings. The Company may not otherwise employ leverage.

Investment Methodology and Management Process

The Investment Manager seeks to apply the investment methodology and management process summarised below (to the extent appropriate given the nature of a relevant investment opportunity):

Not attempting market timing

The Investment Manager will not attempt to manage the percentage invested in equities in the Company's portfolio to reflect any view of market levels, timing or developments. The Investment Manager's unwillingness to make investment decisions on the basis of market timing is one factor that will prevent the Company from investing in sectors that are highly cyclical.

Seeking high-quality businesses with specific characteristics and intangible assets

In the Investment Manager's view, a high-quality business is one which can sustain a high return on operating capital employed and which generates substantial cash flow, as opposed to only creating accounting earnings. If it also reinvests some of this cash back into the business at its high returns on capital, the Investment Manager believes the cash flow will then compound over time, along with the value of the Company's investment.

The Investment Manager will not just look for a current high rate of return, but will seek a sustainable high rate of return. Fundamentally, such companies need to demonstrate the ability to continue competing against all other companies which are trying to take a share of their profits. This can come in many forms, but the Investment Manager will look for companies that rely on intangible assets such as one or more of the following: brand names; patents; customer relationships; distribution networks; installed bases of equipment or software which provide a captive market for services, spares and upgrades; or dominant market shares.

The Investment Manager will generally seek to avoid companies that rely on tangible assets such as buildings or manufacturing plants, as it believes well-financed competitors can easily replicate and compete with such businesses. In many instances, such competitors are able to become better than the original simply by installing the latest technology in their new factory. Banks are quite keen to lend against the collateral of tangible assets, and such companies tend to be more heavily leveraged as a result. The Investment Manager believes that intangible assets are much more difficult for competitors to replicate, and companies reliant on intangible assets require more equity and are less reliant on debt as banks are less willing to lend against such assets.

The Investment Manager believes such companies will resist the rule of mean reversion that states returns will revert to the average over time as new capital is attracted to business activities which earn above average returns. They can do this because their most important assets are intangible and difficult for a competitor to replicate. Since stock markets typically value companies on the assumption that their returns will regress to the mean, businesses whose returns do not do so can become undervalued. This presents an opportunity for the Company.

The Investment Manager will seek businesses which have growth potential. The Investment Manager views growth potential as the ability of a company to be able to reinvest at least a portion of its excess cash flow back into the business to grow, whilst generating a high return on the cash thus reinvested. Over time, this should compound their shareholders' wealth by generating more than a pound of stock-market value for each pound reinvested.

The Investment Manager is interested in growth that is driven through either increases in volume or increases in price and will prefer a mixture of both. The ability to increase product prices above the rate of inflation is the most profitable way to grow and demonstrates that the company has a healthy competitive position selling products or services which are strongly desired by their customers. However, growth through price alone can build a shelter under which competitors can flourish, eventually resulting in cheaper competition gaining significant market share. On the other hand, growth through additional unit volumes almost always requires more cost, in both manufacturing capacity and materials used to produce the products, as well as transportation to get them to customers. Increasing scale in this way will eventually make a company's market position more difficult to compete against, however, unlike growing through price alone, with the further benefit that volume growth can sometimes continue indefinitely.

The Company will only invest in companies that earn a high return on their capital on an unleveraged basis and do not require borrowed money to function. The Investment Manager will avoid sectors such as banks and real estate which require significant levels of debt in order to generate a reasonable shareholder return given their returns on unlevered equity investment are low.

While the Investment Manager favours companies that are able and willing to spend cash on the research and development of their products to create important intangible assets such as patents and manufacturing efficiency, it will avoid industries that innovate very quickly and are subject to rapid technological change. Innovation is often sought by investors, but does not always produce lasting value for them and can have high capital costs.

Avoiding overpaying for shares

The Company will only invest in shares where the Investment Manager believes the valuation is attractive. The Investment Manager will estimate the free cash flow of every company after tax and interest, but before dividends and other distributions, and after adding back any discretionary capital expenditure which is not needed to maintain the business. The Investment Manager aims to invest only when free cash flow per share as a percentage of a company's share price (the "free cash flow yield") reflects value relative to long-term interest rates and when compared with the free cash flow yields of other investment candidates both within and outside the Company's portfolio. The Investment Manager will buy securities that it believes will grow and compound in value, which bonds cannot, at yields that are similar to or better than the Company would get from a bond.

Buying and holding

The Company will seek to be a long-term, buy-and-hold investor. The Investment Manager believes this will facilitate the compounding of the Company's investments over time as the investee companies continue to reinvest their cash flows. The Investment Manager, however, will continually test its original views against new information it may discover while regularly reviewing the news and results concerning the investee companies. The resulting low level of dealing activity also minimises the frictional costs of trading, a cost which is often overlooked by investors as it is not normally disclosed as part of the costs of running funds.

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Purpose, Strategy and Business Model

The Company is registered in England and Wales and is an externally managed investment trust; its shares are listed on the Official List and traded on the main market of the London Stock Exchange. It was established by its Investment Manager, Fundsmith LLP and listed on 19 October 2018.

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of small and mid-sized listed or traded companies globally, through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective. Please see page 14 for the investment objective and approach.

The Company is an alternative investment fund ("AIF") under the alternative investment fund managers' directive ("AIFMD") and has appointed Fundsmith LLP as its alternative investment fund manager ("AIFM").

As an externally managed investment trust the Company has delegated its operational activities to specialised third party service providers who are overseen by the Board of non-executive Directors. Details regarding the Company's key third party service providers are included in the Management Engagement Committee Report. The Company has no executive Directors, employees or internal operations.

Key Performance Indicators ("KPI")

The Company's Board of Directors meets regularly and reviews performance against a number of key measures, as follows:

- Net asset value total return against the MSCI World SMID Cap Index measured on a net sterling adjusted basis;
- Share price total return;
- Premium/discount of share price to net asset value per share; and
- Ongoing charges ratio.

The KPI measures are Alternative Performance Measures ("APMs"). Please refer to the APM section and Glossary on pages 77 to 81 for definitions of these terms and an explanation of how they are calculated.

Net asset value total return against the comparator index

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. The Investment Manager's investment style is such that performance is likely to deviate from that of the comparator index.

The Company's net asset value per share at 31 December 2024 was 1,631.8p and it reported a total loss after tax for the year of £8.1 million (2023: £293.3 million profit), comprising a capital loss of £12.5 million (2023: £290.3 million profit) and a revenue profit of £4.4 million (2023: revenue profit of £3.0 million) (see financial statements on pages 50 to 73). Buying shares back at a discount was accretive to NAV per share during the year. The net asset value total return for the year to 31 December 2024 was 2.1%[1] and the annualised net asset value for the period from listing on 19 October 2018 to 31 December 2024 was 8.2%[1]. The Board considers the MSCI World SMID Cap Index measured on a net, sterling-adjusted basis, to be the most appropriate comparator to the Company's performance. The returns generated by the MSCI World SMID Cap Index over the same periods were 11.5% and 8.3% respectively, thus the Company underperformed the comparator index by 9.4 percentage points for the year ended 31 December 2024 and underperformed the Index by 0.1 percentage points, annualised for the period from the Company's listing to the year end.

A full description of performance during the period under review is contained in the Investment Manager's Review.

1 These are APMs. Definitions of these and other APMs used in the Annual Report, together with how these measures have been calculated, are disclosed on pages 77 and 78.

Share price total return
The Directors also regard the Company's share price total return to be a key indicator of performance.

The share price total return for the year to 31 December 2024 was 4.9%[1] and the annualised share price total return for the period from listing on 19 October 2018 to 31 December 2024 was 6.6%[1], underperforming the MSCI World SMID Cap Index comparator index by 6.6 percentage points and 1.7 percentage points respectively. Further detail is given in the following section.

Premium/discount of share price to net asset value per share
The Board undertakes a regular review of the level of premium/discount. At the 31 December 2024, the discount of the Company's share price to the net asset value per share was 9.1%[1], and the average discount to net asset value for the year to 31 December 2024 was 11.5%. During the year the Company's shares consistently traded at a discount to the net asset value. The Board seeks to manage the premium/discount and generate value for shareholders through the issue of shares at a premium to net asset value or repurchase of shares at a discount to net asset value. To this end, the Company repurchased 29.2 million ordinary shares at an average discount to the prevailing net asset value of 11.4%, for a cost of £413.9 million. Together, repurchases generated a benefit to net asset value per share of approximately £50.9 million. The decision and timing of any share issuance and/or buy-back is at the discretion of the Board.

The average discount of the Company's share price to net asset value per share in 2024 of 11.5% was in excess of the 10% threshold requiring the Directors to consider whether to propose a continuation vote at the Annual General Meeting. Accordingly, the Board will propose a resolution at the Annual General Meeting that the Company continues to be an investment trust.

Ongoing charges ratio
The Directors monitor the Company's expenditure at each board meeting and review the ongoing charges ratio disclosed in the Interim and Annual Reports. Expressed as a percentage of average net asset value, the annualised ongoing charges ratio for the year was 0.9% (2023: 0.9%)[1]. The Board seeks to manage and where possible to improve the ongoing charges ratio and to this end the Management Engagement Committee regularly reviews its service provider fee rates. As part of this process, during 2024, the Management Engagement Committee secured a reduction in the ongoing fees payable to the Depositary and the administrator.

1 These are APMs. Definitions of these and other APMs used in the Annual Report, together with how these measures have been calculated, are disclosed on pages 77 and 78.

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of emerging and principal risks faced by the Company and the Board has established a process for the regular review of these risks and their mitigation. The Board believes that effective risk management contributes to the safeguarding of shareholder value and successful operation of the Company and therefore assesses and manages, where possible or appropriate, the risks faced by the Company. This process accords with the UK Corporate Governance Code, the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the AIC Code of Corporate Governance and a description follows below.

- The Board maintains and regularly reviews a matrix of risks faced by the Company and controls in place to mitigate those risks. The impact and probability of those risks occurring after controls are performed are charted on a risk heat map and reviewed by the Board along with a risk appetite statement that reflects the Board's relative level of risk tolerance and establishes key triggers necessitating Board management. A review of the risk procedures and controls in place at the Investment Manager and other key service providers is performed.
- Emerging risks, including macro economic emerging risks that are considered to be significant, are discussed as part of this process and as part of the Investment Manager's reviews and, so far as is practicable, are mitigated.

  The market and economic impacts of political and geopolitical risks such as conflicts between Russia and Ukraine and in the Middle East, as well as the results of relevant national elections continue to be monitored by the Board with a focus on those that may impact the performance of companies in which the Company invests. The Investment Manager and other key service providers gave updates throughout the year on operational resilience and portfolio exposure and impacts.

  Each Director brings external knowledge of the investment company sector (and financial services generally), trends, threats as well as strategic insight;
- The Investment Manager advises the Board at quarterly Board meetings on industry trends, providing insight on future challenges in the markets in which the Company operates/invests. The Company's broker regularly reports to the Board on markets, the investment company sector and the Company's peer group;
- The Board receives quarterly reports from the Investment Manager's Compliance officer and the depositary on any matters of regulatory concern and developments;
- The Company Secretary briefs the Board on forthcoming legislation/regulatory change that might impact on the Company. The auditor also provides technical updates on matters such as developments in accounting standards and regulatory and corporate governance changes and best practice; and
- The Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry/regulatory issues and advising on compliance obligations.

Principal and Emerging Risks

The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. Any emerging risks identified as part of the Audit Committees risk assessment, and that are considered to be significant will be recorded in the Company's risk registers either separately as a risk category or as part of current identified risks.

Principal and Emerging Risks

Trend: **Increasing:** ↑ **Neutral:** ↔ **Reducing:** ↓

Investment Objective & Policy Risks

- The Company's investment objective may become unattractive to investors or its investment policy may not be successful in generating returns for investors.
- The Company is dependent upon the Investment Manager's successful implementation of the Company's investment policy and ultimately on its ability to create an investment portfolio capable of generating attractive returns. Failure to do so may mean the Company becomes unattractive to investors. This could lead to a situation in which the continuation vote was not approved by shareholders at the Company's AGM.
- The Company may have significant exposure to portfolio companies from certain business sectors or geographical regions. Greater concentrations of investments in any one sector or geography may lead to greater volatility in the Company's investments and may adversely affect performance. This may be exacerbated by the small number of investments held at any time.

Mitigation

- The Investment Manager has a proven and extensive track record, and the Board undertakes a review of the performance of the Company and its transactions at each quarterly Board meeting. The Investment Manager spreads the investment risk over a portfolio of investments in accordance with the Company's investment policy, and at the year end the Company held investments in 34 companies with details of the geographic and sector weightings given in the Investment Manager's Review.

Movement in the Year

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Market Risks

- Price movements, economic and stock market conditions may have a negative impact on the Company's portfolio and its ability to identify and execute suitable investments that might generate acceptable returns.
- If conditions (such as those experienced as a consequence of the current conflicts in Ukraine and Middle East) affecting the investment market negatively impact the price at which the Company is able to buy or dispose of its assets, this may have a material adverse effect on the Company's business and results of operations.
- Interest rate movements may affect the level of income receivable on cash deposits and the interest payable and by investee companies on their borrowings. In addition, where the Company invests in high growth investee companies, any increase in interest rates may compress the growth of such companies and therefore affect their valuations. As such, interest rate fluctuations may reduce the Company's returns.
- The Company's ordinary shares are denominated in pounds sterling while the majority of the Company's investments are denominated in a currency other than pounds sterling. The Company does not hedge its currency exposures and changes in exchange rates may lead to depreciation in the Company's net asset value.

Mitigation

- The Company's investment policy and the fact that it will not use hedging instruments to mitigate interest rate or foreign currency risk is clearly explained in the Owner's Manual (which can be found on the Company's website at www.smithson.co.uk).
- The Investment Manager has a proven and extensive track record and reports regularly to the Board on market developments. The Investment Manager's policy is to hold investments for the long term and not look at market timing issues.
- Further details on Market and Financial Instrument risk are disclosed in note 15 to the financial statements.

