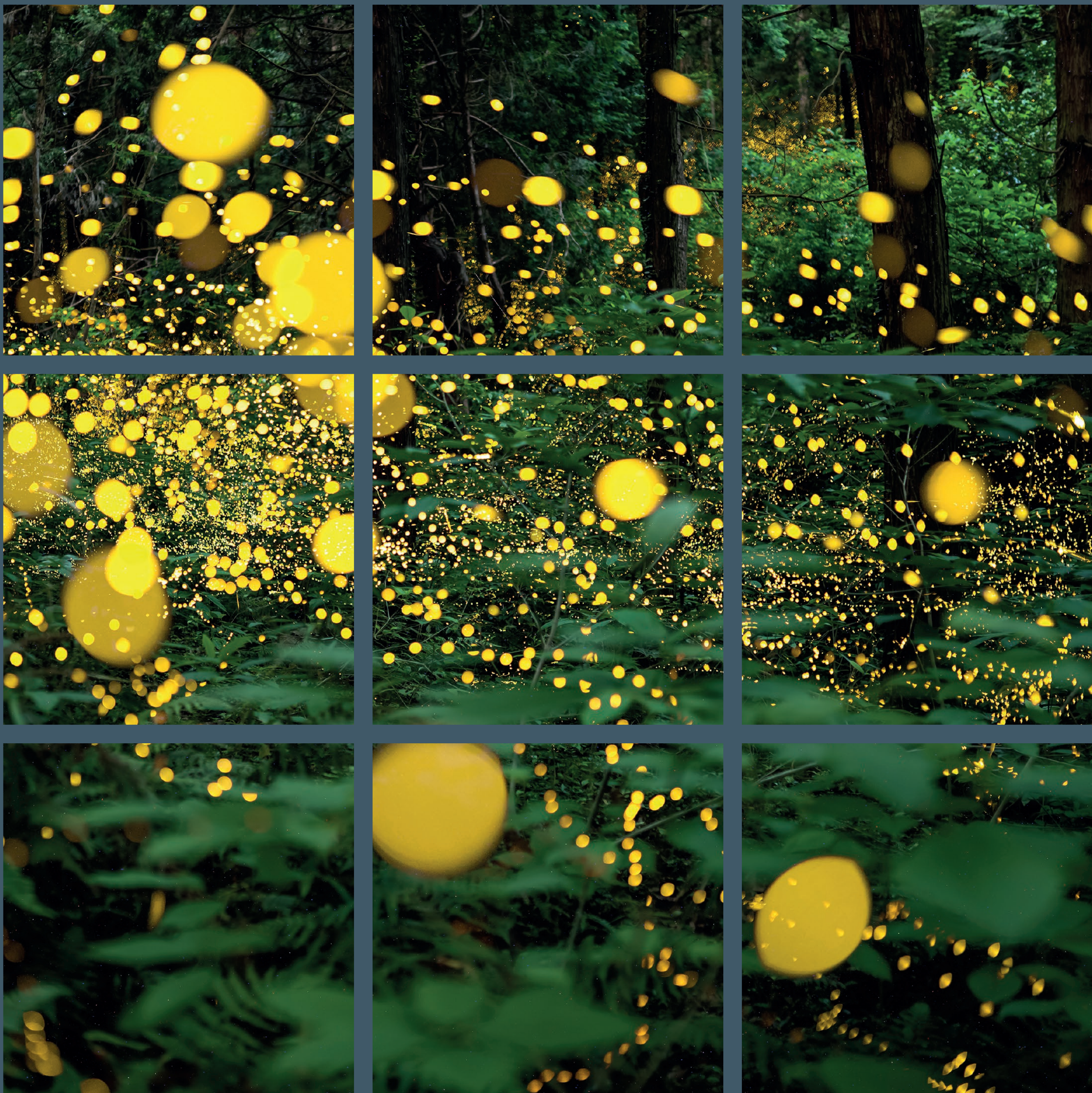
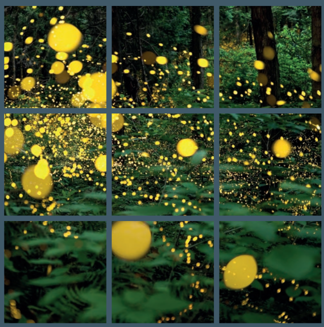
KEYSTONE POSITIVE CHANGE INVESTMENT TRUST PLC



Annual Report and Financial Statements
30 September 2022

BAILLIE GIFFORD



Investment Objective

Keystone Positive Change's objective is to generate long term capital growth with the aim of the NAV total return exceeding that of the MSCI AC World Index in sterling terms by at least 2% per annum over rolling five-year periods; and contribute towards a more sustainable and inclusive world by investing in the equities of companies whose products or services make a positive social or environmental impact.

Contents

Investor Disclosure Document

The UK Alternative Fund Managers Regulations require certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at keystonepositivechange.com.

Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Investment trusts are UK public listed companies and as such comply with the requirements of the Financial Conduct Authority. They are not authorised or regulated by the Financial Conduct Authority (FCA).

Keystone Positive Change Investment Trust plc currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 immediately if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Keystone Positive Change Investment Trust plc, please forward this document, together with accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

Financial Highlights – Year to 30 September 2022

Share Price* -43.3%	NAV* -35.2% (borrowings at fair/market value)	Index*† -3.7%

Share Price (pence)

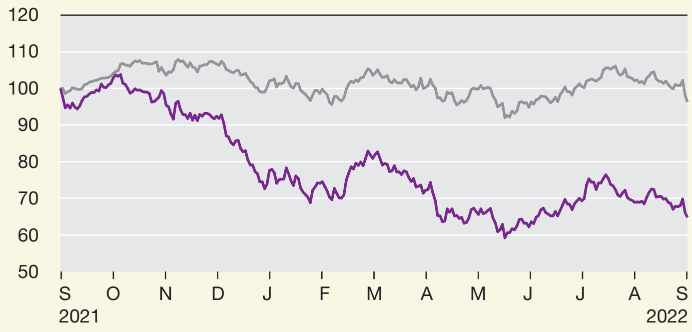
Share price

NAV and Benchmark

(figures rebased to 100 at 30 September 2021)

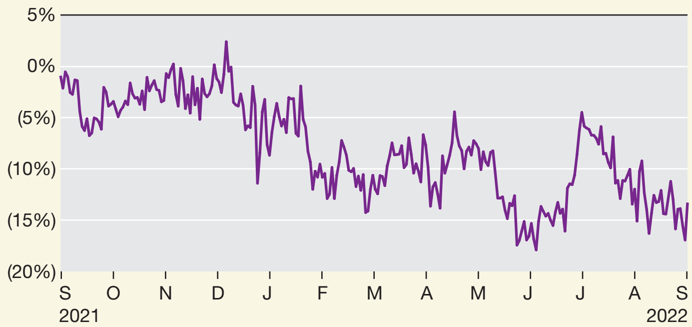
NAV total return (after deducting borrowings at fair/market value*)

Benchmark† total return



(Discount)/Premium#

(Discount)/Premium



Total returns (%) to 30 September 2022*	1 year	3 years	5 years	10 years
Share price	(43.3)	(31.6)	(33.9)	2.9
NAV	(35.2)	(35.3)	(34.6)	16.5
Comparative Index†	(3.7)	0.0	8.7	75.2

* Source: Refinitiv/Baillie Gifford. All figures are stated on a total return basis. Total return is an Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

† The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above table, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

With borrowings deducted at fair value.

Past performance is not a guide to future performance.

Chair's Statement

The past year has been characterised by turmoil in the financial markets, high inflation and rising interest rates. Much of it has been due to the challenging measures introduced globally in response to the pandemic and the effects of the war in Ukraine. Keystone Positive Change ('KPC') has two objectives of equal importance: to generate attractive long-term returns and to invest in companies instrumental in contributing to solutions in areas such as healthcare, education, social inclusion and the environment. The Positive Change team have an investment horizon of five years and beyond for these structural themes to play out. Notwithstanding the extremely disappointing financial performance of the Company during the year under review, your Board remains confident in the long-term investment and strategic rationale behind the positive change strategy and the team implementing it. As you would expect, your Board has closely monitored the Manager's rationale and belief in the operational strength of the portfolio companies, ensuring that the process includes regular challenge of the initial theses for investment. We are confident that the high conviction portfolio will come good.

Performance

Over the year to 30 September 2022, the Company's net asset value ('NAV') total return (in sterling terms) was -35.2% compared to -3.7% for the comparative index, the MSCI All Country World Index. The Managers' Report on pages 4 to 6 provides further detail on the main contributors to performance over the period.

The share price total return was -43.3%, as the discount widened from 0.9% to 13.2% reflecting a widening of discounts across investment companies generally, and exacerbated by a broader deterioration in sentiment towards growth style mandates. The Company has the power to buy back its own shares and will do so when the Board considers that such activity will benefit ongoing shareholders. The Board does not consider that buying back shares during periods when market sentiment is universally negative will improve the Company's rating. Shrinking the asset base, thereby increasing the ongoing charges ratio and reducing the shares' liquidity, may however be detrimental. The Board will, of course, be mindful of the range of options at its disposal to address, where possible, the discount at which the Company's shares trade relative to its NAV.

Impact

The Company is focused on listed and private companies for whom solving a social or environmental challenge is core to their business. Amid a backdrop of uncertainty we believe that now, more than ever, investing for positive change is important and full of opportunity. We aim to invest in exceptional companies whose products, services and behaviour generate meaningful improvements. Companies held in the portfolio must be positioned to make a significant contribution to solutions in one of four impact areas:

- Social Inclusion and Education;
- Environment and Resources;
- Healthcare and Quality of Life; and
- Base of the Pyramid (addressing the needs of the poorest four billion people in the world).

The Manager's impact analysis is based on robust, bottom-up research that is independent from, but complementary to, the investment analysis. Two senior impact analysts form part of the decision-making team, with additional impact analysts providing support. Further details of the Manager's approach are provided on the following pages.

In August 2022, the Company published its inaugural KPC Impact Report on the contribution that all companies within the portfolio have made towards a more sustainable and inclusive world, through monitoring and measuring the impact that their products and services are having on society and the environment. The Impact Report is available on the Company's website.

Gearing

The Company started the financial year with net gearing of 4.6%, having drawn down £10 million of a £25 million multi-currency revolving credit facility provided by The Royal Bank of Scotland International Limited. At 30 September 2022, net gearing stood at 10.6%, the Company having drawn down an additional £5 million during December 2021 and dollar strength increasing the value of the US$ element of the loan in sterling terms. The Company is expected to continue to maintain a modest level of structural gearing, which should enhance shareholder returns over the long term.

Past performance is not a guide to future performance. Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 72.

For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

Costs

Under the new management arrangements, the annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation. Baillie Gifford waived their management fee for the first six months following their appointment in February 2021.

The ongoing charges for the year to 30 September 2022 were 0.90%. Last year, the ongoing charges were 0.51% (and would have been 0.82% without Baillie Gifford's fee waiver). The Board expects the Company to grow, and benefit increasingly from the lower rate of management fee at the upper tier as it does so. The higher base fee recognises the Manager's investment of time and resource in pursuit of the Company's twin objectives, and the Board is confident that long-term performance, in financial and impact terms, will justify the level of ongoing charges in the meantime. No performance fee is payable under the new management arrangements.

Dividend

KPC's investment objective is to generate returns from the Company's portfolio, predominantly from capital growth. A change to the Company's dividend policy was approved at the Annual General Meeting ('AGM') in February 2022, such that no interim dividends will be paid, and any annual dividends will be paid only to the extent needed for the Company to maintain its investment trust status. In accordance with the dividend policy, the Board is recommending a final dividend of 0.4p per share. This will be proposed for shareholders' approval at the AGM to be held on 8 February 2023 and, if approved, will be paid on 15 February 2023 to shareholders on the register at close of business on 20 January 2023.

The Board

Andrew Fleming was appointed as a Director on 1 March 2022 to replace John Wood, who retired at the last AGM. John's wise counsel will be missed, but Andrew brings considerable fund management, investment trust and impact investment experience to the Board. The Company is compliant with the gender representation requirements of the FCA's recently published new rules on diversity and inclusion on company boards, which target that at least 40% of directors will be women and at least one of the senior positions on each board will be held by a woman. The most recent recruitment process had a shortlist that comprised 50% women and 33% candidates of a non-white ethnic background.

Annual General Meeting

We anticipate welcoming shareholders to the AGM in London on 8 February 2023. Notwithstanding the relaxation of government controls, Covid-19 related rules might tighten at short notice in the event of a winter resurgence, restricting the meeting to the minimum number. To ensure your votes are counted in that eventuality, I would ask shareholders to submit their votes by proxy before the applicable deadline on 6 February 2023 and to submit any questions for the Board or Manager in advance by email to trustenquiries@bailliegifford.com or by calling 0800 917 2112 (Baillie Gifford may record your call). This will not impede your subsequent attendance in person should you wish to be present, assuming regulations permit. Any changes to the AGM arrangements will be announced to the London Stock Exchange regulatory news service and made available at keystonepositivechange.com.

Outlook

The Positive Change team's investment horizon of five years and beyond allows the team to focus on long-term structural trends which present compelling investment opportunities in support of a sustainable and inclusive world. The Board supports the team in making full use of the unique features of the investment trust structure, including investing in both public and private companies. We are grateful for the continued support of our long-term shareholders and we are delighted to welcome our many new shareholders.

Karen Brade
Chair
29 November 2022

Managers' Report

The past year has been an unsettling one in several ways. Our hearts go out to those whose lives have been upended by conflicts. While geopolitical events have dominated the headlines, the pace of climate change has also accelerated, as evidenced by heatwaves in India and Europe and the devastating flooding in Pakistan. This challenging backdrop, combined with supply chain disruptions and higher inflation and interest rates, created a much tougher environment for equity investors, especially those focusing on growth equities. Over the past twelve months, the Company's NAV total return was minus 35.2%, compared to minus 3.7% for the benchmark MSCI All Country World Index (in sterling terms).

The short-term underperformance is understandably painful for the Company's shareholders. Stock selection and gearing were the dominant drivers of negative returns over the year. The most notable detractor to performance was Moderna, a company that played a critical role during the Covid-19 pandemic. However, somewhat contrary to broader sentiment and while not wanting to downplay the phenomenal progress and societal impact the company has achieved during the pandemic, it is the broader potential of Moderna's technology which underpins the long-term investment case. Messenger RNA ('mRNA') technology has potential far beyond the Covid-19 vaccine, spanning respiratory diseases more broadly (such as flu and RSV), latent diseases (such as HIV), rare diseases and in the treatment of cancer, to name a few. ASML, the leading manufacturer of lithography equipment which performs a critical role in the manufacturing of semiconductors, was also a negative contributor. Despite macro-economic concerns that drive uncertainty for its customers, including inflation, consumer confidence and the risk of a recession, the overall demand for its systems remains robust given the expanding use cases for semiconductors from automotive to healthcare applications, and from cloud computing to AI. The management team remain confident in the long-term opportunity for ASML to play an important role in the continuation of Moore's Law and are investing in capacity to meet the growing demand for its products.

© 10x Genomics.

In contrast to ASML and Moderna, where the operational progress has been positive, there are some companies where the operational performance has been more challenging and consequently contributed to those companies underperforming. One example would be the single cell tooling business, 10x Genomics, which has experienced weaker than expected revenue growth due to some short-term challenges related to Covid restrictions and supply chains. However, longer term, we are enthused by the opportunity for 10x Genomics to help inform our understanding of biology on a more granular level.

Stocks that contributed positively to performance include Alnylam, a biotechnology company developing a new class of highly innovative drugs. The company now has five drugs approved and a healthy pipeline. Tesla was another positive contributor to performance over the twelve month period, having delivered strong operational results, exceeding our expectations on the level of profitability it has been able to reach, which is particularly notable given the inflationary environment and challenging supply chains.