Movement in the Year

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Outsourcing Risks	Mitigation	Movement in the Year
• The Company has outsourced all its operations to third party service providers. Failure by any service provider to carry out its obligations in accordance with the terms of its appointment could result in negative implications for the Company. • Such failures could include cyber breaches or other IT failures, fraud (including unauthorised payments by the administrator), poor record keeping and loss of assets and failure to collect all the Company's dividend income. • Cyber incidents are becoming increasingly common and may cause disruption and impact business operations, potentially resulting in financial losses, theft, interference with the ability to calculate the Net Asset Value or additional operating costs. • When selecting or reviewing investments, the Investment Manager evaluates the prospects and risks, including climate change risks, that could affect these companies. • If the Investment Manager fails to identify risks or liabilities associated with investee companies adequately, this could give rise to an investee company not fitting the Company's investment policy or unexpected losses and adverse performance. • Inadequate business continuity and disaster recovery arrangements at key third party service providers could cause significant disruptions to the operation of the Company's business.	• The Company has appointed experienced service providers, each of whom has a service agreement. The Board reviews the performance of the Investment Manager and depositary at each quarterly Board meeting and the performance of all key service providers is reviewed annually by the Management Engagement Committee. Cyber risk management questions are incorporated in this review to confirm the existence and application of cyber security controls and procedures. The Company's key service providers confirm periodically to the Board that they have in place business continuity plans and procedures to mitigate the impact on the Company of a disruption in service. • The procedures of the depositary and custodian are reviewed and tested by their external auditors and such reports on the service providers' control environment are made available to clients. These reports are also reviewed by the Audit Committee and where any control failures are identified, the key service provider is required to explain and provide assurance to the Company on any impact or potential risk to the Company and its mitigation.	⟷

Risk Management

Key Individuals Risk	Mitigation	Movement in the Year
• Fundsmith LLP is responsible for managing the Company's investments. The Investment Manager relies on key individuals to identify and select investment opportunities and to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals at the Investment Manager, and the departure of any of these from the Investment Manager without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations.	• The Investment Manager has a remuneration policy in place seeking to incentivise key individuals to take a long-term view. Additionally, the Company's key individuals are significantly invested in the Company (see note 17 to the financial statements). Finally, the Investment Manager has plans in place to ensure continuity in the event of the departure of key individuals.	⟷

Regulatory Risk	Mitigation	Movement in the Year
• The Company benefits from the current exemption for investment trusts from UK tax on chargeable gains. Any change to HMRC's rules or the taxation of investee companies could affect the Company's ability to provide returns to shareholders.	• The Investment Manager and the Company Secretary monitor proposed changes to tax rules and report to the Board thereon.	⟷

Viability Statement

In accordance with the Association of Investment Companies Code of Corporate Governance (the "AIC Code") and the UK Listing Rules, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Company's investment policy is to buy good UK companies, not overpay and then do nothing. The Smithson Owner's Manual, a copy of which can be found on the Company's website at www.smithson.co.uk states "We will only invest in the equity of companies which we believe can compound in value over many years, if not decades, where we can remain a happy owner, safe in the knowledge that in 5 to 10 years' time our investment is likely to be worth significantly more than what we paid for it". When selecting or reviewing investments, the Investment Manager evaluates the prospects and risks which could affect investee companies over at least a 5 to 10 year period with a view to them being good long-term investments capable of generating the Company's required returns. The Board therefore believes that 10 years is the most appropriate time horizon to adopt for the Viability Statement.

In reviewing the Company's viability, the Board considered the Company's business model, the principal and emerging risks and uncertainties, including the economic and market conditions, current and anticipated inflation and interest rates and economic impacts arising from the continuing wars in Ukraine and the Middle East, and its present and expected financial position. The Company is a closed-end fund which invests in listed or traded global securities which are inherently liquid. It does not intend to borrow (except in short term circumstances to manage a discount) nor will it use derivatives in any hedging operation. It receives dividend income from its investment portfolio with which it settles its operating expenses. Any shortfall in income available to settle expenses could be met by the Company's cash balances or by realising investments. The Board receives regular reports from the Investment Manager to confirm the average time to liquidate any investment position. At 31 December 2024 the Company had net assets of £2,130 million of which £2,127 million was held in listed investments and £3.0 million in cash (see Statement of Financial Position). The Board therefore has substantial options to meet the Company's continuing obligations as well as supporting the Company's buyback programme.

As the Company's shares traded during 2024 at an average discount of more than 10%, shareholders will be given the opportunity to vote on the Company's continuation in its present form at the forthcoming AGM. At the 2024 AGM, a similar resolution for the Company to continue in its present form was approved by 90% of the votes cast. Given the performance of the Company and feedback from stakeholders, including the Company's broker and major shareholders, the Board has no reason to believe that the continuation vote will not be approved.

The Company benefits from certain tax benefits relating to its status as an investment trust. Any change to such taxation arrangements would inevitably affect the attractiveness of an investment in the Company and consequently its viability as an effective investment vehicle. At the time of consideration, no such changes in taxation arrangements are planned.

The Directors have assumed that:

- the Board will not change the Company's investment objective of providing shareholders with long-term growth in value;
- the performance of the Company will continue to be satisfactory such that the shareholders will want the Company to continue in existence; and
- the Board will continue to manage the Company's business to ensure it retains its status as an investment trust.

Based on the results of this review, the Directors have formed a reasonable expectation that the Company will continue in its operations and meet its expenses and liabilities as they fall due over the next 10 years.

Section 172 and Non-financial Disclosures

Engaging with the Company's Stakeholders

The following disclosures are required under section 172 of the Companies Act 2006 "s172") and endorsed by the AIC Code. They describe how the Directors promoted the success of the Company for the benefit of its members as a whole and have had regard to the interests of the Company's stakeholders in their decision making.

The Board sets the Company's strategy and objectives, taking into account the interests of all its stakeholders. It is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. A good understanding of the Company's stakeholders and regular engagement enables the Board to consider the potential impact of strategic decisions on each stakeholder group during the decision-making process.

When considering the Company's purpose, vision and values, together with its strategic priorities, the Board aims for its decisions to be fair and take account of the interests of the key stakeholder groups, together with the impact of its operations on the community and environment through its investment activities.

Set out below is an explanation of how the Board approaches stakeholder engagement: why we engage and how we go about it. Below this table is also a summary of the material engagements we have had with stakeholders during the year ended 31 December 2024.

Who?	**Why?**	**How?**
Stakeholder group	**The benefits of engagement with the Company's Stakeholders**	**How the Company, the Manager and the Company Secretary engage with the Company's Stakeholders**
Investors	Regular communication with existing and prospective shareholders ensures that the Board is cognisant of investor priorities and addresses any concerns raised. Clear communication of the Company's strategy and the performance against the Company's objective can help maintain demand for the Company's shares and promote an investor base that is interested in a long-term holding in the Company.	The Chairman, Investment Manager and Broker meet with shareholders on a regular basis. The Board also receives written policies on governance and stewardship from some of its larger investors and, at its quarterly meetings, receives feedback from the Investment Manager and Broker on meetings they have attended with investors. The Directors take into account the proxy voting agencies' guidelines to assess the voting recommendations published to shareholders ahead of the AGM. This is a helpful tool to understand investors' views on certain resolutions. The Company publishes monthly fact sheets and reports on its financial performance at the half year and year end, all of which are available on the Company's website. An Owners' Manual can be downloaded from the website which provides an understanding of the Investment Manager's goals and how they are to be achieved. Shareholders are encouraged to attend the Company's AGM where they can question the Board and representatives of the Investment Manager. The Chairs of the Board's Committees will also normally attend the AGM, to engage with shareholders on significant matters related to their areas of responsibility.

Who?	Why?	How?
Stakeholder group	**The benefits of engagement with the Company's Stakeholders**	**How the Company, the Manager and the Company Secretary engage with the Company's Stakeholders**
		Should in any financial year, the Company's share price trade at an average discount to its NAV of greater than 10%, shareholders will be given the opportunity to vote on the continuation of the Company in its present form at the next AGM. If the continuation resolution is not passed, the Board will be required to formulate proposals to be put to shareholders within four months to wind up or otherwise reconstruct the Company, having regard to the liquidity of the Company's underlying assets. Shareholders are invited to contact the Chairman, or any other member of the Board at any time by writing to the Company Secretary. Alternatively, the Chairman can be emailed at the following address: smithsonchairman@fundsmith.co.uk.
Investment Manager	The Investment Manager is the most significant service provider of the Company, and a description of its role can be found in the Report of the Directors on page 31. Engagement with the Company's Investment Manager is necessary to review whether it is achieving the Company's objective and adhering to the Company's policies and to understand the Company's risks and opportunities.	The Board receives regular reports from the Investment Manager, discusses the portfolio at each Board meeting as well as maintaining a constructive dialogue between meetings. The reports from the Investment Manager include compliance and risk management reports. A representative of the Investment Manager also attends each quarterly Board meeting and most ad hoc meetings. Additionally, the Board holds a strategy session at which the Board and Investment Manager discuss key issues outside the normal Board reporting framework. The Management Engagement Committee reviews the performance of the Investment Manager, its remuneration and the discharge of its contractual obligations at least annually. Further detail on the Committee's activities and recommendations can be found in the Management Engagement Committee Report on page 45.

Who?	Why?	How?
Stakeholder group	**The benefits of engagement with the Company's Stakeholders**	**How the Company, the Manager and the Company Secretary engage with the Company's Stakeholders**
Other Key Service Providers	The Board has outsourced all its operations to the Investment Manager and other key service providers such as the fund administrator, depositary and custodian, registrar, broker and Company Secretary. To ensure the smooth operation of the Company, the Board engages with such key service providers and monitors their performance to ensure they are delivering their services in line with their contractual obligations. Reporting from the Company's broker, auditor and Company Secretary alerts the Board to proposed changes in regulations and market practice. This helps the Board plan and manage risks as well as complying with relevant regulations.	The Board receives regular reporting from key service providers. In addition, on a periodic basis, key service providers are invited to present at Management Engagement Committee or Board meetings at which any concerns can be discussed. The Board also seeks assurance of high standards of governance from its service providers including reviewing the external audits of their internal control environments where appropriate, and ascertaining whether they maintain appropriate disaster recovery plans as well as policies on whistleblowing, tax evasion, human rights, modern slavery and bribery as part of its service provider annual review. The Management Engagement Committee reviews the performance of service providers and receives feedback from the Investment Manager and Company Secretary on their interaction with service providers. The Board periodically reviews the market rates for services provided, to ensure that the Company continues to receive high quality services at a competitive cost.
Investee Companies	The Investment Manager focuses on investing in those companies it believes can compound in value over the long term. As a long-term investor, engagement with investee companies helps develop a detailed understanding of how sustainable their business models are and the variety of risks, including emerging risks, and opportunities that may influence their performance, including ESG matters and their impact on local communities and the environment. As an investment trust with no trading activity and an outsourced business model, the Company has no direct social, community or environment responsibilities. However, the Investment Manager can try to influence investee companies' policies where it considers there is scope for improvement.	The Investment Manager regularly engages with the management of the investee companies and updates the Board on the outcome of such engagement at each Board meeting, along with details of its stewardship responsibilities. The Board periodically reviews Fundsmith's policy on Responsible Investment and its Stewardship reports.

During the year, the Board took account of stakeholder engagement in the following decision-taking:

- In response to the level of discount of the Company's share price to Net Asset Value, the Chairman and broker discussed the discount management policy with some of the Company's larger shareholders. Following such meetings, the Board, in consultation with its advisers increased its rate of buying back shares. The main aim was to provide increased market liquidity, dampen share price volatility at the same time as gaining some NAV accretive benefit.
- At the 2024 AGM the Directors proposed and authority was granted to buy back up to 23,568,470 ordinary shares, representing 14.99% of the ordinary shares in issue as at 4 March 2024, the latest practicable date before publication of the Notice of AGM. This authority was substantially utilised by December 2024. Following shareholders' feedback on the buyback programme and after consultation with the Company's advisors, the Board issued in December 2024 a notice of General Meeting to propose that authority be granted by shareholders for the Company to purchase a further 19,390,761 ordinary shares, representing 14.99% of the ordinary shares in issue if the existing buy-back authority was utilised in full and no new shares were issued. This authority was duly granted on 17 January 2025.
- During 2023, the Company's share price traded at an average discount to the NAV of more than 10%. Following engagement with shareholders, the Board agreed, in consultation with its advisers, to put forward an ordinary resolution at the 2024 AGM in favour of continuation although it was not required to do so. The resolution was subsequently passed with 90% of the votes cast in favour. The Board has since resolved that, where such circumstances arise in the future, the Board will automatically put such a vote to shareholders at the following AGM.
- During the year, the Board undertook a review of the Company's broking arrangements and following this review appointed J.P. Morgan Cazenove as the Company's broker.
- During the year, the Management Engagement Committee undertook a review of the Company's service providers and following this secured a reduction in the ongoing costs of the administrator and depositary.

Active Ownership

Active ownership is an important component of Fundsmith's risk management process after it invests in a business. The portfolio manager regularly engages with investee companies to promote a long-term mindset for capital allocation and appropriate controls across the suite of risks the investee company may face. Fundsmith uses engagement to understand management's perspective, assess their handling of a variety of issues and to raise any concerns regarding their approach or outcomes, when appropriate. Fundsmith also uses its proxy votes to protect and enhance the value of the Company's investments, supporting or opposing the investee company when necessary. The investment management team assesses votes and engagements on a case-by-case basis themselves and doesn't outsource the decision to other departments or use any advisory services. Fundsmith uses both engagement and proxy voting to support decisions that benefit the long-term performance of the business.

During the year to 31 December 2024, 406 votes were cast by the Investment Manager of which 97% were voted in favour of the resolution and 3% against. Of the 406 votes cast, 30 related to management remuneration and the Investment Manager voted against the company management on 40% of these. For more information on Fundsmith's approach, see Fundsmith's 2023 Stewardship Report at www.smithson.co.uk/documents.

Taskforce for Climate Related Financial Disclosures ("TCFD")

The Company notes the TCFD recommendations on climate related financial disclosures. The Company is an investment company and, as such, it is exempt from the UK Listing Rules requirement to report against the TCFD framework.

Disclosure concerning Greenhouse Gas Emissions ("GHG") for the year ended 31 December 2024

The Company is an investment trust, with neither employees nor premises, and the Company has no financial or operational control of the investee companies' underlying assets. It has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio.

Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Report of the Directors is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Company Culture and Values

Corporate culture for an externally-managed investment trust refers to the beliefs and behaviours that determine how the Directors interact with one another and how the Board manages relationships with shareholders and key service providers, such as the Investment Manager. The culture is defined by the values which are set out below. The s172 report included in this Strategy and Business Review provides further details of how the Board has operated in this regard.

The Board is mindful that it is overseeing the management of a substantial investment portfolio on behalf of investors. In many cases, the investment in the Company may represent a large proportion of an individual's savings. All the Directors are invested in the Company, with the exception of the Chairman, and as such, their interests are aligned with those of fellow shareholders in this regard. It is the intention that the Chairman, following their recent appointment, to purchase shares once the Company is out of the closed period.

Our approach to governing the Company is underpinned by our determination to do the right thing for our shareholders. Key to this is having a constructive relationship with them, through regular updates, half-yearly and annual reports, and the opportunity to meet with them at the Annual General Meeting. We also believe in having strong relationships with our key service providers, one based on mutual trust and respect, with constructive challenge when required. Below is a summary of the Board's most important values:

High Standards
The Directors want to ensure the success of the Company and generate long term value for its shareholders. To this end the Board will seek to adopt high standards of corporate governance and encourage best practice in all its activities. This approach extends to the Company's dealings with its stakeholders including shareholders, the Investment Manager and other service providers.

Honesty and Integrity
The Board seeks to comply with all relevant laws and regulations which apply to investment companies and has zero tolerance to bribery and corruption or any other fraudulent behaviour. The Board further expects the same standards to be applied by its service providers.

Transparency and accountability
The Board encourages clarity and transparency in its Board discussions and in communications with its stakeholders. The Board seeks to work with all service providers in a collaborative manner while at the same time recognising that the Board's role involves exercising oversight and challenge. The Board further recognises that it is accountable to shareholders and will endeavour to give a fair, balanced and understandable overview of the Company's performance to this end.

Integrity and Ethics

Modern Slavery disclosure
Due to the nature of the Company's business, being a company that does not offer goods or services to customers, the Board considers there are no relevant disclosures with regard to the Modern Slavery Act 2015 in relation to the Company's own operations. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial services industry, to be low risk in this regard.

Anti-bribery and corruption
The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment. A summary of the Company's anti-bribery and corruption policy can be found on the Company's website at www.smithson.co.uk.

Prevention of the facilitation of tax evasion
In response to the Criminal Finances Act 2017, the Board has adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A summary of the Company's policy can be found on the Company's website at www.smithson.co.uk.

Employees, human rights and community issues
The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. As at the date of this report the Company had four Directors, of whom two are male and two are female. The Board's policy on diversity is contained in the Corporate Governance Report of the Annual Report.

Dividend policy

The Company's intention is to look for overall return rather than seeking any particular level of dividend, however, the Company will comply with the investment trust rules which require the Company to distribute the majority of its revenue profit after tax.

Any dividends and distributions will be at the discretion of the Board. Subject to the Companies Act, the Company may, by ordinary resolution, declare a final dividend to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. The Company does not intend to pay any interim dividends.

When the Company is in a position to pay a dividend, then it may, subject to complying with all relevant criteria and with the approval of the shareholders by ordinary resolution, choose to offer shareholders a scrip dividend alternative or may establish a scrip dividend scheme that would allow shareholders to receive ordinary shares instead of a cash dividend.

Strategic Report

The Strategic Report set out in the Annual Report was approved by the Board of Directors.

On behalf of the Board

Mike Balfour
Chairman

5 March 2025

Board of Directors

The Directors who held office at the date of this report are:

Mike Balfour
(Chairman)

Appointed 28 January 2025

Mr Balfour is a non-executive Director and Chair of Fidelity China Special Situations plc and a non-executive Director and Chair of abrdn Property Income Trust plc which is being wound up. He is Chairman of TPT Investment Management Limited and sits on the board of its parent company, TPT Retirement Solutions Limited. He was formerly a non-executive Director and Chair of the Audit Committee of Schroder BSC Social Impact Trust plc. and non-executive Director of Perpetual Income Growth Investment Trust plc. He is a member of The Institute of Chartered Accountants of Scotland.

Diana Dyer Bartlett
(Audit Committee Chairman)

Appointed 14 September 2018

Mrs Dyer Bartlett was Chairman of the Audit Committee from the Company's IPO in 2018 until 1 March 2022 when she was appointed Chairman of the Board. She resumed the position as Audit Committee Chair on 28 January 2025 following the appointment of Mike Balfour to the Board as Chairman of the Company. After qualifying as a chartered accountant with Deloitte Haskins & Sells, Mrs Dyer Bartlett spent five years in investment banking with Hill Samuel Bank. Since then, she has held a number of roles as finance Director of various venture capital and private equity backed businesses and listed companies involved in software, financial services, renewable energy and coal mining. She was also Company Secretary of Tullett Prebon plc and Collins Stewart Tullett plc. Mrs Dyer Bartlett is currently a non-executive Director and Chairman of the Audit Committee of Mid Wynd International Investment Trust plc, a senior independent Director and Chairman of the Audit and Risk Committee of Schroder British Opportunities Trust plc and with effect from 17 March 2025 has been appointed as a non-executive Director of Mobius Investment Trust plc.

Jeremy Attard-Manche
(Management Engagement Committee Chairman)

Appointed 1 March 2022

Mr Attard-Manche was a partner at Tell Investments, which he jointly founded in 2002, and managed three Cayman-registered hedge funds, with total assets under management of c. EUR 1 billion. Prior to this, he worked at James Capel and then held a number of roles with Merrill Lynch including Managing Director responsible for all hedge fund distribution in Europe (including cash, equity-linked and prime brokerage products) and as head of the London-based team of Pan European specialist and generalist research salesmen. He is a Managing Trustee of the Plan with Grace Trust.

Denise Hadgill

Appointed 1 June 2022

Mrs Hadgill was formerly a Managing Director at BlackRock and Head of the UK Product Specialist Group and prior to this, a UK Equity Fund Manager and Director at Schroder Investment Management Limited. She is a non-executive Director and Chair of the Investment Committee of PG Mutual and a non-executive Director of Chelverton UK Dividend Trust plc and its wholly owned subsidiary, SDV 2025 ZDP plc.

All of the Directors are members of the Audit Committee and the Management Engagement Committee.

The Directors present their report on the affairs of the Company, together with the audited financial statements and the Independent Auditor's Report for the year to 31 December 2024. The Corporate Governance Report on pages 36 to 39 forms part of this report. Disclosures relating to performance, future developments and viability and risk management can be found in the Strategic Report on pages 2 to 29 and are incorporated in this report by reference.

Legal and Taxation Status

The Company is registered as a public limited company in England and Wales (Registered Number 11517636) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). Its shares are listed on the Official List and traded on the main market of the London Stock Exchange. The Company is an approved investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

Investment Management

The Company's investments are managed by Fundsmith LLP. Simon Barnard is the day-to-day fund manager and Terry Smith oversees his activities as Chief Investment Officer. Fundsmith's services are provided pursuant to an agreement entered into on 17 September 2018 and include, amongst other things, advising on how monies are invested or divested, how rights conferred by the investments should be exercised, how income should be collected and on market trends etc. The Investment Manager fulfils the regulatory role of AIFM.

The Investment Manager is entitled to receive a fee from the Company equal to 0.9% of the market capitalisation of the Company accrued daily and payable monthly in arrears. The Investment Management Agreement may be terminated by either party on twelve months' notice.

The Management Engagement Committee has conducted a review of the ongoing appointment of the Investment Manager. Further details on the review and its conclusions can be found in the Management Engagement Committee Report.

Fund Administration, Depositary and Custody

Responsibility for the Company's fund administration, cash monitoring and processing transactions of the Company's investments is with Northern Trust Global Services SE. Depositary services are conducted by Northern Trust Investor Services Limited, a separate UK incorporated entity established by the Northern Trust Company to provide depositary services to UK companies. The depositary provides the following services:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions and foreign exchange services;
- taking reasonable care to ensure that the Company is managed in accordance with the AIFMD, the FUND sourcebook and the Company's articles of association in relation to the net asset value per share and the application of income of the Company; and
- monitoring the Company's compliance with investment restrictions and leverage limits set in its offering documents.

Results and Dividends

The Company reported (see page 57) a total loss after tax for the year of £8.1 million (2023: £293.3 million profit), comprising a capital loss of £12.5 million (2023: £290.3 million profit) and a revenue profit of £4.4 million (2023: revenue profit of £3.0 million). The Company had prior year revenue losses of £3.6 million and therefore at 31 December 2024 the Company's Revenue Reserve was £0.8 million. In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company cannot (except to the extent permitted by those regulations) retain more than 15% of its income in respect of an accounting period. Accordingly, in order to maintain the Company's tax status as an investment trust, the Company will propose for shareholder approval at the AGM a final dividend of 0.58 pence per share (2023: nil). The Directors did not pay an interim dividend during the year (2023: nil).

This is consistent with the Company's policy of focusing on long-term capital growth and only declaring dividends to the extent required to maintain the Company's tax status as an investment trust.

Going Concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Company, which included consideration of the risks and impact of actual and emerging risks such as those relating to the macroeconomic, political and geopolitical environment including uncertainty over inflation and interest rates and the continuing conflicts in Ukraine and the Middle East, and which should be read in conjunction with the Viability Statement.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 31 December 2024 were £2,130 million (2023: £2,552 million). As reported on page 58, at 31 December 2024, the Company held £2,127 million in listed investments (2023: £2,539 million) and had cash of £3.0 million (2023: £16.6 million). The Company has no borrowings. The Company had dividend income net of withholding taxes of £24.5 million in the year to 31 December 2024 (2023: £25.0 million). The total revenue operating expenses for the year ended 31 December 2024 were £20.0 million (2023: £21.8 million) and the Company had a revenue profit of £4.4 million (2023: profit of £3.0 million). Therefore, at the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial options to meet the Company's continuing obligations as well as supporting the Company's buyback programme.

As during 2024 the Company shares traded at an average discount of more than 10%, shareholders will be given the opportunity to vote on the Company's continuation in its present form at the forthcoming AGM. At the 2024 AGM shareholders, 90% of the votes cast were in favour of continuation. In considering the going concern of the Company, the Board have considered the performance of the Company since inception, the proposed amendment to the Company's investment policy, feedback from stakeholders, including the Company's broker and major shareholders and the Board is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements for at least 12 months from the date of approval of these financial statements.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure to the build up of systemic risk or disorderly markets, including the borrowing of cash and the use of derivatives. The Company did not employ any leverage during the year ended 31 December 2024.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 15 to the financial statements and the Company's hedging policy on page 14.

Directors' Indemnities and Directors' and Officers' Liability Insurance

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a Director with funds to meet their expenditure in defending any civil or criminal proceedings brought or threatened against them in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority. There were no such indemnities during the year (2023: same).

The Company's Directors are covered by Directors' and Officers' Liability insurance.

Investment Manager's Interests

As at 31 December 2024, Terry Smith and other founder partners and key employees of the Investment Manager directly or indirectly and in aggregate, held 2.3% (2023: 1.7%) of the issued share capital of the Company.

Significant Interests

As at the year end and at 3 March 2025 (the latest practical date before publication of the Annual Report), the following investors had declared a notifiable interest in the Company's voting rights:

	31 December 2024		3 March 2025	
	No of shares	% of issued share capital	No of shares	% of issued share capital
Brewin Dolphin Limited	7,041,512	5.39%	7,041,512	5.58%
Evelyn Partners Limited	6,699,905	5.13%	6,699,905	5.31%
Rathbones*	5,739,467	4.40%	5,739,467	4.55%

* Rathbone Investment Management Ltd and Rathbone Investment Management International Ltd

Share Capital and Voting Rights

As at 3 March 2025 (the latest practical date before publication of the Annual Report) the Company's issued share capital consisted of 177,107,958 Ordinary Shares, carrying one vote each. There are 50.88 million treasury shares in issue. Therefore, the total voting rights in the Company as at 3 March 2025 were 126.22 million.

The holders of the ordinary shares are entitled to receive, and to participate in, any dividends declared in relation to the ordinary shares. On a winding-up or a return of capital by the Company, the holders of ordinary shares are entitled to all of the Company's remaining net assets after satisfaction of the Company's liabilities.

The ordinary shares carry the right to receive notice of, attend and vote at general meetings of the Company. The consent of the holders of ordinary shares is required for the variation of any rights attached to the ordinary shares. Holders of ordinary shares have one vote per share held.

There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no restrictions on voting rights, and no agreements between holders of securities regarding their transfer which are known to the Company.

The Board is not aware of any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, nor any agreements with the Company and its Directors for compensation for loss of office that occurs because of a takeover bid.

During the year, the Company bought back to hold in treasury 29.2 million ordinary shares at a total cost of £413.9 million. The average discount to the prevailing net asset value at which these new shares were purchased was 11.4%. The share buybacks represented 18.3% of the Company's issued share capital at the start of the year. For more details, please see the Statement of Changes in Equity in the financial statements.

In the period from 31 December 2024 to 3 March 2025, (the latest practicable date before publication of the Annual Report), a further 4.3 million ordinary shares have been bought back at an aggregate total cost of £66.0 million. The average discount at which these shares were purchased was 11.84%.

Shares held in treasury may be re-issued by the Company. Any such re-issue will be at a premium to the Company's net asset value per share.

Charitable and Political Donations

There were no charitable or political donations made during the year to 31 December 2024 (2023: nil).

Board Appointments, Re-election and Removal

All appointments to the Board and re-elections of Directors and removal of Board members are carried out in accordance with the Companies Act and the Company's Articles of Association. In accordance with best practice, Directors stand for re-election on an annual basis.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 1.00 pm on 23 April 2025 at the Max Rayne Auditorium, The Royal Society of Medicine, 1 Wimpole Street, Westminster, London W1G 0AE. The Notice of AGM will be sent to all shareholders entitled to receive such notice along with the Annual Report. The notice of the AGM will also be made available on the Company's website at www.smithson.co.uk.

The Board supports the principle that the AGM be used to communicate with private investors. It is the intention that the full Board will attend the AGM and the Chairman will chair the meeting. Shareholders can attend the AGM where they will have an opportunity to question the Chairman, the Board and representatives of the Investment Manager.

Only members on the register of members of the Company as at close of business on 21 April 2025 (or two days before any adjourned meeting, excluding non-business days) will be entitled to vote at the AGM. Any proxy must be lodged with the Company's registrars or submitted to CREST by 1.00 p.m. on 21 April 2025 or at least 48 hours, excluding non-business days, before any adjourned meeting.

Shareholders will hear a presentation by the Investment Manager Simon Barnard, which will also be made available on the Company's website at www.smithson.co.uk after the meeting.

Special resolutions dealing with the disapplication of pre-emption rights on the allotment of shares, the repurchase of shares, to convene general meetings other than annual general meetings on no less than 14 days' notice will be put to the AGM. This year ordinary resolutions are also being proposed to amend the Company's investment policy and to put a continuation vote to shareholders.

Special Business

Authority to issue shares

At the Annual General Meeting held on 25 April 2024, the Board was granted authority to issue a total of up to 31,445,590 ordinary shares (being 20% of the ordinary shares in issue as at 4 March 2024, the latest practicable date before publication of the Notice of AGM), without pre-emption rights. Since the 2024 AGM, no ordinary shares have been issued under the authorities granted. The authorities expire at the 2025 AGM. The Board intends to seek authority to issue without pre-emption rights, up to a further 20% of its issued share capital as at 3 March 2025 (the latest practicable date before publication of the Notice of AGM) at the forthcoming Annual General Meeting. Shares will only be issued at a premium to the then prevailing net asset value.