Actions over the Past Year

Philosophy – Unchanged

When we were appointed the Managers of Keystone Positive Change in February 2021, we outlined our ambition; one based on investing in innovative, growth companies whose products and services are helping to address global sustainability challenges. Despite the short-term volatility since then, we remain absolutely committed to this vision. Events of the past year have shown the necessity of transitioning towards a prosperous, sustainable, and inclusive world. At the same time, technological progress is enabling innovative solutions towards global challenges. As the late Hans Rosling reminded us in his excellent book, Factfulness, 'Step-by-step, year-by-year, the world is improving.' With this sound advice in mind, we continued to make progress towards our vision.

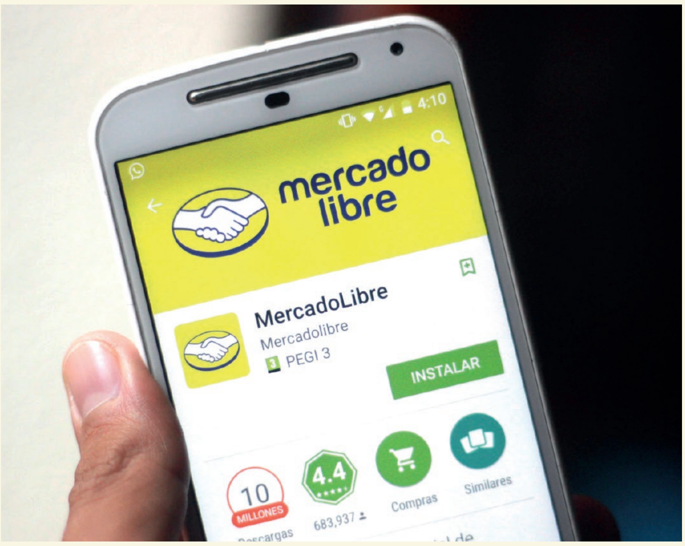
Portfolio

While near-term market volatility does not alter our long-term investment philosophy, it would be unwise to remain ignorant of its effects. We conducted portfolio analysis on exposures to inflation, interest rates, and geopolitical risks, and reperformed in-depth, fundamental research on individual companies. Throughout the year, we reviewed a number of holdings whose share price had fallen significantly. We distinguished between companies facing operational challenges and those performing well operationally but whose share price declines, in our view, were mostly attributable to changes in market sentiment. We used this as a prompt to move on from companies where we had lost conviction and redeployed capital towards companies where the divergence between share price and operating performance created an attractive opportunity for additions.

© Duolingo.

As an example of the former, we sold our holding in Beyond Meat. While we still believe in the plant-based meat market's long-term prospects, and admire the ambition of Ethan Brown, Beyond Meat's founder and CEO, a number of operational missteps reduced our assessment of its probability of success. We also sold out of Alibaba, where the combination of regulatory intervention and internal issues dampened our belief that the company can continue to grow at a rapid pace and drive positive change in Chinese society.

In contrast, we added to our holding in MercadoLibre, which has strengthened its competitive position in the Latin American ecommerce market and made impressive progress in building out its financial services offerings. We also took the opportunity to add to the position in Sartorius, the leading provider of consumable products that support the biotech industry, owing to what we believe was a dislocation between the share price relative to the company's operational progress and long-term opportunity. Several levers for growth underpin that opportunity, including growing use of biologics and increasing penetration of single-use products. As mentioned above, 10x Genomics experienced some operational challenges that we believe are short term in nature. This provided an opportunity to add to the position, reflecting our optimism over the long term for 10x to play an important role in improving our understanding of health and disease as more labs buy and use its equipment that enables more granular analysis of cells.



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These are three examples among a handful of portfolio additions. We have also continued our hunt for new portfolio holdings and made two new investments in public companies over the period: Nu, the disruptive digital bank in Latin America; and Duolingo, the educational technology company focused on language learning, as discussed in the Interim Report.

These additions and purchases were funded by selling companies where we have lost conviction as noted above; by reducing positions in companies where we felt the valuation was more stretching such as Tesla and heat-pump manufacturer, Nibe; and by some small reductions to larger positions such as Moderna and ASML.

As identified in last year's Managers' Report, a key attraction of the Company's closed-ended structure is its ability to invest in private companies. This enables the provision of primary capital to companies, helping them to invest in technology, hire talent, and scale their businesses. While private market activity slowed this year, we continue to find interesting companies. A good example is Climeworks, which we invested in earlier this year. Climeworks' direct air capture (DAC) technology helps to remove CO_2 from ambient air. In addition to drastic emissions reductions, carbon removal solutions such as direct air capture and storage are essential for removing historic and unavoidable CO_2 emissions from the air. The company's first facility in Iceland can capture 3,600 tons of CO_2 annually after accounting for its own emissions, and its next plant will have ten times the capacity. Even that will be a drop in the ocean compared to the gigatons of removal that

© Ørsted.

is estimated to be required annually. This shows the size of the challenge that remains, but also the opportunity for Climeworks if it can succeed. After investing in Climeworks, the Company now invests in four private companies, accounting for 6.7% of net assets.

Pipeline

We continue to build our knowledge of thematically-relevant topics that excite us over the long term, including climate technology, food and agriculture, and financial inclusion. To complement desk research, members of the team travelled to Brazil to meet companies including Nu and MercadoLibre, attended a conference in San Diego focusing on carbon negative technologies, studied renewable energy infrastructure in Orkney, and visited companies in the US, Europe, and Japan. After a hiatus on travel owing to Covid-19, we were pleased to be engaging in person with companies again and learning first-hand about new technologies and innovation. It reinforces enthusiasm for the future, both in terms of investment opportunities and global development prospects.

Positive Change

Over the past year, investee companies continued to make positive contributions towards a sustainable future. In August 2022, Ørsted's Hornsea 2 Offshore Windfarm became fully operational. The 1.3 GW project is the world's largest offshore windfarm, generating enough renewable electricity to power 1.4 million homes. In 2021, Ørsted's renewable energy generation helped to avoid 15.1 million metric tons of CO_2 emissions. Thanks to the work of companies such as Tesla, Umicore, and Northvolt, electrification continues to gather pace. In 2021, Tesla delivered almost 1 million electric vehicles and its products and services have enabled customers to avoid 8.4 million metric tons of CO_2 emissions. On social impact, mobile and digital technologies are improving access to essential services such as education and finance. As of December 2021, Nu had 41 million monthly active users of its financial services, including 5.6 million people accessing a bank account or credit card for the first time. Both Coursera and Duolingo provided educational content to millions of users across the world. In expanding offshore wind capacity, increasing the number of electric vehicles sold or the number of monthly active users, these businesses are also growing their financial metrics and deepening their competitive advantages.

The Company's **Impact Report** for 2021 contains more detailed information on the social and environmental impact of all investee companies' products and services. In addition, the **Positive Conversations** Report for 2021 covers our engagement with portfolio companies and our assessments of Environmental, Social, and Governance factors. Both reports can be found on the Company's website, and we would welcome your feedback, as this is a new and rapidly-evolving area of reporting and we are eager to understand, and meet, shareholders' expectations.

Outlook

Against the concerning geopolitical backdrop and complex global challenges, we remain committed to our long-term philosophy of investing in innovative companies that are supporting the transition towards a more prosperous, sustainable, and inclusive future. Our confidence is built on the existence of structural trends such as the advancement of science and technology, continued deflation of renewable energy, and the growing awareness of sustainability issues. These trends provide exciting opportunities for innovative and mission-driven companies. By investing in a subset of them, which are led by outstanding management teams and have the potential to build durable competitive advantages, we believe that the Company can generate attractive long-term investment returns for its shareholders and contribute towards a better future.

Kate Fox
Lee Qian

Baillie Gifford & Co
29 November 2022

Investing for Positive Change

Delivering Attractive Long-Term Investment Returns

We aim to deliver attractive investment returns, which we define as meaningful outperformance (by 2% annually net of fees) of the MSCI ACWI over rolling five-year periods.

Our emphasis on growth and competitive advantage means that we expect the delivered returns of the portfolio to come primarily from revenue and profit growth at the companies we hold, rather than from changes in valuation. In broad terms, we look for companies with the potential to double in value over a five year period, while still having significant growth prospects thereafter.

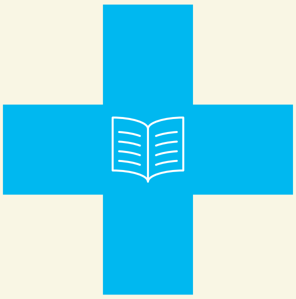
Patience is required to tolerate short-term volatility that we embrace in order to generate superior long-term financial returns. We expect our portfolio of 30–60 listed and private companies to differ significantly from the benchmark index, many of whose major constituents are likely to suffer from precisely the challenges that we outline in our four Impact Themes, and whose very scale makes it difficult for them to innovate. While measuring portfolio returns relative to a benchmark index can be a helpful way to monitor the output of our investment process, we do not consider the benchmark when constructing the portfolio.

Delivering a Positive Impact

We look for listed and private companies for whom delivering a positive impact is core to their business; whose products and services represent a significant improvement to the status quo; and who conduct business with honesty and integrity. We look for areas where there is a meaningful, and widely-accepted, opportunity gap between the current situation and the desirable social outcome, and for companies that are proactively narrowing that gap through their business activities. To this end, we have identified four Impact Themes.

Similar to financial returns, making a meaningful positive impact requires patience and perseverance. We are not looking for quick fixes, but genuine improvements which often take years, if not decades, of hard work. We believe a period of five to ten years is a useful timeframe for assessing companies' social and environmental contributions. We expect the four Impact Themes to evolve over time, hopefully as challenges are resolved. We review the themes on a regular basis.

Four Impact Themes

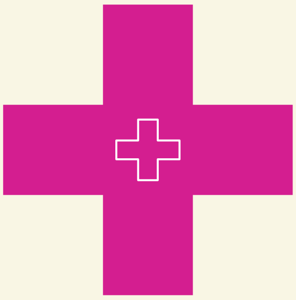


Social Inclusion and Education

Income and wealth inequalities have risen significantly over the past 30 years and now threaten our acceptance of capitalism as a force for good. We look for companies that are building a more inclusive society through their products and services. We also look for companies that are improving the quality or accessibility of education as we believe that the diffusion of skills and knowledge is one of the best tools to reduce inequality.

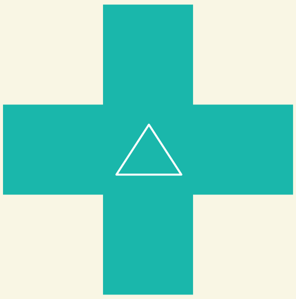
Environment and Resource Needs

The environmental impact of human activities is increasing, and basic resources such as food and water are becoming scarcer. Throughout history, climate change and famine have repeatedly limited the development of nations[1]. Left unresolved, those problems could jeopardise international relations, destabilise our society and damage our planet. We are looking for companies that are improving our resource efficiency and reducing the environmental impact of our economic activities.



Healthcare and Quality of Life

We are living longer but we are not necessarily healthier. We are richer but we are not necessarily happier. The stress of modern life is damaging our physical and mental health. We are searching for companies that are actively improving the quality of life in developed and developing countries.



Base of the Pyramid

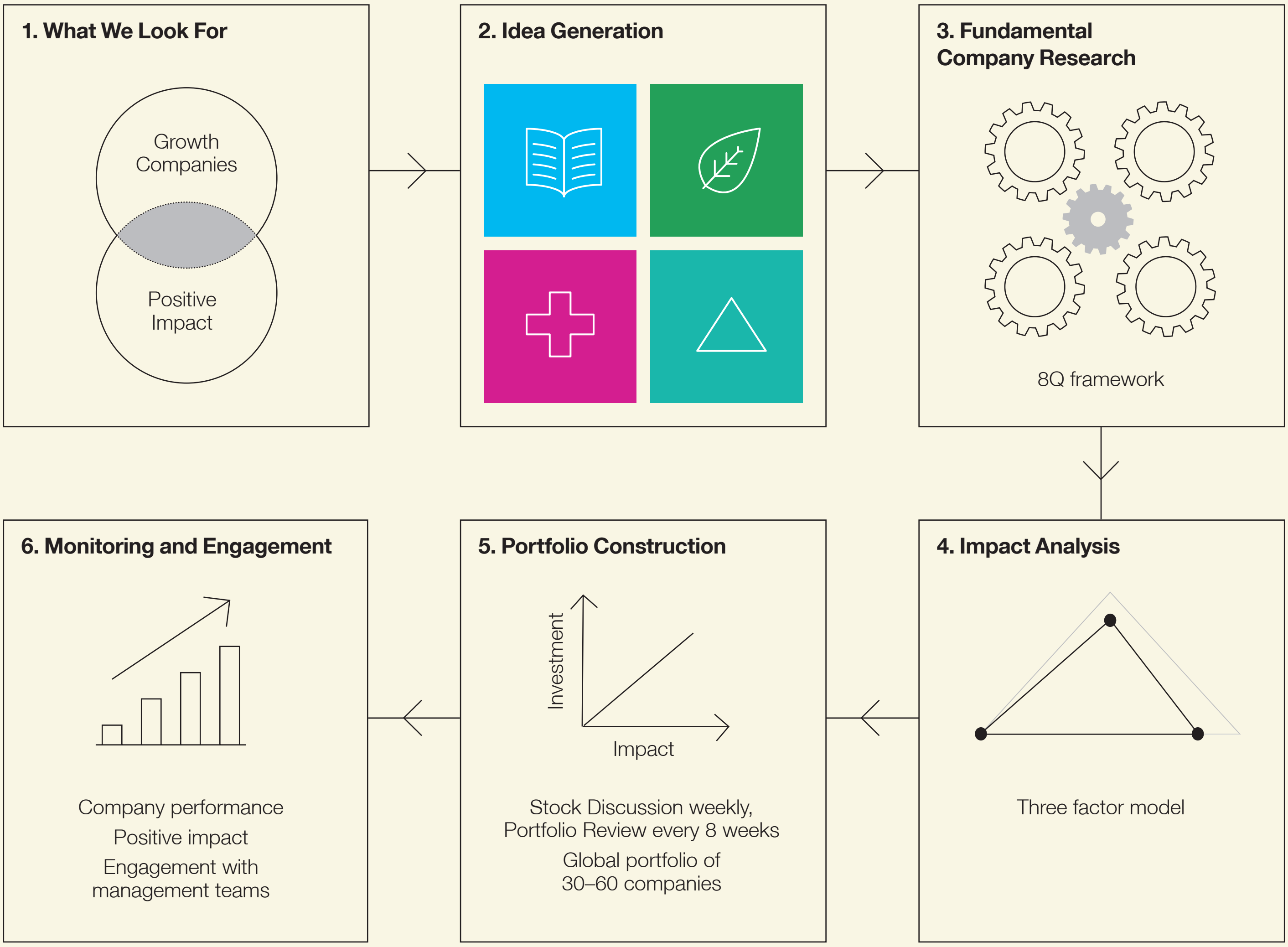
Economic growth has led to improvements in living conditions in many parts of the world. However, the fruits of human ingenuity have not filtered down to everyone. We are looking for companies that are addressing the basic and aspirational needs of the billions of people at the bottom of the global income ladder.

[1] *The Measure of Civilisation: How Social Development Decides the Fate of Nations*, 2013.

Investment Process

Analysing Investment and Impact Using a Robust and Consistent Process

Both our objectives are of equal importance. To reflect this, we have established a six-stage process which allows both the impact and investment objectives to be considered equally in the key parts of our process: research, portfolio construction and reporting.



1. What We Look For

A Vast Opportunity Set for Long-Term Stock Pickers

The universe of companies in which we can invest is vast. We make no attempt to cover the whole universe. Neither do we use quantitative screens to cut it down to a manageable size. Instead, we rely on a clear and consistent set of filters to focus our attention on the relatively small number of businesses that might be of interest to us. These filters flow naturally from our dual objectives, and focus on: (1) the company's potential to address one of our four thematic global challenges; (2) its potential to build a profitably growing business.

2. Idea Generation

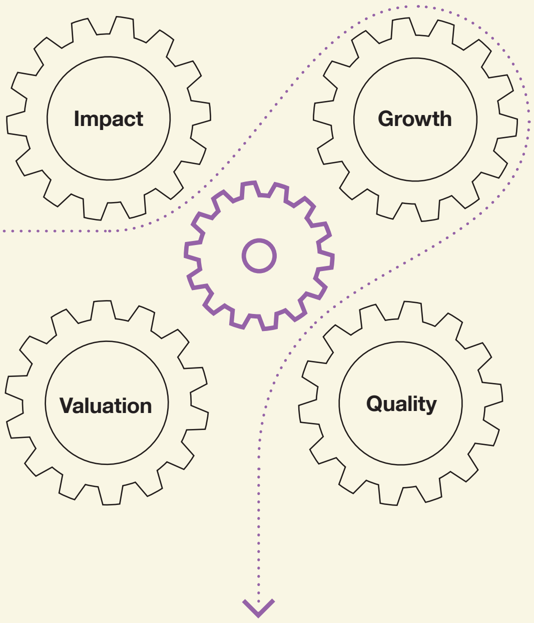
Ideas Naturally Flow from Our Dual Objectives. Curiosity Is Key

We are bottom-up stock pickers who let our curiosity and enthusiasm drive our research agenda. Idea generation takes place throughout the investment process: when we meet companies; through attendance at conferences; during team meetings; and through general reading. Our long-term time horizon, focus on fundamental in-house research and desire to take a different perspective means we use diverse sources of information, from independent research to engaging with academics and industry experts. Sharing a common objective with the rest of our investment colleagues (seeking high quality growth companies), we are fortunate in being able to leverage the intellectual resources of our wider investment department of around a hundred investors, including regional and global teams and sector specialists, and our ESG team.

3. Fundamental Company Research: Eight Questions

Consistent Framework Focuses on Dual Objectives

Once a potential idea has been identified, we analyse it using a consistent framework of questions.



1 What change is the company driving?

2 What is the scale of the growth opportunity and how might it evolve over time?

3 What is required to unlock the opportunity and how quickly can the company capitalise on it?

4 What is the competitive edge and how might it develop?

5 What attributes of the culture, governance, and management attitude will support or detract from the company's ability to capitalise on the opportunity?

6 What are the financial characteristics today and how might they evolve?

7 What might the company look like and what might its valuation be in 5 to 10 years?

8 What will it take to be an outlier?

Our company analysis consists of two stages: fundamental company research and impact analysis.

Our fundamental company research involves an Investment Manager examining eight questions relating to the quality of the business and its growth prospects as well as the impact the company is expected to deliver.

To assess the growth potential and quality of a business, we consider the company's broad opportunity set, the strength and durability of the competitive advantage, the financial characteristics and management attitudes. To assess the expected impact of a holding, we consider the challenge the company is tackling, its product characteristics and business practices.

Valuation analysis focuses on whether we think the long-term growth prospects of a company are under-appreciated. Here, we use a range of measures for valuing companies and remain very much focused on the potential for a business in five years' time. If a company has backing from an Investment Manager, it will be taken forward to the second stage of research: the Impact Analysis.

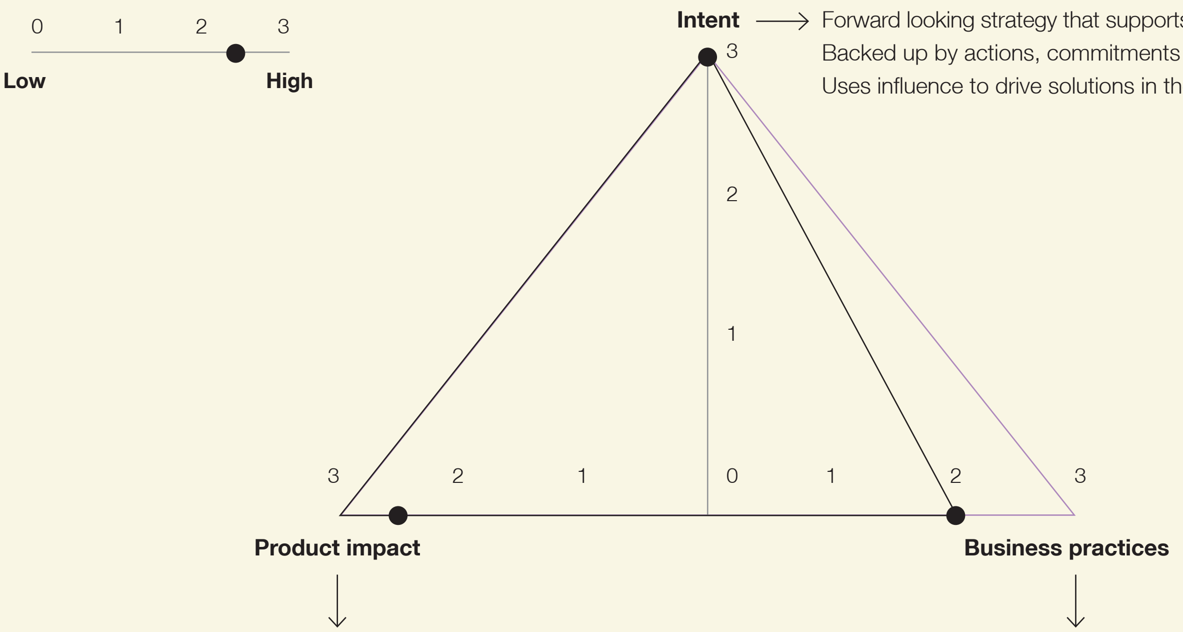
4. Impact Analysis

Independent and Disciplined

The second stage of research focuses specifically on the impact potential of a business. This is carried out by one of the Positive Change Teams' Impact Analysts. Analysing impact is complex and can be highly subjective. Our impact analysis is carried out independent of the investment case using a rigorous, qualitative framework that is based upon three factors, shown below.

This analysis is holistic: we recognise that there is no perfect company and under each of these three factors we also consider areas of controversy, the negative consequences of operations and a company's awareness of those issues.

Monitoring and reporting impact is important: as one of our dual objectives it is as important as monitoring and reporting financial performance. The monitoring of impact is ongoing and is interwoven with our monitoring of the investment case for a company. We look at company reports and disclosures and are engaged with management, we monitor significant news, always with a focus on the long term and the key milestones we expect a company to reach in order to deliver impact.



Forward looking strategy that supports the positive outcome?
Backed up by actions, commitments and structures?
Uses influence to drive solutions in the wider industry?

Relationship between the product and the impact?
Breadth and depth of impact?
Materiality in the context of the business and the problem?
Linkage with the United Nations Sustainable Development goals (UN SDGs)?

Addresses impacts across the full value chain?
Transparent in its actions?
Leads the industry in business practices?

5. Portfolio Construction

Two Elements – Investment and Impact Considered in Tandem

The Positive Change team meet regularly to discuss new ideas and the level of conviction in existing holdings. The team's conviction in both the impact and investment potential of a company is taken into consideration when making portfolio decisions and sizing positions. Investment decisions are made by the five decision makers: three Investment Managers: Kate Fox, Lee Qian and Thaiha Nguyen, and two Senior Impact Analysts: Michelle O'Keeffe and Edward Whitten. Every stock must have the backing of an Investment Manager and at least one Senior Impact Analyst. The group heavily relies on and respects the opinions of team members to help inform individual views. We think this process allows us to harness diverse perspectives while also retaining conviction and accountability of individual decision-making and reducing personal bias.

We are active investors and our portfolio will differ significantly from the benchmark, many of whose major constituents are likely to face headwinds from the challenges we identify. In order for a company to enter our portfolio, it must meet both of our objectives – there are no compromises.

With a long-term investment horizon, portfolio turnover will be low, we expect it to be below 20% per annum over the long term. We will carefully monitor the companies in which we invest through ongoing research and engagement with management teams. It is inevitable that businesses will have setbacks and we are happy to own companies through periods of short-term operational weakness. However, if longer-term concerns develop that are not addressed by management, if we detect a deterioration in the fundamental investment case, for either element of our dual objectives, we will sell a holding.

6. Monitoring, Engagement and Reporting

Rigorous, Ongoing and with a Long-Term Focus

Once we have taken a holding, we continue to monitor operational performance and progress towards delivering positive change. In doing so we engage with management teams on an ongoing basis. We report on how the strategy has delivered on both its financial objective and its impact objective.

The impact different companies make is not always quantifiable, nor should it be. Furthermore, comparing impact across companies with very different activities is problematic. And, where impact is more easily quantifiable, it is not always measured and disclosed in a uniform way. Despite its challenges, we have developed a robust approach using our in depth knowledge of companies, and we report annually, though we always remain focused on our five-year-plus time horizon.

6.1 Company Impact

Consistent with our bottom-up, fundamental investment approach, we identify bespoke metrics or milestones for each company that will help us monitor its progress in delivering positive change. We represent this impact through 'The Positive Chain', a model which demonstrates how each company is contributing to positive outcomes and impacts through its inputs, activities and outputs. We depend primarily on company reported data but do not limit ourselves to current levels of disclosure: where there are gaps we will engage with companies and request more information.

Company engagement more broadly is ongoing, and we will discuss with management teams both areas where we would like to see improvements as well as areas where companies excel.

6.2 Portfolio Contribution to United Nations Sustainable Development goals

At an overall portfolio level, we also link the product impact for each company to the 'United Nations' Sustainable Development Goals' ('UN SDG'). The UN developed the SDGs in 2015 as part of an ambitious programme which aims to end poverty in all forms, to build peaceful and inclusive societies, to protect human rights and promote gender equality, and to ensure the protection of the planet and its natural resources by the end of 2030. With 17 goals split into 169 specific targets covering a broad range of topics, we do not intend the portfolio to address every single goal. However, mapping the contribution of individual holdings to these goals via the underlying 169 targets allows us to assess the contribution of the portfolio as a whole using an independent framework.

The companies in the portfolio take different approaches and we hope to gain insight into what works best and to share our learnings across holdings. For those companies that report how their business is aligned with the 'SDGs', we take this into consideration when making the linkage to the goals, but we are selective in order to be as consistent as possible across all holdings.

Valuing Private Companies

We aim to hold our private company investments at 'fair value', i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team with all voting members being from different operational areas of the firm, and the investment managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For investment trusts, the prices are also reviewed twice per year by the respective boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain 'trigger events'. These may include changes in fundamentals, a takeover approach, an intention to carry out an Initial Public Offering ('IPO'), company news which is identified by the valuation team or by the portfolio managers, or changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value ('NAV'). There is no delay.

The valuations committee also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team does these checks daily.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Year to date, most revaluations have been decreases. A handful of companies have raised capital at an increased valuation. The average movement in both valuation and private company share price for those which have decreased in value is shown below.

	Average movement in company valuation	**Average movement in private company share price**
Keystone Positive Change Investment Trust*	-9.5%	-7.6%

* Data reflecting period from 1 January 2022 to 30 September 2022 being the period of increased valuations due to market volatility.

Private company share prices have decreased less than headline valuations because Baillie Gifford typically holds preference stock, which provides downside protection. The private company share price movement reflects a probability-weighted average of both the regular valuation, which would be realised in an IPO, and the downside protected valuation, which would be normally be triggered in the event of a corporate sale or liquidation.

Portfolio by Impact Theme

As at 30 September 2022

Social Inclusion and Education

Building a more inclusive society and/or improving the quality and accessibility of education

Holding	Value £'000	%
ASML	10,057	6.6
MercadoLibre	8,652	5.7
TSMC	8,126	5.3
Duolingo	2,783	1.8
PsiQuantum	1,687	1.1
Nu Holdings	1,652	1.1
Coursera	1,550	1.0
Shopify	1,443	0.9
FDM	1,128	0.7
	37,078	**24.2**

Environment and Resource Needs

Improving our resource efficiency and reducing the environmental impact of our economic activities

Holding	Value £'000	%
Deere	8,941	5.8
Tesla	6,503	4.3
Novozymes	5,355	3.5
Xylem	5,312	3.5
Ørsted	5,237	3.4
Northvolt AB	4,710	3.1
Umicore	4,593	3.0
NIBE Industrier	3,434	2.2
Ecolab	2,927	1.9
Climeworks	2,056	1.3
Spiber	736	0.5
Joby Aviation	388	0.3
	50,192	**32.8**

Healthcare and Quality of Life

Actively improving the quality of life in developed and developing countries

Holding	Value £'000	%
Moderna	9,480	6.2
Dexcom	7,743	5.1
Alnylam Pharmaceuticals	7,522	4.9
Illumina	5,251	3.4
Abiomed	4,676	3.1
Sartorius	4,129	2.7
M3	3,635	2.4
Chr. Hansen	3,140	2.1
Discovery Holdings	2,999	2.0
AbCellera Biologics	2,083	1.4
10x Genomics	1,744	1.1
Teladoc	1,446	0.9
Peloton Interactive	289	0.2
Berkeley Lights	149	0.1
	54,286	**35.6**

Base of the Pyramid

Addressing the basic aspirational needs of people at the bottom of the global income ladder

Holding	Value £'000	%
Bank Rakyat Indonesia	6,262	4.1
Safaricom	4,249	2.8
	10,511	**6.9**

Net liquid assets*	786	0.5
Total assets*	**152,853**	**100.0**

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

Past performance is not a guide to future performance.

List of Investments

As at 30 September 2022

Name	Business	Impact theme*	Fair value £'000	% of total assets †	Cumulative % of total assets †
ASML	Supplier to semiconductor industry	Social	10,057	6.6	
Moderna	Messenger RNA therapeutics	Healthcare	9,480	6.2	
Deere	Agricultural equipment	Environment	8,941	5.8	
MercadoLibre	Latin American ecommerce platform and fintech	Social	8,652	5.7	
TSMC	Semiconductor manufacturer	Social	8,126	5.3	
Dexcom	Continuous glucose monitoring	Healthcare	7,743	5.1	
Alnylam Pharmaceuticals	Biotechnology	Healthcare	7,522	4.9	
Tesla	Electric cars and renewable energy solutions	Environment	6,503	4.3	
Bank Rakyat Indonesia	Bank	Base	6,262	4.1	
Novozymes	Biological solutions	Environment	5,355	3.5	**51.5**
Xylem	Innovative water solutions	Environment	5,312	3.5	
Illumina	Gene sequencing equipment	Healthcare	5,251	3.4	
Ørsted	Renewable energy	Environment	5,237	3.4	
Northvolt AB[u]	Battery developer and manufacturer, specialising in lithium-ion technology for electric vehicles	Environment	4,710	3.1	
Abiomed	Medical implant manufacturer	Healthcare	4,676	3.1	
Umicore	Global materials technology and recycling	Environment	4,593	3.0	
Safaricom	Telecommunications and mobile payments	Base	4,249	2.8	
Sartorius	Biopharmaceutical and laboratory tooling	Healthcare	4,129	2.7	
M3	Online medical services	Healthcare	3,635	2.4	
NIBE Industrier	Sustainable energy solutions	Environment	3,434	2.2	**81.1**
Chr. Hansen	Biological solutions	Healthcare	3,140	2.1	
Discovery Holdings	Life and health insurance provider	Healthcare	2,999	2.0	
Ecolab	Water, hygiene and infection prevention services	Environment	2,927	1.9	
Duolingo	Language learning website and mobile app	Social	2,783	1.8	
AbCellera Biologics	Antibody drug discovery tools	Healthcare	2,083	1.4	
Climeworks[u]	Direct air carbon capture	Environment	2,056	1.3	
10x Genomics	Life science technology	Healthcare	1,744	1.1	
PsiQuantum[u]	Silicon photonic quantum computing	Social	1,687	1.1	
Nu Holdings	Digital banking company based in Brazil	Social	1,652	1.1	
Coursera	Online learning	Social	1,550	1.0	**95.9**
Teladoc	Healthcare services provider	Healthcare	1,446	0.9	
Shopify	Online commerce platform	Social	1,443	0.9	
FDM	IT-focused professional services provider	Social	1,128	0.7	
Spiber[u]	Novel protein biomaterials	Environment	736	0.5	
Joby Aviation	Electric aircraft	Environment	388	0.3	
Peloton Interactive	Connected home fitness technology	Healthcare	289	0.2	
Berkeley Lights	Life science technology	Healthcare	149	0.1	
Total investments			**152,067**	**99.5**	**99.5**
Net liquid assets†			786	0.5	
Total assets†			**152,853**	**100.0**	**100.0**

* Abbreviated as follows: Healthcare – Healthcare and Quality of Life; Social – Social Inclusion and Education; Environment – Environment and Resource Needs; Base – Base of the Pyramid.