Authority to buy back shares

The Board was granted authority at the 2024 Annual General Meeting, to buy back up to 23,568,470 ordinary shares, representing 14.99% of the ordinary shares in issue as at 4 March 2024, the latest practicable date before publication of the Notice of AGM. This authority was substantially utilised by December 2024 and further authority was granted at a General Meeting of shareholders held 17 January 2025 to buy back up to 19,390,761 ordinary shares, representing 14.99% of the ordinary shares in issue if the existing buy-back authority was utilised in full and no new shares were issued. 29.2 million ordinary shares were bought back during the year to 31 December 2024 and 4.3 million since the year end up to the date of this report. The Board recommends that a new authority to purchase up to a maximum of 18,921,125 (representing 14.99 per cent. of the issued ordinary share capital of the Company (excluding Treasury shares) as at 3 March 2025) be granted and a resolution to that effect will be put to the AGM. Any ordinary shares purchased will either be cancelled or, if the Directors so determine, held in treasury. Shares will only be bought back at a discount to the then prevailing net asset value. Shares held in treasury will only be reissued at a premium to the then prevailing net asset value.

Convening General Meetings

The Board seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting.

Investment Policy

As referenced in the Investment Policy section of the Chairman's Statement, Fundsmith LLP, as the Company's AIFM, has proposed that the Company's investment policy be amended. The purpose of this amendment is to remove the restriction preventing the Company from investing in companies with a market capitalization of below £500 million or above £15 billion and to approve a new policy whereby the Company will invest in shares issued by small and mid-sized listed companies globally that (at the time of initial investment) have a market capitalisation within the range of the constituents of the MSCI World SMID Index. The Board believes that this change will remove an unnecessary restriction and will ensure that the portfolio manager's stock universe is made up of the same sized companies as the comparator index. Shareholders will be asked to approve the change through a resolution that will be proposed at the AGM, and a more detailed rationale concerning this change will be provided in the relevant notice for the AGM.

Continuation Vote

The Company's announced policy is that if the Company's ordinary shares have traded, on average at a price which represents a discount in excess of 10 per cent. of net asset value per share in any such year, the Board will propose an ordinary resolution at the Company's next annual general meeting that the Company continues as an investment trust.

The average discount exceeded 10 per cent. during the year ended 31 December 2024. The Board has, therefore, resolved to propose a continuation resolution at the next AGM in the form of an ordinary resolution that the Company continues in its present form. If the continuation resolution is not passed, the Board will be required to formulate proposals to be put to shareholders within four months to wind up or otherwise reconstruct the Company, having regard to the liquidity of the Company's underlying assets. Any such proposals may incorporate arrangements which enable investors who wish to continue to be exposed to the Company's investment portfolio to maintain some or all of their existing exposure.

Given the performance of the Company since inception, feedback from the Company's broker and major shareholders and that the continuation resolution at the 2024 AGM was passed with 90% of the votes cast, the Board has no reason to believe that the continuation vote will not be approved and that the Company will continue to operate for the foreseeable future.

Recommendation

The Board considers that all the resolutions put forward at the AGM are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings. The explanatory notes to the Notice of AGM describe each resolution and explain the reasons for the Board's recommendation.

Information to be disclosed in accordance with rule 6.6.1 of the UK Listing Rules

Rule 6.6.1 of the UK Listing Rules requires the Company to include certain information in the Annual Report. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with Rule 6.6.1(6) relating to details of the allotment of shares for cash, the information of which is detailed on page 69 under Share Capital.

Events after the Reporting Period

Since 31 December 2024 and up to 3 March 2025, (the latest practicable date before publication of the Annual Report), the Company has bought back 4.3 million ordinary shares for a total cost of £66.0 million.

Auditor Information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(ii) the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Deloitte LLP as the Company's auditor will be put forward at the forthcoming Annual General Meeting.

On behalf of the Board

Mike Balfour
Chairman

5 March 2025

The Corporate Governance Report forms part of the Report of the Directors.

The UK Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code, as issued by the Financial Reporting Council ("FRC") in 2018 ("UK Code"). The UK Code can be viewed on the FRC's website (www.frc.org.uk).

The Board has also considered the Principles and Provisions of the Association of Investment Companies Code of Corporate Governance, as issued in 2019 ("the AIC Code"). The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make it relevant for investment companies.

The Financial Reporting Council which issues the UK Code, has confirmed that, by following the AIC Code, boards of investment companies will meet their obligations under the UK Listing Rules. The Board therefore considers that as an investment company, reporting against the Principles and Provisions of the AIC Code provides more relevant information to shareholders and meets its obligations under the UK Code and associated disclosure requirements under the UK Listing Rules.

The Board considers that the Company has complied with the recommendations of the AIC Code except for the provisions relating to the appointment of a senior independent Director and the need for Remuneration and Nomination committees.

As the Board is small in number, having just four Board members, the Board does not consider that it is necessary to appoint a senior independent Director as the role can be performed by the Board as a whole. Shareholders are invited to contact any of the Directors, if they have any concerns which they wish to raise. The Audit Committee Chairman is responsible for leading the performance review of the Chairman instead of a senior independent Director and the Board as a whole is responsible for agreeing the succession plan for the Chairman. The Board as a whole fulfils the function of the Nomination Committee and the Remuneration Committee and therefore has not reported further in respect of these provisions.

The UK Code additionally includes provisions relating to the role of the chief executive, executive Directors' remuneration and the need for an internal audit function. The Company has no chief executive or other executive Directors and therefore has no need to consider the remuneration of executive Directors.

In addition, the Company does not have any internal operations and therefore does not maintain an internal audit function. However, the Audit Committee considers the need for such a function at least annually (see page 41 for further information).

The Chairman of the Board should not be a member of the Audit Committee per the UK Code. However, the AIC Code permits the Chairman to be a member of, but not chair the Audit Committee if they were independent on appointment. The Chairman was independent on appointment, and in view of the size of the Board, the Directors feel it is appropriate for the Chairman to be a member of the Audit Committee.

The Board

The Board has overall responsibility for the effective stewardship for the Company's affairs. Its primary responsibility is to promote the long-term sustainable success of the Company, generate value for shareholders and have regard to stakeholder interests. It also establishes the Company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. It has a number of matters formally reserved for its approval including strategy, investment policy, gearing, treasury matters, dividend and corporate governance policy. The Board approves the financial statements, revenue budgets and reviews the performance of the Company. A copy of the matters reserved to the Board is available from the Company Secretary or on the Company's website at www.smithson.co.uk. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

As part of the Board's succession planning, on 28 January 2025, Lord Anthony of Bletso retired from the Board of Directors and Diana Dyer Bartlett stepped down as Chairman of the Company, resuming the role of Audit Committee Chairman. The Board conducted a recruitment process to appoint a new non-executive Director who would assume the role of Chairman of the Company. Suitable candidates were provided by independent recruitment consultants, Fletcher Jones. The Board selected and interviewed a short list of candidates to assess their suitability and skills. Following the conclusion of this process, the Board determined to appoint Mike Balfour as Director and Chairman of the Board from 28 January 2025.

All of the Directors will offer themselves for election or re-election at each Annual General Meeting and explanations for why their appointment or continued appointment is appropriate is included in the explanatory notes to the separate Notice of Annual General Meeting posted to shareholders along with this Annual Report. Summary biographical details of the Directors are set out on page 30.

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. Both the appointment and removal of the Company Secretary is a matter for the whole board.

Board Diversity – Gender and Ethnic Background

The Board considers the balance of skills, knowledge, diversity (including gender and ethnicity) and experience, amongst other factors when reviewing its composition and appointing new Directors and encourages applications from candidates from a broad range of background and experience and will seek to appoint the most suitable candidate. The Board has considered the recommendations of the McGregor-Smith and the Hampton-Alexander reviews as well as the Parker review.

According to the requirements of rule 6.6.6(9) of the UK Listing Rules, the Company is required to include a statement in the annual report setting out whether it has met the following targets on board diversity as at 31 December 2024, the Company's chosen reference date:

1) At least 40% of individuals on its board are women;

2) At least one of the senior board positions is held by a woman; and

3) At least one individual on its board is from a minority ethnic background.

The following tables set out the prescribed format for information in accordance with the requirements of UKLR 6.6.6(9).

(a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	50%	1
Women	2	50%	1
Not specified/ prefer not to say	–	–	–

(b) Table for reporting on ethnic background

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

The rules only recognise the roles of Chairman, Chief Executive (CEO); Senior Independent Director and Chief Financial Officer (CFO) as senior board positions. The Board considers the CEO and CFO positions are not relevant to the Company as it is an externally managed investment company with no executive management. However, the Board considers the Chairman of the Audit Committee to be a senior board position and the above disclosure is made on this basis.

The UK Listing Rules require disclosure of an explanation of the Company's approach to collecting the data used for the purposes of making the disclosures. The Company Secretary circulated the above tables to each Director to complete individually and collated the responses for inclusion in the Annual Report.

The above table confirms that whilst the Board has met the targets on gender diversity, it has not yet done so on ethnic minority diversity. This is because the Company is a young company, having been formed in 2018 with a Board comprising three Directors. In 2022 the Board size was increased to four Directors with the appointment of Denise Hadgill, enabling the Board to meet the gender diversity target whilst also adding to the Board's skill base.

The Board recognises the benefits of having diverse representation reflecting wider society within the Board and, when making appointments, welcomes applications from everyone regardless of age, gender, ethnicity, sexual orientation, belief or disability. During the recent process for recruiting a new Chairman, the Board gave instruction to the recruitment specialists to source appropriate candidates paying particular regard to the Board's desire to engage with candidates from minority ethnic backgrounds. Notwithstanding this requirement, the Board felt that Mr Balfour was the most appropriate candidate given his particular skillset and prior experience. Having recruited a new Chairman in the latter part of 2024, the Board now intends to increase its size to five, with the aim of fulfilling the ethnic diversity targets within the next 12 months.

Meeting Attendance

The number of ordinary course scheduled Board and Committee meetings held during the year to 31 December 2024, and each Director's attendance, is shown below:

Total number of meetings during the tenure/attendance

	Board	Audit Committee	Management Engagement Committee
Number of ordinary course meetings held	4	3	1
Diana Dyer Bartlett	4/4	3/3	1/1
Lord St John of Bletso	4/4	3/3	1/1
Jeremy Attard-Manche	4/4	3/3	1/1
Denise Hadgill	4/4	3/3	1/1

In addition, Board and Committee ad-hoc meetings were held to deal with administrative matters and the formal approval of documents.

Directors' Tenure and Performance Appraisal

It is the Board's policy that all Directors, including the Chairman, will normally have their tenure limited to nine years from their first appointment to the Board, except when the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director, or the Chairman, is in the best interests of the Company and its shareholders. This is also subject to the Director's re-election by shareholders at each Annual General Meeting.

The Board has formulated a succession plan to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

Upon joining the Board, all Directors receive an induction and relevant training is available to Directors on an ongoing basis.

Board Evaluation

A formal annual performance appraisal process is performed on the Board, the Committees, the individual Directors and the Company's main service providers. Led by the Chairman, the evaluation was conducted through a programme of both open and closed-ended questions answered by each of the Directors. The evaluation also considered the Board and Committees' composition size and skillset and the Directors' performance including their roles in chairing committees and the discharge of the specific responsibilities of the committees. The results of the evaluation were reviewed by the Chairman and discussed with the Board.

The conclusions of the performance evaluation were positive and demonstrated that the Directors were operating effectively and showed the necessary commitment to the effective fulfilment of their duties.

Based upon the conclusions of the appraisal on Directors' performance and effectiveness, the Board recommends that each of the Directors should be elected or re-elected as a Director at the forthcoming AGM. Furthermore, the Board is satisfied, having considered each Director's experience and the nature of, and anticipated demands on their time by their other business commitments including other investment trusts, that each Director is able to commit the time required to fulfil their responsibilities as a Director of the Company.

Directors' Independence

The Board consists of four non-executive Directors, each of whom is independent of the Investment Manager. No member of the Board is a Director of another investment company managed by the Investment Manager. Accordingly, the Board considers that all the Directors are independent and there are no relationships or circumstances which are likely to affect or could appear to affect their judgement. The Board has additionally adopted a conflicts of interest policy. Any new external appointments are approved by the Chairman or the Board before they are accepted, having regard to potential conflicts of interest and the time commitment involved.

Role of the Chairman

The Chairman's main role is to lead the Board. In doing so, the Chairman promotes high standards of governance, ensures the Directors are provided with sufficient and timely information so that they are able to discharge their duties, allows each Board member's views to be considered and ensures appropriate action is taken. Additionally, the Chairman's role includes ensuring that each Committee has the support required to fulfil its duties, overseeing the Board's effectiveness reviews and the induction and development of Directors. The Chairman is required to remain independent of the Investment Manager, whilst providing effective support, challenge and advice to the Investment Manager. Through direct contact or through the Company's broker and Investment Manager, the Chairman receives the views of shareholders and also ensures that the Board as a whole has a clear understanding of these.

During the year Diana Dyer Bartlett was Chairman of the Board. Mrs Dyer Barlett stepped down as Chairman effective 28 January 2025 and Mike Balfour was appointed Chairman.

Role of Committees

Audit Committee

The Board has established an Audit Committee which was chaired during the year by Lord St John of Bletso. Following Lord St John of Bletso's retirement as Director of the Company on 28 January 2025, Mrs Dyer Bartlett was appointed Chairman of the Audit Committee.

The Committee consists of all the Directors. Mrs Dyer Bartlett who was appointed Chairman of the Company on 1 March 2022 and was Chairman during the year was independent on appointment, and therefore entitled to be a member of the Audit Committee under the AIC Code. Mr Balfour was appointed Chairman of the Company on 28 January 2025 and was independent on appointment, and therefore is entitled to be a member of the Audit Committee under the AIC Code. A report of the Audit Committee is included in this Annual Report and sets out the role and responsibilities of the Audit Committee. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee.

Management Engagement Committee

The Board has established a Management Engagement Committee which was chaired during the year by Mr Attard-Manche. The Committee consists of all the Directors. A report of the Management Engagement Committee is included in this Annual Report and sets out the role and responsibilities of the Management Engagement Committee.

Nomination Committee and Remuneration Committee

The Board as a whole fulfils the function of the Nomination Committee and the Remuneration Committee. The Board considers its size to be such that it would be unnecessarily burdensome to establish a separate Nomination Committee. As there are no executive Directors, there is no need for a Remuneration Committee.

The terms of reference of each committee can be found on the Company's website at www.smithson.co.uk.

Nominee Share Code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications upon request; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB.. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 require that the Directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provided additional disclosures when compliance with the specific requirements in IFRS were insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepared the financial statements on a going concern basis.