[u] Denotes unlisted/private company holding.

† For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

Analysis of Total Assets

As at 30 September 2022

	Listed equities %	Unlisted securities # %	Net liquid assets %	Total assets %
30 September 2022	**93.5**	**6.0**	**0.5**	**100.0**
30 September 2021	97.7	2.1	0.2	100.0

Includes holdings in ordinary shares, preference shares and warrants.

Top Ten Investments

ASML

ASML is the world's leading developer and manufacturer of lithography equipment used in the production of integrated circuits. Lithography is used to print complex circuit patterns onto the wafers and is one of the most critical and expensive steps in integrated circuits' production. ASML's innovation has been instrumental to the continued price decline of semiconductors which in turn facilitates innovations and progress in a number of industries such as telecommunication and healthcare. ASML's superior innovation and technology has allowed the company to consistently gain market share. With capital expenditure in the industry increasing, ASML is well placed to benefit.

Impact Theme	Social Inclusion and Education
2022 Valuation	£10,057,000
% of total assets	6.6%
2021 Valuation	£16,996,000
% of total assets 2021	7.6%
Net purchases/(sales) in the year	(£1,791,000)

Moderna

Moderna is a biotech company that develops medicines based on messenger RNA. While Moderna is still an early stage company, it offers the possibility of a platform that could lead to therapies addressing a wide range of currently unmet health needs. The company has a strong scientific foundation and the management team is committed to investing in R&D. Their recent success in developing a vaccine for Covid-19 provides compelling proof of the platform and has accelerated the commercialisation of the company's technology by several years, which means greater financial independence and the opportunity to reinvest in new programmes.

Impact Theme	Healthcare and Quality of Life
2022 Valuation	£9,480,000
% of total assets	6.2%
2021 Valuation	£30,071,000
% of total assets 2021	13.4%
Net purchases/(sales) in the year	(£1,842,000)

Deere

Improving agriculture productivity while reducing its negative environmental impact will be crucial for a more sustainable food system going forward. Precision agriculture, by using sensors, data, and automation to improve yields and reduce fertiliser and pesticide usage, will be an important tool to achieve this goal. Deere is the world's largest agricultural equipment maker and the leader in precision agriculture. Deere's commitment to the area, its scale in research and development, and its relationship with farmers and dealers, should provide the company with a strong competitive advantage and enable it to benefit from the growth in precision agriculture.

Impact Theme	Environment and Resource Needs
2022 Valuation	£8,941,000
% of total assets	5.8%
2021 Valuation	£7,312,000
% of total assets 2021	3.3%
Net purchases/(sales) in the year	£136,000

MercadoLibre

MercadoLibre is Latin America's largest ecommerce platform and is emerging as a leader in the region's financial technology (fintech) industry. MercadoLibre's ecommerce platform connects millions of merchants and consumers, providing a more convenient and efficient way to trade. Ecommerce penetration is still low in Latin America and the long-term growth opportunity is attractive. MercadoLibre benefits from network effects, which should enable it to capture a significant part of the growth opportunity. On fintech, MercadoLibre provides a range of online and mobile payment solutions and financial services. These enable small businesses and consumers to transact and access financial services more easily than before. We believe that MercadoLibre is a great example of a business using mobile and digital technologies to leapfrog legacy infrastructure and, in the process, reducing hurdles faced by small businesses and those living on low incomes.

Impact Theme	Social Inclusion and Education
2022 Valuation	£8,652,000
% of total assets	5.7%
2021 Valuation	£11,252,000
% of total assets 2021	5.0%
Net purchases/(sales) in the year	£1,732,000

TSMC

Taiwan Semiconductor Manufacturing Company (TSMC) is the world's largest integrated circuits foundry. The company's scale, technology and efficiency have enabled steep price declines for semiconductors, which in turn facilitates innovations and progress in a number of industries. Increasing demand for semiconductors and the trend towards outsourcing manufacturing should support TSMC's growth over the long term. The capital intensity of the foundry industry is continually increasing and TSMC, being the largest company, can invest in the latest equipment to maintain its cost advantage. In addition, trust is very important to the foundry business: TSMC's customer relationships, built upon years if not decades of collaborations, provide further competitive advantage. These advantages should enable TSMC to benefit from the long-term growth of the foundry industry while generating attractive levels of profits and returns.

Impact Theme	Social Inclusion and Education
2022 Valuation	£8,126,000
% of total assets	5.3%
2021 Valuation	£11,841,000
% of total assets 2021	5.3%
Net purchases/(sales) in the year	(£852,000)

Dexcom

Dexcom is a manufacturer of sensors and display devices for continuous glucose monitoring (CGM). The primary application for CGM is to give diabetics more information about their blood glucose levels to better help them keep it within safe parameters; it represents a superior and more convenient alternative to widely used 'finger stick' tests, ultimately improving patient outcomes. Awareness of their technology is rising among both diabetics and doctors and it has the potential to become a routine standard of care.

Impact Theme	Healthcare and Quality of Life
2022 Valuation	£7,743,000
% of total assets	5.1%
2021 Valuation	£10,683,000
% of total assets 2021	4.7%
Net purchases/(sales) in the year	£136,000

Alnylam Pharmaceuticals

Alnylam Pharmaceuticals is a biotechnology company, developing a new class of highly innovative drugs based on a breakthrough biological discovery known as RNA interference (RNAi). RNA interference enables the regulation of gene expression without permanently editing the DNA. Alnylam has five approved therapeutic products and continues to make good progress in clinical trials for a number of candidates. Notable milestones this year include positive data from the Phase 3 trial of Patisiran for Patients with ATTR Amyloidosis with Cardiomyopathy. The company retains a leadership position in the RNAi therapeutics space and has significant intellectual property strength that stands it in good stead over the long term as it demonstrates the effectiveness of its treatments.

Impact Theme	Healthcare and Quality of Life
2022 Valuation	£7,522,000
% of total assets	4.9%
2021 Valuation	£5,792,000
% of total assets 2021	2.6%
Net purchases/(sales) in the year	£120,000

Tesla

Tesla is a unique company that is trying to revolutionise the automotive industry by ridding it of its reliance on internal combustion engines in favour of electric vehicles. The adoption of electric vehicles should rise thanks to decreasing costs, better driving experience, regulatory support and consumer awareness of climate change. It is also applying its accumulated knowledge in battery technology to stationary batteries, which could potentially disrupt utility companies by allowing the effective storage of renewable energy. Further upside could come from the commercialisation of AI technology, in particular for autonomous vehicles and robotics.

Impact Theme	Environment and Resource Needs
2022 Valuation	£6,503,000
% of total assets	4.3%
2021 Valuation	£11,505,000
% of total assets 2021	5.1%
Net purchases/(sales) in the year	(£7,831,000)

Bank Rakyat Indonesia

Bank Rakyat is one of the strongest franchises in the Indonesian banking market. The company's competitive strengths centre around its scale, strong customer relationships and a vast decentralised distribution network of more than 4,000 banking units and 19,000 ATMs, spread across Indonesia's archipelago. Many of these rural outlets were originally created by the state, to administer the government's credit program for rice farming during the 1970s and now present a prohibitively expensive advantage over any new entrant. Given these strengths, Rakyat's micro-lending business should be able to generate strong returns on equity. The long-term growth opportunity is attractive thanks to low credit penetration and relatively supportive macroeconomics.

Impact Theme	Base of the Pyramid
2022 Valuation	£6,262,000
% of total assets	4.1%
2021 Valuation	£4,652,000
% of total assets 2021	2.1%
Net purchases / (sales) in the year	£93,000

Novozymes

Novozymes is a leading manufacturer of enzymes based in Denmark. Enzymes improve the efficiency of industrial processes and consumer products, for example, by allowing clothes to be washed at a lower temperature. Its products help customers do more with less and reduce their environmental impact. The trend towards greater efficiency and stricter environmental regulations should support attractive long-term growth. Novozymes' innovative culture and manufacturing know-how should enable the company to benefit from the growth opportunities.

Impact Theme	Environment and Resource Needs
2022 Valuation	£5,355,000
% of total assets	3.5%
2021 Valuation	£4,174,000
% of total assets 2021	1.9%
Net purchases/(sales) in the year	£1,721,000

One Year Summary*

Year to 30 September	2022	2021
Total return performance‡		
Net asset value (borrowings at market value)†	(35.2%)	17.3%
Share price	(43.3%)	40.9%
Comparative index#	(3.7%)	24.5%

Capital and revenue information as at/for the year ended	30 September 2022	30 September 2021	% change
Total assets (before deduction of borrowings)	£152.8m	£224.9m	
Borrowings (at book value)	(£15.5m)	(£10.4m)	
Shareholders' funds	£137.3m	£214.5m	
Net asset value per ordinary share (borrowings at market value)†	222.2p	347.0p	(36.0%)
Share price	192.8p	344.0p	(44.0%)
Comparative index#			(5.8%)
Revenue earnings per ordinary share	0.63p	2.60p	(75.8%)
Dividends paid and payable in respect of the financial year	0.40p	11.20p	(96.4%)
Ongoing charges†	0.90%	0.51%	
Discount (over NAV with borrowings at market value)†	(13.2%)	(0.9%)	
Gross gearing	11.3%	4.8%	
Net gearing	10.6%	4.6%	
Active share†	97%	96%	

Year to 30 September	2022	2022	2021	2021
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value (borrowings at market value)†	360.5p	203.1p	375.8p	282.6p
Share price†	345.0p	174.6p	363.0p	246.0p
Premium/(discount)†	2.4%	(17.9%)	4.9%	(18.0%)

Year to 30 September	2022	2021
Net return per ordinary share		
Revenue	0.63p	2.60p
Capital	(121.50p)	49.49p
Total	**(120.87p)**	**52.09p**

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

† Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above table, for the period from 1 October 2020, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

‡ Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 72.

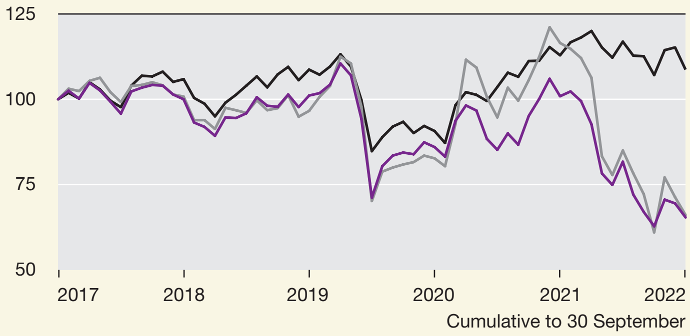
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how an investment in Keystone Positive Change has performed relative to its comparative index* and its underlying net asset value over the five year period to 30 September 2022.

5 Year Total Return Performance†

(figures rebased to 100 at 30 September 2017)



Source: Refinitiv and relevant underlying index providers.#

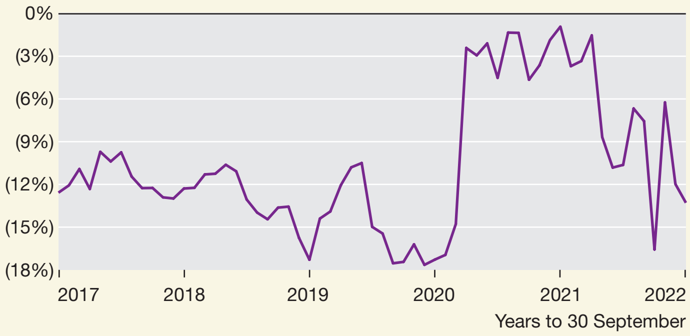
NAV total return†‡

Share price total return†

Comparative Index* total return

Premium/(discount) to Net Asset Value†

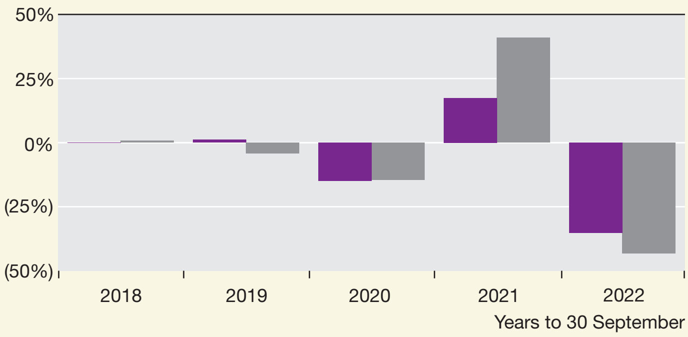
(plotted on a monthly basis)



Source: Refinitiv/Baillie Gifford.

Keystone Positive Change premium/(discount) (after deducting borrowings at market value)†

Annual Net Asset Value and Share Price Total Returns†



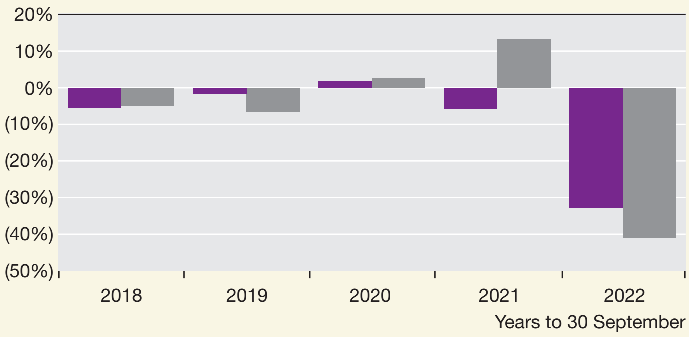
Source: Refinitiv/Baillie Gifford.

Dividends are reinvested.

NAV total return†‡

Share price total return†

Relative Annual Net Asset Value and Share Price Total Returns† (relative to the Comparative Index total return)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers.#

Dividends are reinvested.

NAV total return†‡

Share price total return†

* The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above graphs, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

† Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

See disclaimer on page 72.

‡ With borrowings deducted at market value.

Past performance is not a guide to future performance.

Ten Year Summary*

Capital

At 30 September	Total assets * £'000	Borrowings £'000	Shareholders' funds * £'000	NAV per share † (book) p	NAV per share † (market) p	Share price p	Premium/ * (discount) # (market) %
2012	214,698	31,895	182,803	273.5	262.1	263.6	0.6
2013	263,369	31,889	231,480	342.5	332.0	329.2	(0.8)
2014	282,182	31,915	250,267	370.3	361.2	341.8	(5.4)
2015	291,567	31,942	259,625	384.1	373.4	355.2	(4.9)
2016	296,919	31,972	264,947	392.0	379.0	347.1	(8.4)
2017	307,390	32,003	275,387	407.4	396.0	346.0	(12.6)
2018	298,183	32,037	266,146	393.7	384.3	337.0	(12.3)
2019	289,677	32,071	257,606	381.1	372.5	308.0	(17.3)
2020	209,755	19,430	190,325	305.8	305.8	253.0	(17.3)
2021	224,881	10,364	214,517	347.0	347.0	344.0	(0.9)
2022	**152,853**	**15,525**	**137,328**	**222.2**	**222.2**	**192.8**	**(13.2)**

Revenue

Year to 30 September	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ‡ ordinary share ** p	Dividend paid and proposed per share net** Ordinary p	Special p	Total p	Ongoing * charges ¶ %
2012	7,901	6,566	9.82	9.70	–	9.70	0.95
2013	9,218	7,728	11.48	10.00	1.40	11.40	0.96
2014	9,507	8,013	11.85	10.10	1.60	11.70	0.87
2015	10,071	8,659	12.81	10.20	2.46	12.66	0.71
2016	9,783	8,386	12.41	10.60	1.06	11.66	0.69
2017	9,001	8,316	12.30	11.00	0.94	11.94	0.61
2018	8,137	7,552	11.17	11.20	0.35	11.55	0.54
2019	8,732	7,516	11.12	11.20	0.734	11.934	0.54
2020	5,848	4,815	7.41	11.20	–	11.20	0.55
2021	2,353	1,605	2.60	11.20	–	11.20	0.51
2022	**1,459**	**389**	**0.63**	**0.40**	**–**	**0.40**	**0.90**

Gearing Ratios

Year to 30 September	Net gearing § %	Gross gearing ^ %
2012	9	17
2013	9	14
2014	5	13
2015	5	12
2016	6	12
2017	7	12
2018	11	12
2019	4	12
2020	10	11
2021	5	5
2022	**11**	**11**

Cumulative Performance (taking 2012 as 100)

At 30 September	NAV per share (market) *	NAV total return †† (market) *	Share price	Share price total * return ††	Comparative Index ††	Comparative Index total return ††	Revenue earnings per share	Dividend paid and proposed per share (net)	Retail price index ††
2012	100	100	100	100	100	100	100	100	100
2013	127	131	125	129	115	119	117	118	103
2014	138	148	130	139	118	126	121	121	105
2015	142	157	135	149	111	123	130	131	107
2016	145	165	132	151	125	144	126	120	108
2017	151	178	131	156	135	161	125	123	112
2018	147	178	128	157	138	171	114	119	116
2019	142	180	117	150	135	175	113	123	119
2020	117	153	96	129	109	146	75	115	121
2021	132	180	131	181	133	182	26	115	126
2022	**85**	**116**	**73**	**103**	**126**	**175**	**6**	**4**	**143**
Compound annual returns									
5 year	(10.9%)	(8.1%)	(11.0%)	(7.9%)	(1.8%)	0.5%	n/a	n/a	5.0%
10 year	(1.6%)	1.5%	(3.1%)	0.3%	2.3%	5.8%	n/a	n/a	3.7%

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

† Shareholders' funds per share has been calculated after deducting borrowings at book value (see note 15 on page 59). Net asset value (NAV) per share has been calculated after deducting borrowings at either book value or market value. See Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value with borrowings at either book value or market value.

‡ The calculation of revenue earnings per share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 7 on page 55).

¶ Calculated as total operating costs divided by average net asset value (with debt at market value) in accordance with AIC guidelines. All calculations exclude performance fees where applicable. For 2021 Baillie Gifford waived the first six months management fee. Had the fee been payable, ongoing charges would have been 0.82%.

§ Invested (net) gearing (see Glossary of Terms and Alternative Performance Measures on pages 73 to 75) being total borrowings less all cash and brokers' balances expressed as a percentage of shareholders' funds.

^ Total borrowings expressed as a percentage of shareholders' funds (see Glossary of Terms and Alternative Performance Measures on pages 73 to 75).

** Restated following the subdivision of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

†† Source: Refinitiv and relevant underlying index providers. See disclaimer on page 72.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

Keystone Positive Change Investment Trust plc ('the Company' or 'Keystone Positive Change') is a public company limited by shares and is incorporated in England and Wales with its registered office address at Grimaldi House, 28 St James's Square, London, SW1Y 4JH. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund (AIF) for the purposes of the UK Alternative Fund Managers Regulations.

The Company's business model is for its independent, non-executive Board of Directors to appoint third party investment management and administration service providers, and to monitor the quality of the services provided by them.

Purpose and Strategy

Keystone Positive Change Investment Trust plc aims to deliver above average long-term returns for shareholders by harnessing the long-term growth potential of companies whose businesses contribute to positive social or environmental change. The Company's strategy is determined by the Board, through setting investment policy and risk guidelines, together with investment limits, and monitoring their application by the third party Managers when investing the portfolio in accordance with the Objective and Policy detailed below.

Objective and Policy

The Company's objective is to generate long term capital growth with the aim of the NAV total return exceeding that of the MSCI All Country World Index in sterling terms by at least 2% per annum over rolling five-year periods; and contribute towards a more sustainable and inclusive world by investing in the equities of companies whose products or services make a positive social or environmental impact.

The Company invests predominantly in shares of companies of any size, in any country and in any sector, whose products or behaviour make a positive impact on society and/or the environment in the investment managers' opinion. The Company will invest in companies addressing critical challenges in areas such as, but not limited to: social inclusion and education, healthcare and quality of life, environment and resource needs, and base of the pyramid. The shares in which the Company invests may be listed, quoted, or traded on any market, or shares in private companies.

The maximum direct investment in any one holding or fund is limited to 10% of the gross asset value of the Company, measured at the time of investment.

The portfolio will comprise between 30 and 60 public and private company securities. The maximum amount which may be invested in private company securities shall not exceed 30 per cent. of the gross asset value of the Company, measured at the time of investment. The Company will at all times be invested in several sectors. While there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

With prior approval of the Board, the Company may use derivatives for the purposes of efficient portfolio management in order to reduce, transfer or eliminate investment risk in the Company's portfolio and for gearing purposes. Derivative instruments in which the Company may invest may include foreign exchange forwards, exchange-listed and over-the-counter options, futures, options on futures, swaps and similar instruments. The Company does not intend to enter into derivative or hedging transactions to mitigate against general currency or interest rate risk.

The Company will not invest more than 15 per cent. of its gross assets in other investment companies or investment trusts which are listed on the Official List. The Company intends to employ gearing to seek to enhance long term capital growth and for the purposes of capital flexibility and efficient portfolio management. The Company may be geared through bank borrowings, the use of derivative instruments that have the effect of gearing the Company's portfolio, and any such other methods as the Board may determine. Gearing will not exceed 25 per cent. of the gross asset value of the Company, although the Board expects that gearing will typically not exceed 10 per cent. of the gross asset value of the Company, in both cases calculated at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold. Any material change in the Company's investment policy will require the approval of shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Culture

As an externally managed investment company with no employees, Keystone Positive Change's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on pages 25 and 26, and the Managers' culture of constructive engagement is set out within Investing for Positive Change on pages 7 to 13.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 31 and evaluating the Managers as noted on page 28. These KPIs are established industry measures and are as follows:

— the movement in net asset value per ordinary share on a total return basis;

— the movement in the share price on a total return basis;

— the share price premium/discount relative to the net asset value; and

— ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 73 to 75. Discussion on the current year's performance is included in the Chair's Statement on pages 2 and 3. The one, five and ten year records of the KPIs are shown on pages 19 to 21.

The Board also has regard to the total return of the Company's principal comparative index (MSCI All Country World Index in sterling terms).

In addition to the above, the Company is working towards developing KPIs for the impact objective of its strategy.

Financial Position and Borrowings

At 30 September 2022, the Company's net assets were valued at £137 million (2021 – £215 million) comprising a portfolio of mainly equity investments and net current assets.

The Company's borrowings at 30 September 2022 comprised a £25 million (2021 – £25 million) revolving credit facility provided by The Royal Bank of Scotland International Limited. At 30 September 2022 there were outstanding drawings of £7,500,000 (2021 – £5,000,00) and US$8,679,000 (2021 – US$6,896,000) at rates of 1.25% over SONIA (GBP loan) and 1.25% over US LIBOR, and over SOFR when US LIBOR is withdrawn (US$ loan). Further details of the Company's borrowings are set out in note 11 on page 57 and details of the Company's gearing levels are included in the Chair's Statement on pages 2 and 3 and the Ten Year Summary on page 21.

Dividends

At the Company's Annual General Meeting held in February 2022, shareholders approved the change, such that the dividend payment policy for the financial year to 30 September 2022 and subsequent years would be to pay a single final dividend representing the minimum distribution required to maintain investment trust status.

Future Developments of the Company

The outlook for the Company is dependent to a significant degree on economic events and the financial markets. Potential threats are discussed in the Principal and Emerging Risks analysis on pages 23 and 24 and factors which the Board consider to indicate the Company's positive prospects and financial health are discussed in the Viability Statement on page 25. Further comments on the outlook for the Company and its investment portfolio are set out in the Chair's Statement on pages 2 and 3 and the Managers' Report on pages 4 to 6.

Principal and Emerging Risks

As explained on pages 32 and 33 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. 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, regulatory compliance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the ongoing Covid-19 pandemic, current geopolitical tensions, energy price rises and climate transition to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors: the Company's objective and investment policy and strategy; the investment portfolio and its performance in terms of impact and shareholder returns; the level of discount/premium to net asset value at which the shares trade; and movements in the share register, and raises any matters of concern with the Managers.

Discount/Premium Risk – the price at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the reasons for movements in either direction. The Board has a range of options available to address widening discounts and/or premiums, including reviewing the investment strategy or marketing approach. The Company also has authority to buy back or issue shares when deemed by the Board to be in the best interests of the Company and its shareholders.

Financial Risk – the Company's assets consist mainly of listed securities and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 59 to 63. In order to oversee this risk, the Board considers at each meeting the composition and diversification of the portfolio by impact theme and holding size, along with sales and purchases of investments. Individual investments are discussed with the investment managers together with their general views on the various investment markets and sectors. A strategy meeting is held annually. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic and over recent months owing to macroeconomic and geopolitical concerns. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but such impact would be partially offset by the effect of exchange rate movements on the Company's US$ denominated borrowings.

Gearing Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. To mitigate this risk all borrowings require the prior approval of the Board and gearing levels are discussed by the Board and investment managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in listed securities that are readily realisable. Further information on gearing can be found on page 2 and in the Glossary of Terms and Alternative Performance Measures on page 74.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the Covid-19 pandemic) or major disaster. Baillie Gifford staff continued to work from home to maintain a business-as-usual service throughout the Covid-19 pandemic. Following the removal of Covid-19 restrictions by the Scottish and UK Governments, a hybrid model is now operating, with staff determining the most appropriate split between working from home and working in the office, which ensures ongoing resilience. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To mitigate this risk, the Board receives six-monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

Climate and Governance Risk – as investors place increased emphasis on Environmental, Social and Governance (ESG) issues, perceived inaction on ESG matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example a failure to identify a pathway to Net Zero or poor employment practices). Repeated failure by the Investment Manager to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is mitigated by the Manager's strong ESG stewardship and engagement policies, which have been endorsed by the Company, and which are fully integrated into the investment process, as well as the extensive up-front and ongoing due diligence which the Investment Manager undertakes on each investee company. This due diligence includes assessment of the risks inherent in climate change (see page 34).

Political and Associated Economic Risk – political change in areas in which the Company invests or may invest may increasingly have practical consequences for the Company. To mitigate this risk, developments are closely monitored and considered by the Board. The Board has particular regard to repercussions from the Russian invasion of Ukraine, and ongoing tensions between the US and China, and monitors portfolio diversification by revenue stream where appropriate, as well as by investee companies' primary location, to mitigate against the negative impact of military action or trade barriers.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing rules and the Companies Act could lead to the Company being subject to tax on capital gains, suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Emerging Risks – as explained on page 32 the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to emerging threats such as the societal and financial implications of geopolitical tensions, energy price rises or supply failures, climate transition, food insecurity, cyber risk, and new coronavirus variants or similar public health threats. These are mitigated by the Investment Manager's close links to the investee companies and their ability to ask questions on contingency plans. The Investment Manager believes the impact of such events may be to slow the pace of growth rather than to invalidate the investment rationale over the long term.

Viability Statement

The Company is a collective investment vehicle rather than a commercial business venture and is managed for long-term investment. It has no fixed life, and no continuity vote provisions in its Articles. Having regard to provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a five year period. The Directors believe, having taken into account a number of factors including the investment managers' investment horizon, this period to be appropriate as, in the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, it is a period over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period.

In making this assessment the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal and emerging risks and uncertainties (as detailed on pages 23 and 24), in particular the impact of market risk where a significant fall in global equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due, the main liabilities currently being the short-term bank borrowings. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditors and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company, whether from pandemic-related personnel shortages, IT disruption, or energy supply constraints. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, this allows key service providers to be replaced at relatively short notice where necessary. Gearing and liquidity stress testing was conducted during the year. The stress testing did not indicate any matters of concern. The Board continues to monitor the economic impact of geopolitical tensions and macroeconomic challenges but does not consider that such impact would affect the going concern status or viability of the Company.

Based upon the Company's processes for monitoring operating costs, share price premium/discount, the Managers' compliance with the investment objective, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Board believes that the prospects of the Company are sound and the Directors are able to confirm that they have a reasonable expectation that it will continue in operation and meet its liabilities as they fall due over the five year period of assessment.

Promoting the Success of the Company (Section 172 Statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to: a) the likely consequences of any decision in the long term, b) the interests of the company's employees, c) the need to foster the company's business relationships with suppliers, customers and others, d) the impact of the company's operations on the community and the environment, e) the desirability of the company maintaining a reputation for high standards of business conduct, and f) the need to act fairly as between members of the company.

In this context, having regard to Keystone Positive Change being an externally-managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential new shareholders; its externally-appointed managers (Baillie Gifford); other professional service providers (corporate broker, registrar, auditors and depositary); lenders; wider society and the environment.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements. The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chair is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors also attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.

The Board seeks to engage with its Managers and other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

Whilst the Company's operations are limited, as third party service providers conduct all substantive operations, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with Keystone Positive Change's aim of providing a sustainable basis for adding value for shareholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters and reviewed the Company's Positive Conversations Report published May 2022 and its first annual Impact Report published August 2022, in respect of the 11 months to 31 December 2021.

The Board recognises the importance of keeping the interests of the Company's shareholders, and of acting fairly between them, firmly front of mind in its key decision making. The Company Secretaries are at all times available to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the Directors to have regard to applicable section 172 factors included:

— as part of the Board's succession planning, the completion of the recruitment process and subsequent appointment of Andrew Fleming as a Director, with effect from 1 March 2022, to enhance the Board's ESG knowledge and experience. This appointment is consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term success of the company, generating value for shareholders and contributing to wider society.' The search was conducted using external consultants Nurole with due regard for gender and ethnic diversity;

— a review of the registrar, prompted by the offshoring of certain administrative processes by Link Group, which concluded that the Company's registration services should be moved to Computershare Investor Services PLC, following the Company's 2023 AGM and the payment of the final dividend, to ensure an orderly transition; and

— the recommendation of a final dividend of 0.4p per share, being the minimum required to maintain the Company's investment trust status, consistent with the dividend policy adopted by shareholders at the Annual General Meeting in February 2022 and the retention of funds for investment in order to deliver both capital growth and positive change within the portfolio.

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.

Gender Representation

The Board comprises five Directors, three male and two female. The Board's policy on diversity is set out on page 31.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 34, and under Investing for Positive Change on pages 7 to 13.

Modern Slavery

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. The Company considers its supply chains to be of low risk as its suppliers are typically financial services firms and professional advisers. A statement by the Managers under the Act has been published on the Managers' website at bailliegifford.com.

The Strategic Report which includes pages 2 to 26 was approved by the Board of Directors and signed on its behalf on 29 November 2022.

Karen Brade
Chair

Directors and Management

Directors

Karen Brade*

Mrs Brade was appointed to the Board on 18 January 2018 and became Chair of the Board and the Nomination Committee on 22 January 2019. She began her career at Citibank working on multi-national project finance transactions. She was a director at CDC, the UK's development finance institution and Actis, a leading global investor in sustainable infrastructure, where she worked with the investment and portfolio management teams, and subsequently on fund raising and investor development in South Asia. Mrs Brade is currently chairman of Aberdeen Japan Investment Trust plc, non-executive director of HeiQ plc, and non-executive director of Augmentum Fintech plc. She is also an external member of Albion Capital's Investment Committee.