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

The financial statements are published on the Company's website at www.smithson.co.uk. The Investment Manager has delegated authority for the maintenance and integrity of the website on behalf of the Company. The work carried out by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company for the year ended 31 December 2024; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Mike Balfour
Chairman

5 March 2025

Statement from the Chairman

I am pleased to present the Audit Committee Report for the year ended 31 December 2024. The Committee met three times during this year and all members attended each meeting. The Committee also met on 24 February 2025 to consider this report. The Company's external auditor attended the meetings to agree the audit plan and to consider this Annual Report. The Investment Manager attends meetings by invitation of the Audit Committee, but the Audit Committee also met the external auditor without the Investment Manager at meeting held to approve the annual financial statements.

Composition

The Audit Committee comprises all the Directors whose biographies are set out on page 30. Lord St John of Bletso was Chairman of the Audit Committee during the year to 31 December 2024. Following Lord St John of Bletso's retirement as a Director of the Company on 28 January 2025, Mrs Diana Dyer Bartlett was appointed Chairman of the Audit Committee.

Mrs Dyer Bartlett, who served as Chairman of the Company during the year to 31 December 2024, was independent on appointment, and therefore entitled whist serving as Chairman of the Board to be a member of the Audit Committee under the AIC Code. Mike Balfour became Chairman of the Board on 28 January 2025 and was independent on appointment, and is therefore entitled to be a member of the Audit Committee under the AIC Code. The Board is satisfied that the Committee as a whole has competence relevant to the sector in which the Company operates and the Committee considers that it has recent and relevant financial experience. Lord St John of Bletso chaired a number of audit committees including that of a VCT and Mrs Dyer Bartlett is a chartered accountant and audit committee chairman of two other investment trusts.

Responsibilities

The Committee's main responsibilities under its terms of reference are:

1. To review the Company's Interim and Annual Reports. In particular, the Committee considers whether the financial statements are fair, balanced and understandable, allowing shareholders to assess the Company's investment policy, position and performance, business model and strategy;

2. To review the risk management and internal control processes of the Company;

3. To recommend the re-appointment of Deloitte LLP as external auditor and agree the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process;

4. To consider any non-audit work to be carried out by the auditor. The Audit Committee reviews the need for non-audit services to be performed by the auditor in accordance with the Company's non-audit services policy, and authorise such on a case by case basis having given consideration to the cost effectiveness of the services and the objectivity of the auditor;

5. To consider the need for an internal audit function; and

6. To review and challenge the assumptions and qualifications in respect of the Company's going concern and viability statements.

Meetings and Business

The Committee met three times during the year under review. The following matters were dealt with at those meetings:

Financial statements

The Committee has confirmed that, in its opinion, the Board can make the required statement that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In making this assessment, the Committee had regard to guidance published by the Financial Reporting Council. The Committee assessed and agreed that transactions had been fairly disclosed, performance measures had been prepared on a consistent basis and were reflective of the business, there was adequate commentary on the Company's strengths and weaknesses and that this Annual Report, taken as a whole, is consistent with the Board's view of the operation of the Company. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the planning for its preparation and review of the processes to assure the accuracy of factual content.

Significant reporting matters

The Committee considered key accounting issues, matters and judgements in relation to the Company's financial statements and disclosures relating to:

Valuation and ownership of the Company's investments

The Committee is responsible for reviewing procedures to confirm the valuation and existence of investments. Controls are in place to ensure that valuations are appropriate, and existence is verified through reconciliations undertaken by the depositary.

Recognition of revenue from investments

The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. The Committee sought confirmation that processes were in place to ensure that all dividend income and recovery of overseas tax is captured correctly and reflected in the Company's Financial Statements.

Accounting policies

The current accounting policies, as set out on pages 61 to 64, have been applied consistently throughout the period.

Alternative performance measures

The Committee considered the appropriateness and prominence of APMs in the Annual Report and believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Going concern and viability statements

Having reviewed the Company's financial position, liabilities, buy back programme, principal risks and prospects and any emerging risks, the Committee recommended to the Board that it was appropriate for the Board to prepare the financial statements on the going concern basis for a period of at least 12 months from the date of the approval of the financial statements. Further detail is provided on page 32. It further formulated the Viability Statement set out on page 23 including the appropriate assessment period.

Risk management and internal controls

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, investment management, accounting, company secretarial and custodial services have been delegated to third parties.

The Board has delegated responsibility to the Audit Committee to advise on the assessment and management of principal risks as well as identification of emerging risks. The Audit Committee ensures that confirmation is included in the Annual Report from the Board of Directors of the Company that an assessment of the principal and emerging risks has been completed, including a description of the principal risks, risk management and mitigation and procedures to identify emerging risks. This confirmation is given in the Strategic Report. The Committee reviewed the Company's schedule of key risks twice during the period and reviewed a risk appetite statement summarising the Board's attitude to its principal risks and to identify when active Board engagement might be required outside the normal cycle of Board meetings. No significant control failings or weaknesses were identified in the Committee's most recent risk review and no modifications to the risk mitigation programme were recommended.

A review of the Company's anti-bribery and corruption policy and its policy for the prevention of the facilitation of tax evasion was carried out and it was determined they continued to be appropriate and reflective of best practice. It also confirmed that appropriate whistleblowing policies were in place at the Investment Manager and the other key service providers.

Internal audit

The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. Separately, the Audit Committee considered whether there was merit in appointing a firm of accountants to undertake any internal audit reviews into the Company's policies and procedures. It concluded that this would not add any value on the basis that all the Company's operations had been outsourced to third parties and reports were received from key third parties regarding their processes and procedures. In relation to the Investment Manager, fund administrator and depositary, external audit reports were also received which confirmed that no issues had been identified with such third parties' procedures and internal controls. The Audit Committee keeps the need for an internal function under periodic review.

External Auditor

During the year, the nature and scope of the external audit together with Deloitte LLP's audit plan were considered by the Committee. Subsequent to the year end, the Committee also met with Deloitte LLP to review the outcome of the audit and the draft 2024 Annual Report.

In order to fulfil the Committee's responsibility regarding the independence of the auditor, the Committee considered:

- the senior audit personnel;
- the auditor's arrangements concerning any potential conflicts of interest;
- the extent of any non-audit services undertaken by the auditor on behalf of the Company; and
- the statement by the auditor that they remain independent within the meaning of the regulations and their professional standards.

In its review of the effectiveness of the audit process, the Committee considered:

- the auditor's fulfilment of the agreed audit plan;
- the level and effectiveness of challenge provided by the auditor;
- the audit quality control arrangements, including the stages of review of the Annual Report, the time spent by the audit partner and whether any issues identified during the audit had been dealt with on a timely basis;
- the auditor's report on the FRC's Audit Quality Review issued in July 2024 (and confirmation that there were no significant developments since that time);
- the auditor's audit approach taking into account the requirements in respect of material assumptions;
- the report arising from the audit itself; and
- feedback from the Company Secretary, the Investment Manager and the fund administrator on the conduct of the audit.

The Committee was satisfied with the auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear and that the auditor provided effective independent challenge in carrying out its responsibilities.

The Committee confirms that the Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. This order relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of the policy on the provision of non-audit services.

Non-audit services

The Company's policy for the provision of non-audit services by the auditor is aligned with the Revised Ethical Standards 2019 (the "Auditing Standards"). The Company's policy is that the provision of non-audit services by the auditor is permissible where no conflicts of interest arise, where the independence of the auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. There were no non-audit services undertaken by the Company's auditor during the year under review.

Details of the fees paid to the external auditor for audit services are set out in note 5 to the financial statements. The Audit Committee received representations from the external auditor concerning their independence and considered the external auditor to be independent.

Auditor re-appointment

The auditor to the Company is Deloitte LLP who were engaged on 24 July 2019. In accordance with partner rotation requirements, Andy Fern was appointed as audit partner for the Company from 26 April 2024.

The Committee conducted a review of the performance of the auditor during the year and concluded that performance was satisfactory and that there were no grounds for change. It also reviewed the audit fee.

Deloitte LLP have indicated their willingness to continue to act as auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the Annual General Meeting as well as a resolution to approve the auditor's remuneration.

Audit Committee Effectiveness

During the year the Audit Committee reviewed its effectiveness and concluded that it had discharged all its obligations as set out in the Audit Committee's terms of reference in an efficient and effective manner. The Audit Committee concluded that there were no changes required to its procedures.

Diana Dyer Bartlett
Chairman of the Audit Committee

5 March 2025

Statement from the Chairman

I am pleased to present the Management Engagement Committee Report for the year ended 31 December 2024.

The Management Engagement Committee met once during the year and the attendance by each Director is shown in the table on page 38. The Committee also met on 24 February 2025 to consider this Report.

Composition

The Committee comprises all the Directors whose biographies are set out on page 30.

Responsibilities

The Committee's main responsibilities during the period were:

- to undertake an annual review of the compliance by the Investment Manager with the Company's investment policy as established by the Board and with the Investment Management Agreement entered into between the Company and the AIFM and the Investment Manager; and

- to undertake an annual review of the performance of the Investment Manager and any other key service providers to the Company other than the external auditor.

Investment Manager

The Company has appointed Fundsmith LLP as the Company's AIFM and Investment Manager.

Before the publication of this report, the Management Engagement Committee reviewed the performance of the Investment Manager and whether it had fulfilled the terms of the Investment Management Agreement and complied with the Company's investment policy. It also received a report and presentation from the Investment Manager's Compliance Officer regarding the Investment Manager's compliance processes.

The Committee agreed that the Investment Manager has the required skills and depth of experience to manage the Company's investments. The Committee also concluded that the performance of the Investment Manager was satisfactory, and that the continuing appointment of the Investment Manager was in the best interests of shareholders. The Committee agreed that the existing fee arrangements and other contractual terms remained appropriate and further aligned the Investment Manager's interests with those of the Company's shareholders.

Other Key Service Providers

The Company's other key service providers are:

- Depositary (Northern Trust Investor Services Limited)

- Custodian (The Northern Trust Company)

- Administrator (Northern Trust Global Services SE)

- Company Secretary (Apex Listed Companies Services (UK) Limited)

- Registrar (MUFG Corporate Markets (formerly Link Group) and

- Broker (J.P. Morgan Cazenove)

The Committee received feedback from the Investment Manager and the Company Secretary on the performance of these service providers and the level of their fees which is monitored on an ongoing basis. During the year the Committee secured a reduction in both the administration and depositary fees.

The Committee also asked all its key service providers to complete questionnaires concerning their operations, internal controls, business continuity plans, policies and procedures and these questionnaires were reviewed by the Committee.

Following the Committee's review and analysis, the Committee concluded that the performance of all the Company's current key service providers was satisfactory and that each be retained until the next review.

Management Engagement Committee Effectiveness

During the year the Management Engagement Committee reviewed its effectiveness and concluded that it had discharged all its obligations as set out in the Management Engagement Committee's terms of reference in an efficient and effective manner. The Management Engagement Committee concluded that there were no changes required to its procedures.

Jeremy Attard-Manche
Chairman of the Management Engagement Committee

5 March 2025

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. The law requires the Company's auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the auditor's opinion is included in its report to shareholders within this Annual Report.

All Directors are non-executive and do not have service contracts with the Company but are engaged under letters of appointment. The Directors' letters of appointment, and the terms and conditions within, are available for inspection on request at the Company's registered office.

The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's Remuneration Policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size.

During the year, Directors' remuneration was set at £47,250 to the Chairman of the Board, £42,000 to the Audit Committee Chairman, £36,750 to the Management Engagement Committee Chairman and £31,500 to Directors.

The Board undertook an evaluation of its remuneration taking into consideration the latest inflation rates and peer group comparisons by sector and market capitalisation. The Board noted that the Directors' remuneration was below the median remuneration of the Company's peer group and that an increase would be appropriate. Following the review, the Chairman's remuneration increased to £60,000, the Audit Committee Chairman to £46,000, the Management Engagement Committee Chairman to £40,000 and Directors to £36,000 with effect from 1 January 2025.

The total fees paid to the Directors for the year to 31 December 2024 are set out in the table below.

Directors' Remuneration Policy

The Company's Remuneration Policy provides that fees payable to the Directors should reflect the value of the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. Directors' remuneration comprises solely Directors' fees. Additionally, there are no benefits in kind, however, Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties such as expenses incurred in the course of travel to attend meetings and duties undertaken. Directors may also earn a pro rata day rate in connection with extraordinary corporate events or transactions requiring them to commit significant extra time to the Company. No additional day rates were charged in 2024 (2023: nil). The Company does not have any employees.

Whilst the articles allow the Company to establish pension schemes and similar benefits for the Directors, no such scheme has been established and there are no plans to establish one.

In accordance with statute, the Remuneration Policy will be considered by shareholders at the Annual General Meeting at least once every three years. The Remuneration Policy was approved by shareholders at the AGM held on 27 April 2023. Accordingly, an ordinary resolution for the approval of the Remuneration Policy will be considered by shareholders at the Annual General Meeting in 2026. The provisions set out in the Remuneration Policy apply until they are next submitted for shareholder approval. In the event of any proposed material variation to the Remuneration Policy, shareholder approval will be sought for the proposed new policy prior to its implementation. The Remuneration Policy sets out the principles the Company follows in remunerating Directors and the result of the shareholder vote on the Remuneration Policy is binding on the Company.

Directors' Remuneration Policy Implementation Report

The way in which the Board implemented the Company's Remuneration Policy in the year ended 31 December 2024 is set out below.

	(Audited) Fee for the year to 31 December 2024 (£)	(Audited) Fee for the year to 31 December 2023 (£)
Diana Dyer Bartlett	47,250	45,000
Lord St John of Bletso	42,000	40,000
Jeremy Attard-Manche	36,750	35,000
Denise Hadgill	31,500	30,000
Total	**157,500**	**150,000**

Annual Percentage Change in Directors' Remuneration (unaudited)

In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below sets out the annual percentage change in Directors' fees in respect of each Director.

	Year ended 31 December 2024 %	Year ended 31 December 2023 %*	Year ended 31 December 2022 %	Year ended 31 December 2021 %	Year ended 31 December 2020 %
Diana Dyer Bartlett	5.0	1.9	10.4	48.1	–
Lord St John of Bletso	5.0	2.1	11.9	29.6	–
Jeremy Attard-Manche	5.0	20.0	–	–	–
Denise Hadgill	5.0	71.4	–	–	–

* The increase in fees in 2023 reflects the fact that Diana Dyer Barlett and Lord St John of Bletso were appointed Chairman of the Board and Chairman of the Audit Committee respectively on 1 March 2022. Jeremy Attard- Manche and Denise Hadgill were appointed as a Non-Executive Directors 1 March 2022 and 1 June 2022 respectively. The fee applicable to each of these roles was unchanged from 31 December 2022.

No communications have been received from shareholders regarding Directors' remuneration. The remuneration for the non- executive Directors is within the limits set out in the Company's Articles of Association. The present limit is £250,000 in aggregate per annum.