William Kendall

Mr Kendall was appointed to the Board in April 2002. After early careers as a lawyer and in investment banking he became an entrepreneur, building nascent consumer brands New Covent Garden Soup Company and Green & Black's before their eventual sale to public companies. He now chairs non alcoholic drinks brands Cawston Press and LA Brewery. He advises a number of private, family businesses on their diversification strategies. As a trustee of the Grosvenor Estate, he is on the investment committee of Grosvenor Food & AgTech which invests in disruptive technologies which promote resource efficiency in traditional business sectors. These investments include companies pioneering insect farming, vertical farming, improved plant and animal genetics and ultra-low carbon concrete. He writes and lectures on the promotion of entrepreneurship and runs a private, experimental farm in coastal Suffolk.

Ian Armfield*

Mr Armfield was appointed to the Board on 1 November 2012 and became the Audit Committee Chair on 22 January 2013. He spent his executive career with PricewaterhouseCoopers where he was an audit and risk assurance partner for 20 years working in the asset management and wider financial services industry. He is a non-executive director of Managed Pension Funds, an insurance company providing pooled investment management services to pension schemes, a non-executive director of LGPS Central, an asset manager for local government pension schemes, and chairman of the Audit and Risk Committee for The Pearson Pension Plan. His expertise in auditing, risks and internal controls in asset management provides relevant, constructive oversight and challenge to the delivery of the Company's strategic goals.

Katrina Hart*

Mrs Hart was appointed to the Board on 18 January 2018. Mrs Hart spent her executive career in investment banking, advising, analysing and commentating on a broad range of businesses. Initially working in corporate finance at ING Barings and Hawkpoint Partners, Mrs Hart then moved into equities research at HSBC, covering the General Financials sector. Latterly, she headed up the Financials research teams at Bridgewell Group plc and Canaccord Genuity, specialising in wealth and asset managers. Mrs Hart is a non-executive director of BlackRock Frontiers Investment Trust plc, Polar Capital Global Financials Trust plc, AEW UK REIT plc, Montanaro Asset Management Limited and of JPMorgan UK Smaller Companies Investment Trust plc.

Andrew Fleming*

Andrew Fleming was appointed to the Board on 1 March 2022. Mr Fleming began his career at Gartmore Investment Management, where he became deputy chief investment officer and head of equities. He went on to be global chief investment officer at ABN Amro Asset Management and was chief executive of Kames Capital for nine years. He was a non-executive director and chairman of JP Morgan Japanese Investment Trust plc until 2018, and a member of the Investment Committee of the National Trust until 2020. He is a trustee of the Rank Foundation, where he chairs its Investment Committee; a non-executive director of Polar Capital Global Healthcare Trust PLC; chairman of CTVC/Hillside Productions; and chairman of Saltus Asset Management. He has deep ESG experience having launched one of Europe's first environmental funds, been an early advocate of active equity voting and overseen Kames's award winning ethical investment capability.

All of the Directors are members of the Audit Committee with the exception of Mr Kendall.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages thirteen investment trusts. Baillie Gifford also manages a listed investment company, unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £230 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 51 partners and a staff of around 1,700.

The investment managers of Keystone Positive Change Investment Trust are Kate Fox and Lee Qian. Kate joined Baillie Gifford in 2002 and is an Investment Manager and co-manager of the Baillie Gifford Positive Change Fund, as well as a Partner of the firm. Lee joined Baillie Gifford in 2012 and is an Investment Manager and co-manager of the Baillie Gifford Positive Change Fund.

Baillie Gifford & Co and Baillie Gifford & Co Limited are both authorised and regulated by the Financial Conduct Authority.

All the Directors above served on the Board throughout the year. All Directors are non-executive and, in the opinion of the Board, are independent of the Manager. All Directors are members of the Nomination Committee.

* Member of the Audit Committee.

Directors' Report

The Directors present their Report together with the audited Financial Statements of the Company for the year to 30 September 2022.

Corporate Governance

The Corporate Governance Report is set out on pages 31 to 34 and forms part of this Report.

Directors

Information about the Directors who were in office at the year end and up to the date on which the Financial Statements were signed, including their relevant experience, can be found on page 27.

All of the Directors are retiring at the Annual General Meeting. Mr Fleming offers himself for election, it being the first such meeting following his appointment, and all the other Directors are offering themselves for re-election. Following formal performance evaluation, the Chair confirms that the Board considers that the Directors' performance continues to be effective and that they remain committed to the Company. Their contribution to the Board is greatly valued and the Board therefore recommends their election or re-election to shareholders.

Directors' Indemnity and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 30 September 2022 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Board on an annual basis. The Board considers these carefully, taking into account the circumstances surrounding them and, if considered appropriate, they are approved subject to periodic review. Having considered the lists of potential conflicts there were no actual direct or indirect interests of a Director which conflicted with the interests of the Company.

Management and Company Secretarial Arrangements

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries with effect from 11 February 2021. The agreements with the previous manager, Invesco Fund Managers Limited were terminated on 10 February 2021. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement can be terminated on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur sooner. The annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation (see note 3 on page 53 for more details). Market capitalisation for the purposes of management fee calculation is defined as the average number of shares in issue during the relevant valuation period multiplied by the average of the closing middle market prices for the Company's shares for the ten business days ending on the relevant valuation date.

Evaluation of the Managers

The function of a Management Engagement Committee is fulfilled by the Board. The Board reviews investment performance and monitors the arrangements for the provision of investment management and secretarial services to the Company on a continuous basis. A formal evaluation of the Managers by the Directors is conducted annually. The Directors' annual evaluation considered, amongst others, the following topics: the quality of the personnel assigned to handle the Company's affairs; the quality of policy guidance and explanations; the investment strategy and performance; administrative competence; the quality and coverage of papers; the marketing efforts undertaken by the Managers; communication with shareholders; and the service level provided by, and relationship with, the Managers generally.

Following the most recent evaluation in September 2022, the Directors are in agreement that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co on the terms agreed, is in the interest of shareholders as a whole.

The Directors continue to give careful consideration to the basis of the management fee.

Depositary

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary in accordance with the requirements of the Alternative Investment Fund Managers (AIFM) Regulations.

The Company's Depositary also acts as the Company's Custodian. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements.

Share Capital

Capital Structure

The Company's capital structure at 30 September 2022 consists of 67,593,995 ordinary shares of 10p each (30 September 2021 – 67,593,995) of which 61,815,632 (30 September 2021 – 61,815,632) are allotted and fully paid and 5,778,363 (30 September 2021 – 5,778,363) are held in treasury. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares. The Company also has 250,000 5% cumulative preference shares of £1 each in issue.

Dividends

Twice annually, on the last business days in March and September, the Company pays a fixed dividend of 2.5% in respect of the preference shares, a total of 5%. The holders of preference shares receive their fixed dividend before any dividends are paid to holders of ordinary shares.

The Company's dividend payment policy in respect of ordinary shares is to pay a single final dividend that will be the minimum distribution to maintain investment trust status.

Capital entitlement

On a winding up, after meeting the liabilities of the Company, including paying the nominal value and any outstanding dividends to the holders of the preference shares, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every £1 nominal share held. The preference shareholders have no voting rights.

Information on the deadlines for proxy appointments can be found on page 3.

Individual Savings Account (ISA)

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

Major Interests Disclosed in the Company's Shares

The Company is aware of the following interests in 3% or more of the voting rights attached to the Company's issued share capital carrying unrestricted voting rights.

Name	No of ordinary 10p shares held at 30 September 2022	% of issue *
Hargreaves Lansdown	9,423,412	15.2
Rathbones	6,359,165	10.3
Interactive Investor	5,627,565	9.1
Charles Stanley	3,489,537	5.6
AJ Bell	2,196,526	3.6
RBC Brewin Dolphin	2,153,342	3.5
Close Brothers Asset Management	1,946,722	3.1

The Company is not aware of any significant changes to the above.

* Ordinary shares in issue excluding treasury shares.

Dividends

The Board recommends a final dividend of 0.4p per ordinary share for the year. If approved, the recommended final dividend will be paid on 15 February 2023 to shareholders on the register at the close of business on 20 January 2023. The ex-dividend date is 19 January 2023.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 19 to the Financial Statements.

Disclosure of Information to Auditors

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's Auditors are unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Events after the End of the Reporting Period

The Directors confirm that there have been no events after the end of the reporting period which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 25 November 2022.

Independent Auditors

The Auditors PricewaterhouseCoopers LLP, are willing to continue in office and, in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning PricewaterhouseCoopers LLP's reappointment and remuneration will be submitted to the Annual General Meeting.

Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore 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 Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and, therefore, is not required to disclose energy and carbon information.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

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

Annual General Meeting

Issuance of Shares

At the last Annual General Meeting, the Directors were granted shareholders' approval for a general authority to allot shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis (without first offering such shares to existing shareholders pro-rata to their existing holdings) up to a maximum nominal amount of £618,156. The Company issued no shares and sold no shares from treasury during the year to 30 September 2022 or between 1 October and 25 November 2022. 5,778,363 shares were held in treasury as at 30 September 2022 and 25 November 2022.

Both authorities expire at the forthcoming Annual General Meeting and the Directors are seeking shareholders' approval to renew them for a further year, as detailed below.

Resolution 12 in the Notice of Annual General Meeting seeks a general authority for the Directors to allot shares up to an aggregate nominal amount of £618,156. This amount represents 10% of the Company's total ordinary share capital in issue at 25 November 2022 and meets institutional guidelines. This authority will continue until the conclusion of the Annual General Meeting to be held in 2024 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Resolution 13, which is proposed as a special resolution, seeks authority for the Directors to issue shares or sell shares held in treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £618,156 (representing 10% of the issued ordinary share capital of the Company as at 25 November 2022). This authority will only be used to issue shares or sell shares from treasury at a premium to net asset value on the basis of debt valued at book value and only when the Directors believe that it would be in the best interests of the Company to do so. This authority will continue until the conclusion of the Annual General Meeting to be held in 2024 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Purchase of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 9,266,163 ordinary shares (equivalent to approximately 14.99% of its issued share capital), such authority to expire at the Annual General Meeting in respect of the year ended 30 September 2022. During the year, no shares were bought back. 5,778,363 shares were held in treasury at 30 September 2022. The principal reason for share buy-backs is to enhance net asset value per share for continuing shareholders by purchasing shares at a discount to the prevailing net asset value.

The Company may hold bought-back shares 'in treasury' and then:

(i) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or

(ii) cancel the shares (or any of them).

Shares will only be sold from treasury at a premium to net asset value.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the Company's ordinary shares in issue at the date of the passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in respect of the year ended 30 September 2023.

The maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

(i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

(ii) the higher of the price of the last independent trade and the highest current independent bid for a share on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid is 10p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. Your attention is drawn to Resolution 14 in the Notice of Annual General Meeting on page 65. This authority, if conferred, will be exercised only if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interests of shareholders generally.

Increase in Limit on Directors' Fees

Resolution 15, which will be proposed as an ordinary resolution, seeks shareholder approval to increase the aggregate annual limit on Directors' Remuneration from £150,000 to £200,000. The aggregate annual fee limit was previously increased from £75,000 to £150,000 as approved by shareholders on 21 December 2005. Further details are provided in the Directors' Remuneration report on page 37.

Recommendation

The Directors unanimously recommend you vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interests of shareholders as a whole.

On behalf of the Board
Karen Brade
Chair
29 November 2022

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code') which can be found at frc.org.uk, and the relevant principles of the Association of Investment Companies (AIC) Code of Corporate Governance issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at theaic.co.uk. The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code with the exception of the nomination of a senior independent director (explained further on page 32). The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 35).

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, borrowings, gearing, treasury matters, dividend and corporate governance policy. A separate strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

The Board currently comprises five Directors all of whom are non-executive.

The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited. The Board does not consider it necessary to identify a Senior Independent Director as noted on page 32.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 27.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Diversity Policy

The Board has due regard for the benefits of diversity in its membership and seeks to ensure that its structure, size and composition, including the skills, knowledge, gender and experience of the Directors, is sufficient for the effective direction and control of the Company. The Board is mindful of the importance of having a suitable mapped board succession and renewal process in line with corporate governance best practice and the Nomination Committee keeps succession planning under review. During the recruitment process that resulted in the appointment of Andrew Fleming, noted below, the Board considered a shortlist that comprised 50% women and 33% candidates of a non-white ethnic background.

Appointments to the Board

New Directors are appointed by the Board, following recommendation by the Nomination Committee.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

A Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. In accordance with the Code, all Directors offer themselves for re-election annually.

During the year, the Board reviewed its succession planning and engaged an external search consultancy, Nurole, to recruit an additional Non-Executive Director to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers. Following the conclusion of this process, Mr Andrew Fleming was appointed with effect from 1 March 2022. The Board believes that Mr Fleming's knowledge and experience will be of great benefit to the Company and is satisfied, after reviewing Mr Fleming's other commitments, that he will be able to devote sufficient time to the Company.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The Board has noted the inference of provisions in the UK Corporate Governance Code that non-executive directors who have served for more than nine years should be presumed not to be independent. However, it is the Board's assessment that the repository of experience provided by Directors of longer tenure can enhance a Board's independence from the Managers of an investment trust, by placing the current relationship within a broader context. The Board considers that the recent review of management arrangements has borne this out, and that each of the Directors are independent of the Managers and free of any business or other relationships which could interfere with the exercise of their independent judgement.

The Directors recognise the importance of succession planning for company boards and the Board's composition is reviewed annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the Board. It also commits to maintaining a programme of recruitment to provide refreshment of perspective with due regard to diversity. Following Mr Wood's retirement at the AGM in February 2022, Mr Fleming was appointed 1 March 2022.

Although Mr Kendall and Mr Armfield have served for more than nine years, following the annual review of board composition and performance evaluation the Board concluded that Mr Kendall and Mr Armfield continue to demonstrate independence of character and judgement. Their skills and experience have added significantly to the strength of the Board and, in view of the significant change inherent in the new Management arrangements in February 2021, the continuity offered by their continued service is invaluable.

Policy on Chair's Tenure

In accordance with the UK Code of Corporate Governance, the Board has resolved that the Chair shall normally have tenure limited to nine years from their first appointment to the Board. Exceptions may be made in exceptional circumstances, for example to facilitate effective succession planning or if the Company were in the middle of a corporate action, when an extension may be appropriate.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the core Board and Audit Committee meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all the Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**5**	**3**	**2**
K Brade	5	3	2
I Armfield	5	3	2
A Fleming (appointed 1 March 2022)	3	2	1
K Hart	5	3	2
W Kendall	5	3*	2
J Wood (retired 9 February 2022)	2	1	1

* Mr W Kendall is not a member of the Audit Committee but attended by invitation.

Performance Evaluation

An appraisal of the Chair, each Director and a performance evaluation and review of the Board as a whole and the Audit and Nomination Committees was carried out during the year. The Chair's appraisal was led by Mr Armfield, the Audit Committee Chair. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and the Audit Committee. Following this process it was concluded that the performance of each Director, the Chair, the Board and the Audit and Nomination Committees continues to be effective and that each Director and the Chair remains committed to the Company. The Board has considered the recommendation to have Board evaluations externally facilitated every three years and is of the opinion that the use of external consultants to assist with the evaluation may provide useful insight but, given the Company's use of external consultants in the recruitment process for Mr Fleming and a desire not to incur unnecessary further costs, decided against doing so this year. The option to do so is kept under review.

A review of the Chair's and other Directors' commitments was carried out and the Board is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chair's other commitments during the year.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. During the year briefings on industry and regulatory matters were provided to the Board by the Managers and Secretaries. Directors attend other relevant external training and briefings as necessary.

Nomination Committee

The Nomination Committee consists of all the Directors and Karen Brade is the Chair of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee's Terms of Reference are available on request from the Company and on the Company's page of the Managers' website: keystonepositivechange.com.