Directors' Fees and Expenses

The Directors, as at the date of this report (with the exception of Mike Balfour who was appointed to the Board on 28 January 2025), received the fees listed above. These exclude any employers' national insurance contributions. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

Sums Paid to Third Parties (audited information)

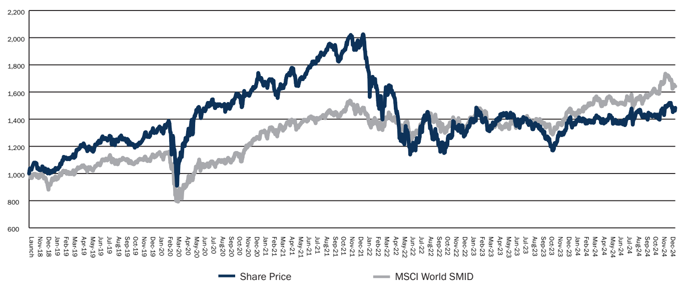
None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Loss of Office

The Directors' letters of appointment specifically exclude any entitlement to compensation upon leaving office for whatever reason. Appointment as Director may, at the discretion of either party, be terminated upon three months' notice.

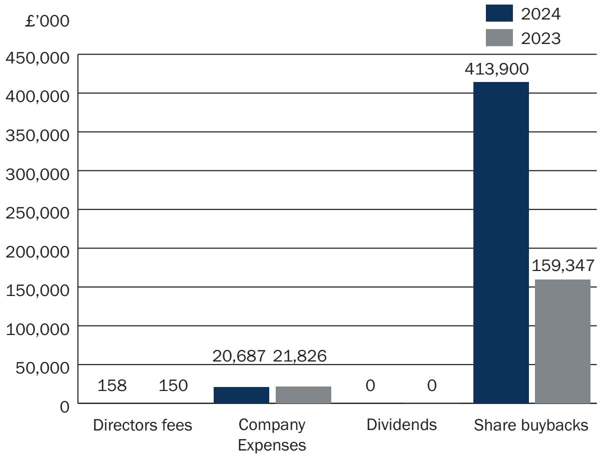
Share Price Total Return

A performance comparison is required to be presented in this report. The performance comparison is shown for the period since launch to 31 December 2024. The MSCI World SMID Cap Index, on a net sterling adjusted basis, has been adopted by the Board as reference index against which the Company's performance has been measured for the period.



Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with Company expenses for the year ended 31 December 2024 and comparative for the year to 31 December 2023. During the year no dividends were paid (2023: nil) and the Company repurchased 29.2 million ordinary shares (2023: 11.7 million) at a cost of £413.9 million (2023: £159.3 million).



Directors' Interests in the Company's Shares as at 31 December 2024 (audited)

The beneficial interests of the Directors of the Company (and their connected parties) at the year end and at the date of this report are set out below:

Director	No of ordinary shares 31 December 2024	31 December 2023
Diana Dyer Bartlett	10,149	10,149
Lord St John of Bletso	10,000	10,000
Jeremy Attard-Manche	2,500	1,250
Denise Hadgill	2,578	1,111

Lord St John of Bletso retired from the Board on 28 January 2025. Mike Balfour was appointed to the Board on 28 January 2025 and at the date of this report holds no shares in the Company.

Shareholder Approval

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders annually at the Company's Annual General Meeting. This vote is advisory only and not binding on the Company, nor does it affect the remuneration payable to any individual Director. However, it does give shareholders the opportunity to inform the Board of their views on Directors' remuneration. Should the resolution fail to be approved in a year in which the Remuneration Policy was not put to a shareholder resolution, this will require the Company to put the Remuneration Policy to shareholders the following year.

The following table sets out the votes received at the last Annual General Meeting of shareholders, held on 25 April 2024, in respect of the approval of the Directors' Remuneration Report.

	In Favour/ Discretionary Total Votes	%	Against Total Votes	%	Withheld Total Votes
Directors' Remuneration Report	59,611,603	99.04%	577,825	0.96%	239,512

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that this report summarises, as applicable, for the year to 31 December 2024:

(i) the major decisions on Directors' remuneration;

(ii) any substantial changes relating to Directors' remuneration made during the period; and

(iii) the context in which the changes occurred and decisions have been taken.

This report on Directors' remuneration was approved by the Board on 5 March 2025 and signed on its behalf by the Chairman.

Mike Balfour

Chairman

5 March 2025

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Smithson Investment Trust plc (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its loss for the year then ended;**
- **have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB.

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation and ownership of investments. Within this report, key audit matters are identified as follows: Similar level of risk.
Materiality	The materiality that we used in the current year was £21.3m which was determined on the basis of 1% of net assets as at 31 December 2024.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

4. Conclusions relating to going concern

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

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

- Obtaining an understanding of relevant controls over management’s process for evaluating the company’s ability to continue as a going concern;
- Assessing the controls in place that enable the company to continue to operate as an investment trust;
- Assessing the likely outcome of the continuation vote on the ongoing viability of the company by reviewing shareholder analysis and holding discussions with the Board and the company’s broker;
- Assessing the performance and position of the company, including its cash position, dividend income and management fee expenses;
- Assessing the risks to the investment portfolio of market altering factors such as inflation, energy costs and interest rates, by looking at the company’s operational impact and business continuity plans;
- Assessing the company’s ability to cover its expenses for at least the 12-month period from the date of signing the financial statements, including the ability of the company to exit underperforming investments, if needed; and
- Assessing the appropriateness of the disclosures in the financial statements relating to going concern.

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

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

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

5. Key audit matters

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

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

5.1. Valuation and ownership of Investment

Key audit matter description	As an investment entity, the company holds investments of £2,127m as at 31 December 2024 (2023: £2,539m). This represents the most quantitatively significant financial statement line on the statement of financial position. There is a risk that investments may not be valued correctly or may not represent the property of the company. This may result in a material misstatement within the investments held at fair value through profit or loss and we consider that there is a potential area for fraud since investment return is a key performance indicator for the company. Refer to note 1f to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 9 to the financial statements. The valuation and ownership of investments is included in the Audit Committee Report as a significant reporting matter on page 42.

How the scope of our audit responded	We performed the following procedures to address the valuation and ownership of investments key audit matter: • We obtained an understanding of relevant controls over the valuation and ownership of investments; • We independently valued 100% of the investment portfolio to the closing bid prices published by an independent pricing source; and • We confirmed the ownership of 100% of investments at the year-end date by obtaining independent third-party confirmations directly from the custodian.
Key observations	Based on the work performed we concluded that the valuation and ownership of investments is appropriate.

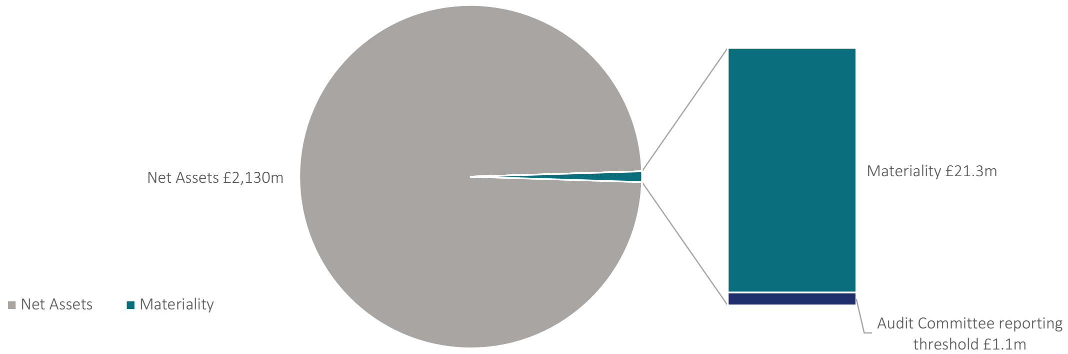
6. Our application of materiality

6.1. Materiality

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

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

Materiality	£21.3m (2023: £25.5m).
Basis for determining materiality	1% (2023: 1%) of net assets.
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is the most relevant benchmark for investors and is a key driver of shareholder value. The increase in materiality year on year arose principally from the increase in the company's net assets.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%). In determining performance materiality, we considered the following factors:

a. no significant changes in business structure and operations;

b. our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and

c. no significant changes in the company's operating environment caused by the uncertainty and volatility brought about by inflation, high energy costs and increased interest rates.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.1m (2023: £1.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

In assessing the company's control environment, we considered controls in place at the company's service organisation, Northern Trust Corporation, which acts as administrator. As part of this we evaluated the System and Organisation Controls (SOC 1) Report of Northern Trust which covers the period from 1st October 2023 to 30th September 2024. We evaluated the SOC 1 report in respect of general IT controls and the relevant controls over the process around the valuation and ownership of investments. We have obtained a bridging letter to cover the three-month period between the date of the controls report and the date of the annual report.

We also obtain an understanding of relevant controls over the financial reporting process and the posting of journal entries and other adjustments made in the preparation of financial statements.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements. The company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined in the Risk Management Section on page 22. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, management's determination of mitigating actions and the impact on the company's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions. We have read the disclosures in relation to climate change made in the other information within the annual report and ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

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

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

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company’s ability to operate or to avoid a material penalty. This included the requirements of the United Kingdom’s Financial Conduct Authority (“FCA”), Alternative Investment Fund Managers Directive, and ESG Sourcebook.

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

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

- In our opinion the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

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

13. Corporate Governance Statement

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

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

- the directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 32;
- the directors’ explanation as to its assessment of the company’s prospects, the period this assessment covers and why the period is appropriate set out on page 23;

- the directors' statement on fair, balanced and understandable set out on page 40;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 20;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 42; and
- the section describing the work of the Audit Committee set out on page 39.

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

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

We have nothing to report in respect of these matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 24 July 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2019 to 31 December 2024.

15.2. Consistency of the audit report with the additional report to the Audit Committee

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

16. Use of our report

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

Andy Fern, FCCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
5 March 2025

Statement of Comprehensive Income

	Notes	For the year ended 31 December 2024 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2023 Revenue £'000	Capital £'000	Total £'000
Income from investments held at fair value through profit or loss	2	28,699	–	28,699	31,116	–	31,116
(Losses)/gains on investments held at fair value through profit or loss	9	–	(11,179)	(11,179)	–	291,600	291,600
Foreign exchange losses		(72)	(668)	(740)	(136)	(656)	(792)
Investment management fees	4	(18,505)	–	(18,505)	(20,280)	–	(20,280)
Other expenses and transaction costs	5	(1,546)	(636)	(2,182)	(1,532)	(650)	(2,182)
(Loss)/profit before tax		8,576	(12,483)	(3,907)	9,168	290,294	299,462
Tax	6	(4,205)	–	(4,205)	(6,144)	–	(6,144)
(Loss)/profit for the year		4,371	(12,483)	(8,112)	3,024	290,294	293,318
(Loss)/return per share (basic and diluted) (p)	**7**	**3.00**	**(8.57)**	**(5.57)**	**1.82**	**175.02**	**176.84**

The Company does not have any income or expenses which are not included in the (loss)/return for the year.

All of the (loss)/return and total comprehensive income for the year is attributable to the owners of the Company.

The "Total" column of this statement represents the Company's Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies (AIC).

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	2,127,041	2,538,953
Current assets			
Trade and other receivables	10	5,080	1,851
Cash and cash equivalents		3,036	16,579
		8,116	18,430
Total assets		**2,135,157**	**2,557,383**
Current liabilities			
Trade and other payables	11	(5,260)	(5,445)
Total assets less current liabilities		**2,129,897**	**2,551,938**
Equity attributable to equity shareholders			
Share capital	12	1,771	1,771
Share premium	13	1,719,487	1,719,487
Capital reserve		407,893	834,305
Revenue reserve		746	(3,625)
Total equity		**2,129,897**	**2,551,938**
Net asset value per share (p)	**14**	**1,631.8**	**1,598.0**

The financial statements were approved by the Board on 5 March 2025 and were signed on its behalf by:

Mike Balfour
Director

The accompanying notes are an integral part of these financial statements.

Smithson Investment Trust plc – Company Registration Number 11517636 (Registered in England and Wales)

Statement of Changes in Equity

For the year ended 31 December 2024

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserve* £'000	Revenue Reserve* £'000	Total £'000
Balance at 1 January 2024		1,771	1,719,487	834,305	(3,625)	2,551,938
Ordinary shares bought back and held in treasury		–	–	(411,747)	–	(411,747)
Costs on buybacks		–	–	(2,182)	–	(2,182)
(Loss)/profit for the year		–	–	(12,483)	4,371	(8,112)
Balance at 31 December 2024	**12**	**1,771**	**1,719,487**	**407,893**	**746**	**2,129,897**

For the year ended 31 December 2023

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserve* £'000	Revenue Reserve* £'000	Total £'000
Balance at 1 January 2023		1,771	2,219,487	203,358	(6,649)	2,417,967
Ordinary shares bought back and held in treasury		–	–	(158,506)	–	(158,506)
Costs on buybacks		–	–	(841)	–	(841)
Transfer of share premium#		–	(500,000)	500,000	–	–
Profit for the year		–	–	290,294	3,024	293,318
Balance at 31 December 2023	**12**	**1,771**	**1,719,487**	**834,305**	**(3,625)**	**2,551,938**

On 28 February 2023, High Court approval was obtained to reduce the Company's share premium by £500 million. The capital reduction, resulted in a corresponding increase in the Company's distributable reserves.

* Distributable reserve.

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	Notes	For the year ended 31 December 2024 £'000	For the year ended 31 December 2023 £'000
Operating activities			
(Loss)/profit before tax		(3,907)	299,462
Adjustments for:			
Losses/(gains) on investments held at fair value through profit or loss	9	11,179	(291,600)
Increase in receivables		(242)	(90)
Decrease in payables		(230)	(70)
Overseas taxation		(4,205)	(4,334)
Net cash generated from operating activities		**2,595**	**3,368**
Investing activities			
Purchases of investments	9,11	(423,193)	(368,464)
Sale of investments	9,10	819,465	514,316
Net cash generated from investing activities		**396,272**	**145,852**
Financing activities			
Purchase of shares held in treasury	12	(410,228)	(156,389)
Costs relating to buy backs	12	(2,182)	(841)
Net cash used in financing activities		**(412,410)**	**(157,230)**
Net decrease in cash and cash equivalents		**(13,543)**	**(8,010)**
Cash and cash equivalents at start of the year		16,579	24,589
Cash and cash equivalents at end of the year	**15**	**3,036**	**16,579**
Comprised of:			
Cash at bank		**3,036**	**16,579**

Dividends and interest received in cash during the year amounted £27,841,000 and £623,000 (2023: £30,292,000 and £755,000), respectively.

The accompanying notes are an integral part of these financial statements.

1. Accounting policies

Smithson Investment Trust plc is a company incorporated on 14 August 2018 in the United Kingdom under the Companies Act 2006.