Remuneration

As the Board considers all its members to be independent, and all the Directors are non-executive the Board does not consider it necessary to form a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 37 and 38.

Senior Independent Director

The Board does not consider it necessary to identify a senior independent director. All Directors are available to shareholders, should they have concerns which contact through the normal channels of the Chair, Manager or Company Secretary has failed to resolve, or for which such channels are inappropriate.

Audit Committee

The Audit Committee Report is set out on pages 35 and 36.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to Baillie Gifford & Co Limited, acting as AIFM, and performing the role of Managers and Secretaries.

The Board oversees the functions delegated to, and the controls managed by, the AIFM in accordance with the UK Alternative Investment Fund Managers Regulations (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 – Assurance Reports on Controls at a Service Organisation. This report is independently reviewed by Baillie Gifford & Co's Auditors, PricewaterhouseCoopers LLP, and a copy is received and considered by the Audit Committee.

To comply with the UK Alternative Investment Fund Managers Regulations, The Bank of New York Mellon (International) Limited acts as the Company's Depositary.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Company's Depositary also acts as the Company's Custodian. The Custodian prepares reports on its key controls and safeguards which are independently reviewed by KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 69), are monitored and the sensitivity of the portfolio to key risks is reviewed periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee at each meeting.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

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

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

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the ongoing Covid-19 pandemic and a challenging macroeconomic environment.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 23 and 24 and in note 19 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic and, over recent months, owing to macroeconomic and geopolitical concerns, but does not believe the Company's going concern status is affected.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditors and Broker, have not experienced significant operational difficulties affecting their respective services to the Company as a result of the Covid-19 pandemic or other disruptions, whether owing to personnel availability, transport, or energy supply limitations. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 25, which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and report shareholders' views to the Board. The Chair has maintained open lines of communication with market participants and investors in the Company, separate of Manager involvement, in order to ascertain views on corporate matters. The Chair is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Secretaries' address or through the Company's Broker, Numis Securities Limited (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published at keystonepositivechange.com subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors can obtain up-to-date information on the Company at keystonepositivechange.com.

Corporate Governance and Stewardship

The Board has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests and report their actions to the Board.

The Board believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors. A positive engagement approach is employed whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long-term investment returns and, in the case of Keystone Positive Change, impact outcomes. The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers carry out extensive work to understand Keystone Positive Change's exposure to climate related risks, at both the level of the portfolio and individual investee company. A bottom-up approach is adopted, in order to understand the situation for each individual holding, taking into account self-reported information (such as emissions, targets and risk assessments) as well as third-party information regarding temperature alignment, ambition of targets, and more macro analysis regarding physical risks and political dynamics in certain regions where companies have concentrated operations. Combining this with data on the portfolio footprint and composition allows the Managers to identify risk exposure under different scenarios and timeframes, and to subsequently prioritise engagement. The weighted average carbon intensity ('WACI') of the Keystone Positive Change portfolio is 74% lower than the Company's benchmark (MSCI World Index). This analysis estimate is based on Scope 1 and 2 emissions only at this stage, and on 90% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon-related characteristics. The Company also measures its portfolio against the MSCI Paris Aligned Index and on the same basis as noted above, portfolio WACI was 4% lower than the Index.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' website at bailliegifford.com. Baillie Gifford will provide a TCFD climate report for Keystone Positive Change which is expected to be available during 2023.

The Managers are signatories to the United Nations Principles for Responsible Investment, the Carbon Disclosure Project, the Net Zero Asset Managers initiative, and are also members of the Asian Corporate Governance Association and the International Corporate Governance Network.

Positive Change

The investment managers' approach to investing for positive change is set out on pages 7 to 13. The Company's Impact Report for the eleven months to 31 December 2021 is available on the Manager's website at bailliegifford.com, as is the companion document, Positive Conversations. These documents will be published annually, prepared to calendar year ends, consistent with the reporting periods of the vast majority of underlying investee companies.

On behalf of the Board
Karen Brade
Chair
29 November 2022

Audit Committee Report

The Audit Committee reviews and reports to the Board on the Company's financial reporting, risk management and internal control systems and the independence and effectiveness of the external auditor. The Committee consists of Karen Brade, Katrina Hart, Andrew Fleming and Ian Armfield, who is the Audit Committee Chair. At the discretion of the Audit Committee Chair, William Kendall may be invited to attend Audit Committee meetings as a guest and during the year he attended all meetings of the Committee. In accordance with the Code and given the size of the Board it is considered appropriate for the Chair of the Board to be a member of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretary and at keystonepositivechange.com. The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

At least once a year the Committee meets with the external Auditors without any representative of the Managers being present.

Activities of the Committee

The Committee met three times during the year and the external Auditors, PricewaterhouseCoopers LLP, attended two of those meetings. Representatives of the Manager's secretarial and administration teams attended all meetings and representatives of their Internal Audit, Compliance and Risk functions attended two meetings to present reports on their monitoring programmes.

The Committee was responsible for a range of matters including:

- consideration of the annual report and financial statements and interim financial report and the results announcements thereon;
- consideration of the appropriateness of the Company's accounting policies and any financial reporting judgements including the implementation of the Managers' valuation policy for investments in unlisted companies;
- monitoring the impact of any accounting or regulatory changes impacting the Company;
- consideration of the narrative elements of the annual report and financial statements including (on behalf of the Board) whether the annual report and financial statements taken as a whole was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- evaluation of reports received from the Managers and other service providers on their operational controls, from the Managers' internal audit, compliance and risk functions and from the auditors on the results of their audit, with respect to the effectiveness of the Company's internal control environment;
- management of the relationship with the external auditors including their appointment, remuneration and evaluation of their audit effectiveness, independence and objectivity; and
- consideration of the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Internal Audit

The Committee believes that the compliance and internal control systems and the internal audit function in place within the Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Financial Reporting

The Committee considers that the most significant issues likely to impact the Financial Statements are the existence and valuation of investments, as they represent 99.5% of total assets.

The majority of the investments are in listed securities and market prices are readily available from independent external pricing sources. The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding recording and pricing of investments and the reconciliation of investment holdings to third party data. The Managers agreed the portfolio holdings to confirmations from the Company's Custodian.

The Committee considered the value of all unlisted investments at 30 September 2022, which are determined using valuation techniques based upon net asset values, comparable company multiples and performance, achievement of company milestones and other information as appropriate, and assessed the appropriateness of the judgements and assumptions used in valuing such investments.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers.

The Committee reviewed the allocation of management fees and finance costs between revenue and capital considering the long-term split of returns from the portfolio.

The Committee considered the factors, including the impact of Covid-19, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with loan covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 25 and statement on Going Concern on page 33 including the ongoing impact of Covid-19 and other geopolitical and macroeconomic challenges to stability.

Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Following a thorough review process the Audit Committee advised the Board that the 2022 annual financial report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy.

Internal Controls and Risk Management

The Company's risk assessment and the way in which significant risks are managed is a key area of focus for the Committee. The Committee has undertaken a robust assessment of the risks to the Company both in terms of its operations and longer term viability and details of the process for identifying, evaluating and managing these risks is described in the Governance Report on pages 32 and 33. No significant weaknesses were identified in the year under review. A description of the principal and emerging risks facing the Company and the Viability Statement are explained in the Strategic Report on pages 23, 24 and 25.

External Auditors

The Committee advises the Board on the appointment of the external auditors, sets their remuneration and assesses their effectiveness, independence, and objectivity.

The Company's current auditors, PricewaterhouseCoopers LLP, were appointed following a competitive tender process in March 2014 and this year's audit is the ninth they have undertaken for the Company. Kevin Rollo has served as audit partner this year, being his third as audit partner for the Company.

To assess the effectiveness of the Auditors and the external audit process, the Committee reviewed and considered the audit plan, the fulfilment by the Auditors of the agreed audit plan, a report from the Auditors on the conclusion of the audit, feedback from the Secretaries on the performance of the audit team and the Audit Quality Inspection Report on PricewaterhouseCoopers LLP issued by the FRC's Audit Quality Review Team ('AQRT').

To fulfil its responsibility regarding the independence and objectivity of the external Auditors, the Committee considered the Auditors' arrangements to manage independence and a report from the Auditors on the conclusion of the audit setting out why the Auditors remain independent. No non-audit services are provided by the Auditors and it is the Company's policy not to seek substantial non-audit services from its Auditors. Were the provision of significant non-audit services being considered, the Committee would assess whether the particular skills of the audit firm made them a suitable supplier of those services and only approve such services if there was no threat to the objectivity and independence of the audit.

PricewaterhouseCoopers LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired. Having carried out the review described above, the Committee is satisfied that the Auditors remain independent and effective for the purposes of this year's audit.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the Financial Statements are set out on pages 39 to 45.

On behalf of the Board
Ian Armfield
Audit Committee Chair
29 November 2022

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chair

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy was last approved by shareholders at the AGM on 11 February 2020 and is therefore subject to shareholder approval at the Annual General Meeting to be held in 2023.

The Board reviewed the level of fees during the year and it was agreed that no changes should be made. The fee levels were last increased on 1 October 2021.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. The Board as a whole performs the Remuneration Committee function and considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Also, the Directors may, in the furtherance of their duties, take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted with the Chair. Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long-term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office. The Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director. The Company has no employees and consequently has no policy on the remuneration of employees.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable monthly in arrears and are determined within the limit set out in the Company's Articles of Association, which is currently £150,000 in aggregate per annum. Any change to this limit requires shareholder approval. An ordinary resolution to increase the limit from £150,000 to £200,000 will be put to shareholders at the forthcoming Annual General Meeting. The limit was last increased, from £75,000 to £150,000, at the AGM held on 21 December 2005. The Directors believe this increase to the cap is appropriate at this juncture to allow for recruitment and potential overlap as they allow potentially less experienced Directors time to bed in on the Board before others stand down. Any such payment of fees to Directors will be in accordance with the Remuneration Policy of the Company, as detailed above.

The fees paid to Directors in respect of the year ended 30 September 2022 and the expected fees payable in respect of the year ending 30 September 2023 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following regular review of the Directors' fees.

	Expected fees for year ending 30 Sept 2023 £	Fees for year ended 30 Sept 2022 £
Chair's fee	35,000	35,000
Non-executive Director fee	25,000	25,000
Additional fee for Audit Committee Chair	4,500	4,500

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in the Independent Auditors' Report on pages 40 to 45.

Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2022 Fees £	2022 Taxable benefits† £	2022 Total £	2021 Fees £	2021 Taxable benefits† £	2021 Total £
K Brade (Chair)	35,000	367	**35,367**	33,000	–	**33,000**
I Armfield (Audit Chair)	29,500	367	**29,867**	27,500	–	**27,500**
A Fleming (appointed 1 March 2022)	14,583	–	**14,583**	–	–	**–**
K Hart	25,000	367	**25,367**	23,000	–	**23,000**
W Kendall	25,000	367	**25,367**	23,000	–	**23,000**
J Wood (retired 9 February 2022)	9,006	–	**9,006**	23,000	–	**23,000**
	138,089	**1,468**	**139,557**	**129,500**	**–**	**129,500**

† Comprises expenses incurred by Directors in the course of, for example, travel to attend Board and Committee meetings held in the offices of Baillie Gifford & Co Limited, the Company's Secretaries. These amounts have been grossed up for income tax.

Annual Percentage Change in Remuneration

This represents the annual percentage change in the total remuneration paid to the Directors.

Name	% change from 2021 to 2022	% change from 2020 to 2021	% change from 2019 to 2020
K Brade (Chair from 22 January 2019)	7.2	7.3	14.4
I Armfield (Audit Chair)	8.6	7.3	3.9
A Fleming (appointed 1 March 2022)	–	–	–
K Hart	10.3	7.0	4.0
W Kendall	10.3	7.0	4.0
J Wood (retired 9 February 2022)	(60.8)	7.0	4.0

Directors' Interests (audited)

The Directors during the year under review and their interests (including those of connected persons) in the Company are as shown in the following table. No Director had any other interests, beneficial or otherwise, in the ordinary shares or cumulative preference shares of the Company during the year. Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set. There have been no changes notified in the Directors' interests up to 25 November 2022.

Name	Nature of interest	Ordinary 10p shares held at 30 September 2022	Ordinary 10p shares held at 30 September 2021
K Brade	Beneficial	17,151	8,880
I Armfield	Beneficial	7,500	3,500
A Fleming	Beneficial	–	–
K Hart	Beneficial	9,131	9,131
W Kendall	Beneficial	46,500	46,500

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.3% were in favour, 0.5% were against and votes withheld were 0.2%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (February 2020) 99.8% of the proxy votes received were in favour, 0.1% were against and 0.1% were withheld.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in respect of Directors' remuneration and distributions to shareholders by way of dividends. This disclosure is a statutory requirement, however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment trust with an objective of providing shareholders with long-term capital growth.

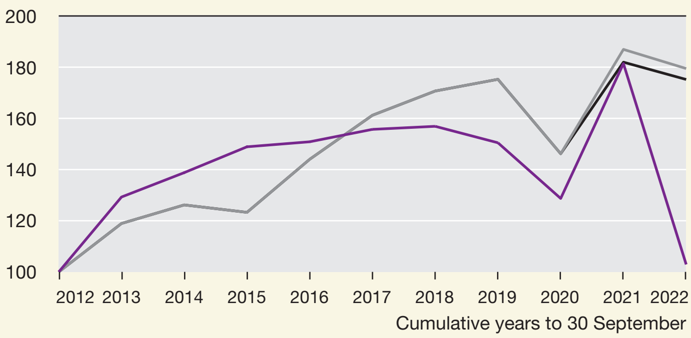
	2022 £'000	2021 £'000	Change %
Directors' remuneration	140	130	7.7
Dividends paid to shareholders	2,473	6,922	(64.3)

Company Performance

The following graph compares the share price total return (assuming all dividends are reinvested) to Keystone's ordinary shareholders compared with the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for Remuneration Report comparison purposes, as it is a widely used measure of performance for UK listed companies. The chain-linked comparative index is provided for information purposes only. (The comparative index is MSCI All Country World Index (in sterling terms), prior to 11 February 2021 the comparative index was the FTSE All-Share so the index plot points are the same.)

Performance Graph

(figures rebased to 100 at 30 September 2012)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers.#

- Keystone Positive Change's share price
- FTSE All-Share Index
- Comparative Index

All figures are total returns (see Glossary of Terms and Alternative Performance Measures on pages 73 to 75).

See disclaimer on page 72.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 37 and 38 was approved by the Board of Directors and signed on its behalf on 29 November 2022.

K Brade
Chair

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

The Directors are responsible for preparing the Annual Report and the 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 they have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 net return of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement that complies with that law and those regulations.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The work carried out by the Auditors does not involve any consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

Each of the Directors, whose names and functions are listed within the Directors and Management section, confirm that, to the best of their knowledge:

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- 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; and
- the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board
K Brade
Chair
29 November 2022

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Keystone Positive Change Investment Trust plc

Report on the Audit of the Financial Statements

Opinion

In our opinion, Keystone Positive Change Investment Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Balance Sheet as at 30 September 2022; the Income Statement, the Statement of Changes in Equity, and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for Opinion

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

Independence

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

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

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

Our Audit Approach

Overview

Audit scope	— The Company is a standalone Investment Trust Company and engages Baillie Gifford & Co Limited (the 'Manager') to manage its assets. — We conducted our audit of the Financial Statements using information from the Manager to whom the Directors have delegated the provision of all administrative functions. — We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the Manager and other third party service providers, the accounting processes and controls, and the industry in which the Company operates.
Key audit matters	— Accuracy, occurrence and completeness of dividend income from listed investments. — Valuation and existence of listed investments. — Valuation and existence of unlisted investments.
Materiality	— Overall materiality: £1,373,000 (2021 – £2,145,000) based on 1% of net assets. — Performance materiality: £1,030,000 (2021– £1,608,000).