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(a) Accounting convention

The financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the International Accounting Standards Board (IASB) and with the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ("AIC") in November 2014 (and updated in July 2022). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. As during 2024 the Company's shares traded at an average discount of more than 10%, shareholders will be given the opportunity to vote on the Company's continuation in its present form at the forthcoming AGM. At the 2024 AGM shareholders, 90% of the votes cast were in favour of continuation. In considering the going concern of the Company, the Board have considered the performance of the Company since inception, the proposed amendment to the Company's investment policy, feedback from stakeholders, including the Company's broker and major shareholders and the Board is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements for at least 12 months from the date of approval of these financial statements (see page 32 for further details on going concern). The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.

(b) Critical accounting judgements and sources of estimation uncertainty

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

(c) Presentation of the Statement of Comprehensive Income

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

(d) Income

Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company's right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances.

Interest receivable on cash at bank is recognised on an accruals basis.

1. Accounting policies (continued)

(e) Expenses

All expenses, other than those of a capital nature, are charged to the revenue account. Expenses of a capital nature are charged to the capital account. Revenue and capital expenses are recognised on an accruals basis.

(f) Investments

Investments in equity instruments are classified upon initial recognition as financial assets measured at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market price. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.

The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised in capital in the Statement of Comprehensive Income.

(g) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the date of the Statement of Financial Position or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. Differences in the sterling equivalent value arising between the transaction date and the settlement or payment date are included as exchange gains or losses in the capital account or the revenue account depending on whether the underlying transaction is of a capital or revenue nature.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(i) Equity dividends

Interim dividends are recognised at their ex-dividend date. Final dividends are not recognised until approved by shareholders in the Annual General Meeting.

(j) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly stated at their amortised cost, which is the same as fair value.

Financial assets held at amortised cost are reviewed for impairment using the expected credit loss model. Given the nature of the Company's short-term receivables, no credit losses have occurred to date and no credit losses are currently expected to occur in the future.

1. Accounting policies (continued)

(k) Nature and purpose of reserves

Share capital

This represents nominal value of the issued share capital.

Share premium account

This account represents share premium that arises on the issue of new shares.

Capital reserve

This reserve reflects any:

- gains or losses on the disposal of investments
- foreign exchange gains and losses of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital account; and
- expenses which are capital in nature.

The capital reserve may be distributed by way of dividends. However, any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve and are non-distributable.

Revenue reserve

This reserve reflects all income and expenditure recognised in the revenue account and is distributable by way of dividend.

Treasury shares

Treasury shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to share premium account. No gain or loss is recognised in the financial statements on transactions in treasury shares.

(l) Taxation

The charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the Company's effective rate of corporation tax for the accounting year.

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, relating to transactions or events that result in an obligation to pay more or a right to pay less tax in future, that have occurred at the Statement of Financial Position date. Deferred tax is measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

1. Accounting policies (continued)

(m) Adoption of new and revised standards

At the date of authorisation of these financial statements the following standards and amendments to standards, which have not been applied in these financial statements, were in issue, but will be effective in the future accounting periods.

- Amendment to IAS 21 'Lack of Exchangeability' (effective for annual reporting periods beginning on or after 1 January 2025).
- Amendment to IFRS 9 and IFRS 7 'Classification and Measurement of Financial Instruments' (effective for annual reporting periods beginning on or after 1 January 2026).
- Amendment to Annual improvements to IFRS – Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026).
- Amendment to IFRS 18 'Presentation and Disclosures in Financial Statements' (effective for accounting periods beginning on or after 1 January 2027).
- Amendment to IFRS 19 'Subsidiaries without Public Accountability: Disclosures' (effective for accounting periods beginning on or after 1 January 2027).

The Company does not believe that there will be a material impact on the financial statements or the amounts reported from the adoption of these standards.

In the current financial year the Company has applied the following interpretations and amendments to standards:

- Amendments to IAS 1, IFRS 16, IAS 17, IAS 7 and IFRS 7 (effective for accounting periods beginning on or after 1 January 2024).

There is no material impact on the financial statements or the amounts reported from the adoption of these amendments to the standards.

2. Dividend income

	2024 £'000	2023 £'000
UK dividends	5,865	7,626
Overseas dividends	22,165	20,843
Overseas dividends – special	75	1,836
Bank interest	594	811
Total	**28,699**	**31,116**

3. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being the investment business. The Company's objective is to be an investment for investors seeking increasing capital growth and income over the long term. The accounting policies of the operating segment, which operates in the UK, are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on total profit before tax, which is shown in the Statement of Comprehensive Income. A geographical split of the portfolio can be seen in the Strategic Report.

4. Investment management fee

	2024 £'000	2023 £'000
Investment management fee	**18,505**	**20,280**

As at 31 December 2024, an amount of £1,430,000 (2023: £1,599,000) was payable to the Investment Manager. Details of the terms of the Investment Management Agreement are provided on page 31.

5. Other expenses

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Transaction costs on investments held at fair value through profit or loss	–	636	636	–	650	650
Directors' fees	158	–	158	150	–	150
Employer national insurance contributions	12	–	12	13	–	13
Auditor fees in relation to audit	50	–	50	48	–	48
Tax compliance fee	11	–	11	9	–	9
Registrar fees	51	–	51	38	–	38
Broker fees	48	–	48	40	–	40
Company secretarial fees	135	–	135	129	–	129
Custody fees	182	–	182	179	–	179
Depositary fees	224	–	224	235	–	235
Postage and printing	30	–	30	28	–	28
Legal fees	53	–	53	38	–	38
Fund administration fees	336	–	336	364	–	364
Other expenses	256	–	256	261	–	261
Total Expenses	**1,546**	**636**	**2,182**	**1,532**	**650**	**2,182**

Transaction costs on investments held at fair value through profit or loss represent such costs incurred on both purchases and sales of those investments. Transaction costs on purchases amounted to £368,000 (2023: £505,000) and on sales amounted to £268,000 (2023: £145,000).

No non-audit fees were paid during the year to Deloitte LLP by the Company (2023: nil).

6. Taxation

(a) Analysis of tax charge in the year

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities						
Irrecoverable overseas withholding tax	4,205	–	4,205	6,144	–	6,144
Total tax	**4,205**	**–**	**4,205**	**6,144**	**–**	**6,144**

(b) The tax charge for the year is lower than the standard rate of corporation tax in the UK of 25%. The differences are explained below:

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/profit before tax	**8,576**	**(12,483)**	**(3,907)**	**9,168**	**290,294**	**299,462**
Corporation tax at standard rate of 25% (2023: 23.52%*)	2,144	(3,121)	(977)	2,156	68,277	70,433
Effects of:						
UK dividends	(1,466)	–	(1,466)	(1,794)	–	(1,794)
Overseas dividends	(5,560)	–	(5,560)	(5,334)	–	(5,334)
Interest income	(149)	–	(149)	(191)	–	(191)
Net losses/(gains) on investments held at fair value through profit or loss	–	2,795	2,795	–	(68,584)	(68,584)
Expenses disallowed	18	326	344	32	307	339
Deferred tax asset not recognised	5,013	–	5,013	5,131	–	5,131
Total corporation tax	**–**	**–**	**–**	**–**	**–**	**–**
Irrecoverable overseas withholding tax	4,205	–	4,205	6,144	–	6,144
Total tax	**4,205**	**–**	**4,205**	**6,144**	**–**	**6,144**

* With effect from 1 April 2023, the main rate of corporation tax increased from 19% to 25%, therefore the hybrid rate of 23.52% was used for 2023.

As at 31 December 2024, the Company had unrecognised tax losses of £124.3 million (2023: £104.2 million) carried forward. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

7. Return per share

Return per ordinary share is as follows:

	2024 Revenue	2024 Capital	2024 Total	2023 Revenue	2023 Capital	2023 Total
(Loss)/profit for the year (£'000)	4,371	(12,483)	(8,112)	3,024	290,294	293,318
(Loss)/return per ordinary share (p)	**3.00**	**(8.57)**	**(5.57)**	**1.82**	**175.02**	**176.84**

Return per share is calculated based on returns for the year and the weighted average number of 145,572,236 ordinary shares in issue from 1 January 2024 to 31 December 2024 (2023: 165,863,972).

8. Dividends

(a) Dividends paid in the year

No dividends were paid during the year to 31 December 2024 (2023: nil).

(b) Dividends payable in respect of the financial year, which is the basis on which the requirements of s1158-1159 of the Corporation Tax Act 2010 are considered

	2024 Rate	2024 £'000	2023 Rate	2023 £'000
Proposed final dividend for the year	0.58p	732[1]	–	–

1 Based on the 126,224,987 ordinary shares ranking for dividend on 3 March 2025 (the latest practicable date before publication of the annual Report).

9. Investments held at fair value through profit or loss

All gains and losses arise on investments designated as fair value through profit or loss which is how the investments are classified upon initial recognition.

As at 31 December	2024 £'000	2023 £'000
Opening book cost	2,232,394	2,353,438
Opening investment holding gains	306,559	40,410
Opening fair value at 1 January	2,538,953	2,393,848
Purchases at cost	421,719	367,539
Sales – proceeds	(822,452)	(514,034)
(Losses)/gains on investments	(11,179)	291,600
Closing fair value at 31 December	2,127,041	2,538,953
Closing book cost at 31 December	1,941,263	2,232,394
Closing unrealised gains at 31 December	185,778	306,559
Valuation at 31 December	**2,127,041**	**2,538,953**

9. Investments held at fair value through profit or loss (continued)

The Company received £822,452,000 (2023: £514,034,000) excluding transaction costs from investments sold in the year. The book cost of the investments when they were purchased was £713,486,000 (2023: £489,233,000) excluding transaction costs. These investments have been revalued over time until they were sold and unrealised gains/losses were included in the fair value of the investments.

All investments are listed.

Fair value of financial instruments

Under IFRS 13 'Fair Value Measurement' an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

- Level 1 – quoted prices in active markets for identical instruments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

Fair value measurements recognised in the Statement of Financial Position

	2024			
As at 31 December	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	2,127,041	–	–	2,127,041
Total	**2,127,041**	**–**	**–**	**2,127,041**

	2023			
As at 31 December	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit or loss	2,538,953	–	–	2,538,953
Total	**2,538,953**	**–**	**–**	**2,538,953**

10. Trade and other receivables

As at 31 December	**2024 £'000**	**2023 £'000**
Accrued income	345	251
Securities sold receivable	4,466	1,479
Other receivables	269	121
	5,080	**1,851**

The above receivables do not carry any interest and are short term in nature. The Directors consider that the carrying values of these receivables approximate their fair value.

11. Trade and other payables

As at 31 December	2024 £'000	2023 £'000
Securities purchased payable	–	1,474
Investment management fee payable	1,430	1,599
Payable on repurchase of ordinary shares into treasury	3,636	2,117
Other payables	194	255
	5,260	**5,445**

12. Share capital

	2024				2023			
As at 31 December	**Ordinary Shares Number**	**Treasury Shares Number**	**Total Shares Number**	**Nominal Value £'000**	**Ordinary Shares Number**	**Treasury Shares Number**	**Total Shares Number**	**Nominal Value £'000**
Issued, authorised, allotted and fully paid (ordinary shares of £0.01)								
Ordinary shares in issue at 1 January	159,692,958	17,415,000	177,107,958	1,771	171,407,958	5,700,000	177,107,958	1,771
Ordinary shares bought back and held in treasury	(29,165,889)	29,165,889	–	–	(11,715,000)	11,715,000	–	–
	130,527,069	**46,580,889**	**177,107,958**	**1,771**	**159,692,958**	**17,415,000**	**177,107,958**	**1,771**

During the year ended 31 December 2024, the Company issued no shares (2023: nil).

During the year ended 31 December 2024, the Company bought back to hold in treasury 29,165,889 shares (31 December 2023: 11,715,000) at an aggregate cost of £413,929,000 (31 December 2023: £159,437,000). At the year end, the Company held 46,580,889 (31 December 2023: 17,415,000) shares in treasury.

Details of the shareholder authorities granted to Directors to issue and buy back shares during the year are provided on pages 33 and 34.

13. Share premium account

As at 31 December	2024 £'000	2023 £'000
Balance at 1 January	1,719,487	2,219,487
Transfer of share premium	–	(500,000)
	1,719,487	**1,719,487**

On 28 February 2023, High Court approval was obtained to reduce the Company's share premium by £500 million. The capital reduction resulted in a corresponding increase in the Company's distributable reserves.

14. Net asset value per share

As at 31 December	2024	2023
Net asset value	£2,129,897,000	£2,551,938,000
Shares in issue (excluding shares held in treasury)	130,527,069	159,692,958
Net asset value per ordinary share	1,631.8p	1,598.0p

15. Risk management and financial instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out in the Strategic Report, involve certain inherent risks. The Board monitors the Company's risk as described in the Strategic Report. The main risks arising from the Company's financial instruments are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained substantially unchanged during the current year.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets on four scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. The Board has also established a series of investment parameters, per the Company's investment policy, designed to manage the risk inherent in managing a portfolio of investments.

Interest rate risk

Interest rate risk is the risk of movements in the value of, or income from, cash balances that arise as a result of fluctuations in interest rates. The Company finances its operations through equity and retained profits including capital profits, with no additional financing.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short–term flexibility is achieved through the use of cash balances and short-term bank deposits. All payables are due within three months.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Investment Manager reviewing the credit ratings of broker counterparties and key third party service providers. The risk attached to dividend flows is mitigated by the Investment Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company. Cash is held with Northern Trust Company which has a Fitch rating of AA–.

The carrying amounts of financial assets best represents the maximum credit risk exposure at the Statement of Financial Position date, and the main exposure to credit risk is via the Company's custodian who is responsible for the safeguarding of the Company's investments and cash balances.

15. Risk management and financial instruments (continued)

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

As at 31 December	2024 £'000	2023 £'000
Cash and cash equivalents	3,036	16,579
Receivables	5,080	1,851
	8,116	**18,430**

All the assets of the Company which are traded on a recognised exchange are held by Northern Trust, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

Currency risk

The income and capital value of the Company's investments and liabilities can be affected by exchange rate movements as some of the Company's assets and income are denominated in currencies other than sterling which is the Company's functional currency. The key areas where foreign currency risk could have an impact on the Company are:

- movements in rates that would affect the value of investments, assets and liabilities; and
- movements in rates that would affect the income received.

The Company had the following currency exposures, all of which are included in the Statement of Financial Position at fair value based on the exchange rates ruling at the year end.

As at 31 December	2024 £'000	2023 £'000
Australian Dollar	–	123,534
Danish Krone	61,231	93,674
Euro	367,902	427,085
Japanese Yen	33,681	–
New Zealand Dollar	84,674	77,700
Swedish Krona	72,207	77,613
Swiss Franc	111,825	213,480
US Dollar	1,062,331	1,152,786
	1,793,851	**2,165,872**

The Company mitigates the risk of loss due to exposure to a single currency by way of diversification of the portfolio.

Foreign currency sensitivity

At 31 December 2024, an exchange rate move of +/-5% (2023: +/-5%) against sterling which is a reasonable approximation of possible changes would have increased or decreased total net assets and total return by £89,693,000 (2023: £108,294,000).

15. Risk management and financial instruments (continued)

Interest rate risk

The majority of the Company’s financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Company’s cash balance of £3,036,000 (2023: £16,579,000) earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate. The level of interest paid fluctuates in line with the base rate. At 31 December 2024 the interest rate was 1.8% (2023: 2.8%).

From interest earned on the Company's cash balances, an increase or decrease in interest rates of 0.5% would have a positive or negative impact respectively on the profit or loss and net assets of the Company equating to £15,000 (2023: £83,000). The calculations are based on the cash balances at the year end date and are not representative of the year as a whole.

No current liabilities incur interest and all are payable within one year.

Other price risk exposure

If the investment valuation had fallen by 20% (2023: 20%) at 31 December 2024, the impact on profit or loss and net assets would have been negative £425,408,200 (2023: £507,790,600). An increase of 20% (2023: 20%) would have had an equivalent opposite effect. The calculations are based on the portfolio valuations as at the respective year end date and are not representative of the year as a whole, as well as the assumption that all other variables remained constant.

The Company held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value.

As at 31 December	2024 £’000	2023 £’000
Assets at fair value through profit or loss	2,127,041	2,538,953
Cash and cash equivalents	3,036	16,579
Investment income receivable	345	251
Securities sold receivable	4,466	1,479
Other receivables	269	121
Payables	(5,260)	(5,445)
Net assets	**2,129,897**	**2,551,938**

Liquidity risk exposure

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All payables are due within three months.

Liquidity risk is not significant as the majority of the Company’s assets are investments in quoted securities that are easily and readily realisable. The Company does not have any borrowing facilities and as at 31 December 2024 held £3,036,000 (2023: £16,579,000) in cash.

15. Risk management and financial instruments (continued)

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in revenue and capital.

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £2,129,897,000 (2023: £2,551,938,000).

The Board, with the assistance of the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of the planned level of gearing (if any), the need to repurchase or issue equity shares, and the extent to which any revenue in excess of that which is required to be distributed be retained.

16. Contingent liabilities

As at 31 December 2024 there were no contingent liabilities or capital commitments (2023: nil).

17. Related party transactions

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

Directors – The remuneration of the Directors totalling £157,500 (2022: £150,000), is set out in the Directors' Remuneration Report in the Annual Report. There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the year with the Directors of the Company. The Company has no employees.

AIFM and Investment Manager – Details of the contract including the remuneration due to the AIFM and Investment Manager are set out on page 31.

Terry Smith and other founder partners and key employees of the AIFM and Investment Manager directly or indirectly and in aggregate, held 3,026,672 (2023: 2,710,915) shares in the Company amounting to 2.3% (2023: 1.7%) of the issued share capital of the Company as at 31 December 2024.

18. Events after the reporting period

Since the year end and up to 3 March 2025 (the latest practicable date before publication of the Annual Report), the Company has bought back to hold in treasury 4.3 million ordinary shares at an aggregate cost of £66.0 million.

Further Information

Financial Calendar

31 December	Financial Year End
February	Final Results Announced
April	Annual General Meeting
30 June	Half Year End
August	Half Year End Results Announced

Annual General Meeting

The Annual General Meeting of Smithson Investment Trust plc will be held on 23 April 2025.

Share Price

The Company's ordinary shares are listed on the London Stock Exchange. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, MUFG Corporate Markets, under the signature of the registered holder. The Registrar's address is listed on page 84.

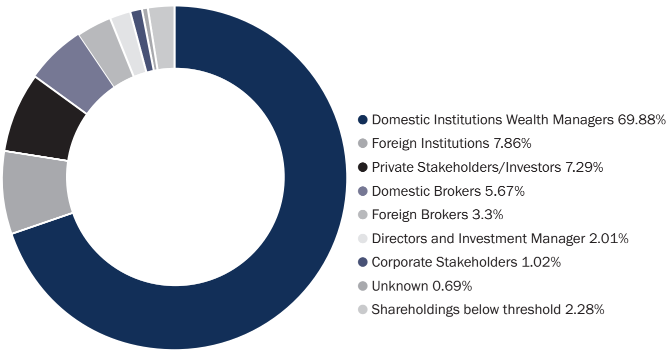
Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.smithson.co.uk and is published daily via the London Stock Exchange.

Profile of the Company's Ownership

% of ordinary shares held at 31 December 2024

31 December 2024



Alternative Investment Fund Managers Directive Disclosures

Periodic disclosures

As described in the Company's Investor Disclosure Document ("IDD") (which can be found on the Company's website www.smithson.co.uk) Fundsmith LLP ("Fundsmith") and the Company are required to make certain periodic disclosures in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). For the purposes of the AIFMD:

- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 15 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Fundsmith.
- There have been no changes to the maximum level of leverage that Fundsmith may employ on behalf the Company.
- There have been no changes to Fundsmith's right of re-use of collateral or any guarantee granted under any leveraging arrangement (insofar as there continues to be no right of re-use of collateral or any guarantees granted under the leveraging arrangement).

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method. Under the Gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the Commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

The table below sets out the current maximum permitted limit and actual level of leverages for the Company:

	As a percentage of assets	
	Gross method	Commitment method
Maximum level of leverage	115%	115%
Actual level at 31 December 2024	Nil	Nil

Material changes

There have been no material changes to the information set out in the Company's IDD during the period covered by this Annual Report.

Remuneration disclosure

The AIFM of Smithson Investment Trust plc (Company) is required to make this remuneration disclosure to the Company's investors in accordance with FUND 3.3.5 R in the FCA Handbook.

The financial year of the Company runs from 1 January to 31 December, whereas the financial year of the AIFM, Fundsmith LLP (Fundsmith, or the Firm), runs from 1 April to 31 March. The latest financial year of Fundsmith is the year to 31 March 2024 and the remuneration figures below relate to that period. The Fundsmith Report and Accounts for the year to 31 March 2024 have been independently audited and filed with Companies House.

Under Fundsmith LLP's remuneration policy staff receive a basic salary, certain benefits (primarily pension contributions which are capped) and are eligible for an award of an annual discretionary bonus which is based on performance.

Fundsmith employed an average of 42 staff in the year, with total remuneration, including pension contributions, for those staff of £13.4 million comprising fixed remuneration (salaries and pension contributions) of £5.5 million and variable remuneration of £7.6 million.

The amount of profit awarded to the one Executive Member of the Firm, which is treated as remuneration for the purposes of the Remuneration Codes, is not included in the quantitative disclosures above and is not disclosed for individual privacy reasons.

Amounts due to Members of the Firm because of their investment of capital and their ownership of the business are not related to individual or Fund performance and cannot be varied, and therefore are not variable remuneration under the Remuneration Codes and are not included in the quantitative disclosures above.

Fundsmith is subject to the UCITS (SYSC 19E) and AIFM (SYSC 19B). The Management Committee of Fundsmith considers which staff are Material Risk Takers under these codes and are therefore within the definition of Remuneration Code Staff.

There is only one Remuneration Code staff whose remuneration is included in the quantitative disclosures above whose actions have a material impact on the risk profile of the Company. The AIFM has not disclosed the amount of remuneration for this individual for privacy reasons.

The information above relates to Fundsmith as a whole, is not broken down by reference to the Company or the other funds managed by Fundsmith and does not show the proportion of remuneration which relates to the income Fundsmith earns from the management of the Company, as this would not reflect the way Fundsmith is organised.

The Management Committee of Fundsmith has identified two primary types of risk which could arise within a typical asset management business from inappropriate remuneration structures:

- incentives related to investment performance, which could give rise to a focus on short term investment performance and potentially increase the risks for the investors; and
- incentives related to sales, which could encourage staff to inappropriately sell a Fund to investors for whom it is unsuitable.

The nature of Fundsmith's business, the nature of the Funds which it manages, and the nature of its remuneration practices adequately mitigate these risks.

Fundsmith does not have any practice of remunerating its investment personnel for generating high returns in the short term. Performance fees are not charged. There is no financial incentive to take risks which are not consistent with the risk profiles of the Funds.

From a sales perspective Fundsmith emphasises the long-term nature of the investment proposition in all Fund literature and other documentation and seeks to ensure that investors understand that the strategy is not appropriate for those seeking short term returns. The sales team's performance is considered in the light of the net sales of the relevant Funds and will therefore be negatively affected if investors sell their investment.

APMs are often used to describe the performance of investment companies although they are not specifically defined under IFRS. APM calculations for the Company are shown below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per ordinary share.

		Page	As at 31 December 2024	As at 31 December 2023
NAV per ordinary share	a	3	1,631.8p	1,598.0p
Share price	b	3	1,484.0p	1,415.0p
Discount	**(b-a)/a**		**9.1%**	**11.5%**

Total return

A measure of performance that includes both income and capital returns. In the case of share price total return, this takes into account share price appreciation and dividends paid by the Company. In the case of NAV total return, this takes into account NAV appreciation (net of expenses) and dividends paid by the Company.

Year ended 31 December 2024		Page	Share price	NAV
Opening at 1 January 2024	a	3	1,415.0p	1,598.0p
Closing at 31 December 2024	b	3	1,484.0p	1,631.8p
Total return	**(b/a)-1**		**4.9%**	**2.1%**

Year ended 31 December 2023		Page	Share price	NAV
Opening at 1 January 2023	a	3	1,308.0p	1,410.7p
Closing at 31 December 2023	b	3	1,415.0p	1,598.0p
Total return	**(b/a)-1**		**8.2%**	**13.3%**

Period from Company's listing on 19 October 2018 to 31 December 2024		Page	Share price	NAV
Opening at 19 October 2018	a	3	1,000.0p	1,000.0p
Closing at 31 December 2024	b	3	1,484.0p	1,631.8p
Total return	**(b/a)-1**		**48.4%**	**63.2%**
Annualised total return			**6.6%**	**8.2%**

Annualised total return

The annualised total return for a period is the average return earned on an investment in the Company's shares for each year in that period, expressed by reference to either share price or NAV.

Ongoing charges ratio and total cost of investment

Ongoing charges ratio is a measure, expressed as a percentage of average NAV of the Company over a year, of the regular, recurring annual costs of running an investment company (see note 4 and note 5 to the financial statements). The Total Cost of Investment measures cost to investors incurred through the Company's portfolio investment transaction costs (see note 5) and the recurring annual costs of running the Company.

Ongoing charges ratio		Page	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Average NAV	a	n/a	2,319,112	2,519,346
Annualised expenses	b	n/a	20,051	21,812
Ongoing charges ratio	**(b/a)**		**0.86%**	**0.87%**
Annualised investment transaction costs	c	n/a	636	650
Annualised investment transaction costs ratio	(c/a)		0.03%	0.03%
Total cost of investment			**0.89%**	**0.90%**

AIC
Association of Investment Companies

Alternative Investment Fund or “AIF”
An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.

Alternative Investment Fund Managers Directive or “AIFMD”
A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.

Annual General Meeting or “AGM”
A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask Directors questions about the company in which they are invested.

Cash conversion
Ratio of a company’s cash flows to its net profit.

Custodian
An entity that is appointed to safeguard a company’s assets.

Discount
The amount, expressed as a percentage, by which the share price is less than the net asset value per share.

Depositary
Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary’s duties include, inter alia, safekeeping of the Company’s assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.

Dividend
Income receivable from an investment in shares.

Ex-dividend date
The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.

Financial Conduct Authority or “FCA”
The independent body that regulates the financial services industry in the UK.

Gearing
A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

Gross assets
The Company’s total assets before the deduction of any liabilities.

Gross margin

The amount of money a company has left after subtracting all direct costs of producing or purchasing the goods or services it sells.

Index

A basket of stocks which is considered to replicate a particular stock market or sector.

Investment company

A company formed to invest in a diversified portfolio of assets.

Investment trust

An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.

Leverage

An alternative word for "Gearing".

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Liquidity

The extent to which investments can be sold at short notice.

Net assets

An investment company's assets less its liabilities

Net asset value (NAV) per ordinary share

Net assets divided by the number of ordinary shares in issue (excluding any shares held in treasury)

Ongoing charges ratio

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

Operating profit margin

The ratio of operating income to net sales. It measures profitability on a per-pound basis, after accounting for the variable costs of production but does not include interest or tax expense.

Ordinary shares

The Company's ordinary shares of 1p each.

ROIC

Return On Invested Capital is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.

Portfolio

A collection of different investments held in order to deliver returns to shareholders and to spread risk.

Premium to NAV

The amount, expressed as a percentage, by which the share price is more than the net asset value per share.

Share buyback

A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.

Share price

The price of a share as determined by a relevant stock market.

Total return

A measure of performance that takes into account both income and capital returns. This may take into account capital gains, dividends, interest and other realised variables over a given period of time.

Treasury shares

Shares in a company's own share capital which the company itself owns and which can be sold to investors to raise new funds.

Volatility

A measure of how much a share moves up and down in price over a period of time.

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stockbroker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

- AJ Bell Securities Limited
- Albert E Sharp LLP
- Alliance Trust Savings Limited
- Barclays Bank plc
- Hargreave Hale Ltd
- Hargreaves Lansdown Asset Management Limited
- iDealing.com Limited
- Interactive Investor Services Limited
- Shore Capital Stockbrokers Limited
- SVS Securities plc
- The Share Centre

MUFG Corporate Markets – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, MUFG Corporate Markets, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, investor code, full postcode and your date of birth. Your investor code can be found on your share certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact: www.sharedeal.cm.mpms.mufg.com (online dealing) or 0371 664 0445† (telephone dealing).

† Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable International rate. Lines are open from 8.00 a.m. to 4.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Risk Warnings

- Past performance is no guarantee of future performance.

- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.

- As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.

- Although the Company's financial statements are denominated in sterling, most of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.

- Investors should note that tax rates and reliefs may change at any time in the future.

The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Company Information

Further Information

Directors

Mike Balfour *(Chairman)*
Diana Dyer Bartlett
Jeremy Attard-Manche
Denise Hadgill

Registered Office and Directors' business address

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EC1A 4HY

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W1G 0PW

Broker

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Canary Wharf
London
E14 5JP
(Appointed 1 July 2024)

Legal Advisers

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EC1A 2AL

Statutory Auditor

Deloitte LLP
4 Brindley Place
Birmingham
B1 2HZ

Company Secretary

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EC1A 4HY

Administrator

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London
E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Depositary

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London
E14 5NT

Authorised and regulated by the Financial Conduct Authority.

Registrar and Receiving Agent

MUFG Corporate Markets (formerly Link Group)
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www.smithson.co.uk

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