The Scope of Our Audit

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

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Valuation and existence of unlisted investments is a new key audit matter this year. Consideration of the impact of COVID-19, which was a key audit matter last year, is no longer included because of the reduced uncertainty of the impact of COVID-19 in the current year as markets and economies continue to recover. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accuracy, occurrence and completeness of dividend income from listed investments Refer to the Principal Accounting Policies (page 50) and the Notes to the Financial Statements (page 53). ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). As the Company has a capital objective, there might be an incentive to overstate income in that category if capital is particularly underperforming. As such, we focussed this risk on the existence/occurrence of gains/losses on investments and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the 'AIC SORP').	We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. To test for completeness, we tested, for all listed investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by ensuring that all dividends recorded in the year had been declared in the market for each investment holding, and we traced a sample of dividends received to bank statements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No material misstatements were identified from this testing.
Valuation and existence of listed investments Refer to the Audit Committee Report (page 35), Principal Accounting Policies (page 50) and the Notes to the Financial Statements (page 56). Listed investments comprise 94% of the investments portfolio at the year-end and are valued at £143 million. We focused on the valuation and existence of listed investments because listed investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the Financial Statements.	We tested the valuation of all the listed investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of all listed investments by agreeing the holdings of all investments to an independent confirmation from the Custodian as at 30 September 2022. No material misstatements were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of unlisted investments Refer to the Audit Committee Report (page 35), Principal Accounting Policies (page 50) and the Notes to the Financial Statements (page 56). The investment portfolio as at 30 September 2022 included unlisted investments. We focused on the valuation and existence of the unlisted investments as these investments represented a material balance in the financial statements (£9.2 million) and the valuation may require significant estimates to be applied by the Directors such that changes to key inputs to the estimates made can result in a material change to the valuation of unlisted investments.	We assessed the valuation methodology applied by reference to the International Private Equity and Venture Capital Valuation guidelines (IPEV), and tested the techniques used by the Directors in determining the fair value of unlisted investments. We performed substantive testing over the material unlisted investments held at the year end. This testing included: — Agreeing the purchases of the investments and subsequent investments to purchase agreements and bank statements; — Testing the existence of the unlisted investments by obtaining confirmations of the holdings directly from the investee companies; — Comparing valuations to the price of recent transactions, where relevant; — Seeking publicly available third party information that would support or challenge the estimates made by the Directors in their year end valuation; — Checking the mathematical accuracy of the Directors' valuation calculation; — Assessing the appropriateness of the valuation methodology used and testing the inputs either through validation to appropriate sources, or where relevant, assessing whether significant estimates and judgements used are supportable. We found that the Directors' valuation policy applied to unlisted investments was appropriate and the resultant valuations were materially consistent with the application of that policy. No material misstatements were identified from our substantive testing.

How We Tailored the Audit Scope

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

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

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

Overall company materiality	£1,373,000 (2021 – £2,145,000).
How we determined it	1% of net assets
Rationale for benchmark applied	We believe that net assets is the primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark for investment trust audits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021 – 75%) of overall materiality, amounting to £1,030,000 (2021 – £1,608,000) for the Company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £68,000 (2021 – £107,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

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

— evaluating the Directors' risk assessment and considering whether it addresses the relevant threats;

— evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;

— reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and

— assessing the implications of significant reductions in Net Asset Value as a result of market performance on the ongoing ability of the Company to operate.

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

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

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

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

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

Reporting on Other Information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

Corporate Governance Statement

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

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

— The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks, including those presented by Covid-19, rising inflation, Russia's invasion of Ukraine, and the subsequent economic uncertainty;

— The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

— The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

— The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and

— The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

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

— The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and

— The section of the Annual Report describing the work of the Audit Committee.

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

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Section 1158 of the Corporation Tax Act 2010 (see page 22 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase net asset value. Audit procedures performed by the engagement team included:

- discussions with the Manager and Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of the controls implemented by the Manager designed to prevent and detect irregularities;
- an assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular a sample of journals posted as part of the preparation of the financial statements;
- reviewing financial statement disclosures to underlying supporting documentation;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing for example, targeting transactions that would otherwise be immaterial; and
- reviewing relevant meeting minutes, including those of the Audit Committee.

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

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

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

Use of This Report

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

Other Required Reporting

Companies Act 2006 Exception Reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 2 June 2014 to audit the financial statements for the year ended 30 September 2014 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 30 September 2014 to 30 September 2022.

Kevin Rollo (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 November 2022

Income Statement

For the year ended 30 September

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments	9	–	(72,765)	**(72,765)**	–	30,478	**30,478**
Currency (losses)/gains	14	–	(1,333)	**(1,333)**	–	859	**859**
Income	2	1,459	–	**1,459**	2,353	–	**2,353**
Investment management fee	3	(247)	(741)	**(988)**	(150)	(451)	**(601)**
Other administrative expenses	4	(506)	–	**(506)**	(427)	(166)	**(593)**
Net return before finance costs and taxation		706	(74,839)	**(74,133)**	1,776	30,720	**32,496**
Finance costs of borrowings	5	(101)	(266)	**(367)**	(50)	(111)	**(161)**
Net return on ordinary activities before taxation		605	(75,105)	**(74,500)**	1,726	30,609	**32,335**
Tax on ordinary activities	6	(216)	–	**(216)**	(121)	–	**(121)**
Net return on ordinary activities after taxation		**389**	**(75,105)**	**(74,716)**	**1,605**	**30,609**	**32,214**
Net return per ordinary share	7	**0.63p**	**(121.50p)**	**(120.87p)**	**2.60p**	**49.49p**	**52.09p**
Note: Dividends per share paid and payable in respect of the year	8	**0.40p**			**11.20p**		

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued by the Association of Investment Companies.

All revenue and capital items in this Statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the (loss)/profit and total comprehensive (expense)/income for the year.

The accompanying notes on pages 50 to 63 are an integral part of the Financial Statements.

Balance Sheet

As at 30 September

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments	9		152,067		224,464
Current assets					
Debtors	10	199		132	
Cash and cash equivalents	19	962		593	
		1,161		725	
Creditors					
Amounts falling due within one year	11	(15,650)		(10,422)	
Net current liabilities			(14,489)		(9,697)
Total assets less current liabilities			137,578		214,767
Creditors					
Amounts falling due after more than one year	12		(250)		(250)
Net assets			**137,328**		**214,517**
Capital and reserves					
Share capital	13		6,760		6,760
Share premium account	14		3,449		3,449
Capital redemption reserve	14		466		466
Capital reserve	14		126,264		203,842
Revenue reserve	14		389		–
Total shareholders' funds	15		**137,328**		**214,517**

The Financial Statements of Keystone Positive Change Investment Trust plc (Company registration number 538179) on pages 46 to 63 were approved and authorised for issue by the Board and were signed on 29 November 2022.

K Brade
Chair

The accompanying notes on pages 50 to 63 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 30 September 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2021		6,760	3,449	466	203,842	–	**214,517**
Net return on ordinary activities after taxation		–	–	–	(75,105)	389	**(74,716)**
Dividends paid during the year	8	–	–	–	(2,473)	–	**(2,473)**
Shareholders' funds at 30 September 2022		**6,760**	**3,449**	**466**	**126,264**	**389**	**137,328**

For the year ended 30 September 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2020		6,760	3,449	466	174,808	4,842	**190,325**
Net return on ordinary activities after taxation		–	–	–	30,609	1,605	**32,214**
Ordinary shares bought back and held in treasury	13	–	–	–	(1,100)	–	**(1,100)**
Dividends paid during the year	8	–	–	–	(475)	(6,447)	**(6,922)**
Shareholders' funds at 30 September 2021		**6,760**	**3,449**	**466**	**203,842**	**–**	**214,517**

The accompanying notes on pages 50 to 63 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 30 September

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flow from operating activities					
Net return before finance costs and taxation			(74,133)		32,496
Tax on overseas income	6		(207)		(111)
Adjustments for:					
Purchase of investments		(20,553)		(360,107)	
Sale of investments		20,185		376,529	
			(368)		16,422
Losses/(gains) on investments held at fair value			72,765		(30,478)
Movement in unrealised currency gains and losses			1,374		(183)
Increase in debtors			(76)		(88)
Increase/(decrease) in creditors			41		(89)
Net cash (outflow)/inflow from operating activities			(604)		17,969
Cash flow from financing activities					
Interest and facility fee paid on bank facility		(329)		(150)	
Preference dividends paid		(12)		(12)	
Bank facility drawn down/(repaid) and overdraft (repaid)		3,727		(9,833)	
Shares bought back and held in treasury		–		(1,100)	
Net equity dividends paid	8	(2,473)		(6,922)	
Net cash inflow/(outflow) from financing activities			913		(18,017)
Net increase/(decrease) in cash and cash equivalents			309		(48)
Exchange movements			60		21
Repayment of overdraft			–		650
Cash and cash equivalents at start of the year			593		(30)
Cash and cash equivalents at the end of the year			**962**		**593**
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:					
Cash held at custodian			962		593
Cash and cash equivalents			**962**		**593**
Cash flow from operating activities includes:					
Dividends received			1,434		2,298
Interest received			2		–

The accompanying notes on pages 50 to 63 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Keystone Positive Change Investment Trust plc ('the Company') is a public company limited by shares and is incorporated in England and Wales. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust.

1 Principal Accounting Policies

The Financial Statements for the year to 30 September 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic and, over recent months, owing to macroeconomic and geopolitical concerns, but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in listed securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditors and Broker, have not experienced significant operational difficulties affecting their respective services to the Company as a result of the Covid-19 pandemic or other disruptions, whether owing to personnel availability, transport, or energy supply limitations. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 25, which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (AIC) in October 2019 and updated in April 2021 with consequential amendments.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK, the Company is subject to the UK's regulatory environment and it is the currency in which its dividends and expenses are generally paid.

(b) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

(c) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates and judgements. These estimates and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the fair valuation of the unlisted investments.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

(i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and

(ii) the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

(i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2018 ('IPEV') to each unlisted investment; and

(ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used (see 1(d) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the private company investments at the Balance Sheet date. The significance of this estimate has increased over the year with the increase in private company investments (see note 9). The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

(i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric (either historical or forecast);

(iii) the application of an appropriate discount factor to reflect the reduced liquidity of private companies versus their listed peers;

(iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

The determination of fair value by the Managers involves key assumptions dependent upon the valuation technique used. As explained in 1(d) below, the primary technique applied under the IPEV Guidelines is the Multiples approach. The valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation and particularly in the absence of a recent transaction.

The key assumptions for the Multiples approach are that the selection of comparable companies provides a reasonable basis for identifying relationships between enterprise value, revenue and growth to apply in the determination of fair value. Other assumptions include that (i) the discount applied for reduced liquidity versus listed peers, (ii) the probabilities assigned to an exit being through either an IPO or a company sale, and (iii) the application of milestone analysis and industry benchmark indices are a reasonable basis for applying appropriate adjustments to the valuations. Valuations are cross-checked for reasonableness to alternative multiples-based approaches or benchmark index movements as appropriate.

(d) Investments

Purchases and sales

Purchases and sales of investments are accounted for on a trade date basis. All investments are designated as valued at fair value through profit or loss upon initial recognition and are measured at subsequent reporting dates at fair value.

Listed Investments

The fair value of listed security investments is bid value or, in the case of holdings on certain recognised overseas exchanges, at last traded prices.

Private Company Investments

Private company investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' private company investment policy applies techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2018 ('IPEV'). The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's private company portfolio:

— Multiples;

— Industry Valuation Benchmarks; and

— Available Market Prices.

The nature of the private company portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. Discounted cashflows are used where appropriate. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The private company investments are valued according to a three monthly cycle of measurement dates. The fair value of the private company investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

— at the year end and half year end of the Company; and

— where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

Gains and Losses

Gains and losses on investments, including those arising from foreign currency exchange differences, are recognised in the Income Statement as capital items.

(e) Cash and Cash Equivalents

Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(f) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Equity investment income includes distributions from Collective Investment Schemes, other than those that relate to equalisation which are treated as capital items. Special dividends are treated as revenue or capital items depending on the facts of each particular case.

If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

(ii) Interest from fixed interest securities is recognised on an effective yield basis.

(iii) Unfranked investment income and overseas dividends include the taxes deducted at source.

(iv) Interest receivable on deposits is recognised on an accruals basis.

(g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue column of the Income Statement except where they relate directly to:

(i) the acquisition or disposal of an investment (transaction costs), in which case they are charged to capital within gains/losses on investments;

(ii) the buy-back/issuance of shares, in which case they are added to the buy-back cost or deducted from the share issuance proceeds; or

(iii) the enhancement of the assets of the Company, for example professional fees arising in connection with strategic corporate activity, in which case they are charged to capital.

The investment management fee is allocated 25% to revenue and 75% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. The 5% cumulative preference shares are classified as a liability and therefore the dividends payable on these shares are treated as finance costs and charged to revenue in the income statement.

(h) Borrowings and Finance Costs

Borrowings, which comprise interest bearing bank loans are recognised initially at the proceeds received net of direct costs, and subsequently at amortised cost using the effective interest rate method. Finance costs are accounted for on an accruals basis and on an effective interest basis and, with the exception of cumulative preference share dividends as noted above, are allocated 25% to revenue and 75% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

(i) Taxation

The taxation charge represents the sum of current tax and the movement in the provision for deferred taxation during the year. Current taxation represents non-recoverable overseas taxes which is charged to the revenue accounts where it relates to income received and to capital where it relates to items of a capital nature. Deferred taxation is provided on all timing differences which have originated but not reversed by the Balance Sheet date, calculated on a non-discounted basis at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantively enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(j) Dividends Payable

Dividends are not recognised in the Financial Statements unless there is an obligation to pay at the balance sheet date.

(k) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets and liabilities and fixed asset investment in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as capital or revenue as appropriate.

(l) Capital Reserve

Gains and losses on realisation of investments, changes in the fair value of investments held and exchange differences of a capital nature are dealt with in this reserve. Purchases of the Company's own shares are also funded from this reserve. 75% of management fees and finance costs are allocated to the capital reserve in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. Dividends may also be paid from this reserve.

(m) Single Segment Reporting

The Company is engaged in a single segment of business, being that of an investment trust company, consequently no business segmental analysis is provided.

2 Income

	2022 £'000	2021 £'000
Income from investments		
UK dividends	63	1,366
Overseas dividends	1,387	974
Overseas interest	7	–
Other income	1,457	2,340
Deposit interest	2	–
Other	–	13
Total income	**1,459**	**2,353**
Total income comprises:		
Dividends and other income from financial assets designated at fair value through profit or loss	1,457	2,353
Interest from financial assets not at fair value through profit or loss	2	–
	1,459	**2,353**

3 Investment Management Fee

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Investment management fee	**247**	**741**	**988**	**150**	**451**	**601**

Details of the Investment Management Agreement are disclosed on page 28. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager and Company Secretary with effect from 11 February 2021. Baillie Gifford & Co Limited has delegated the investment management services to Baillie Gifford & Co. The annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation. Management fees are calculated and payable on a quarterly basis. Market capitalisation is calculated using middle market quotations derived from the Stock Exchange Daily Official List and the weighted average number of shares in issue during the quarter. In respect of 2021, Baillie Gifford & Co Limited waived the first six months' fee following the transfer of the mandate from Invesco. Invesco Fund Managers Limited received a management fee in respect of each of the quarterly periods ending on 31 March, 30 June, 30 September and 31 December each year of 0.1125% calculated on the average value of the market capitalisation of the Company's shares for the ten business days ending on the relevant quarter end date. The final fee payable by the Company to Invesco Fund Managers Limited was for the period from 1 January to 7 March 2021.

4 Other Administrative Expenses

	2022 £'000	2021 £'000
General administrative expenses	318	250
Directors' fees (see Directors' Remuneration Report on page 37)	138	129
Auditor's remuneration – statutory audit of annual Financial Statements	50	48
	506	**427**

Costs charged to capital in 2021 include legal and professional fees of £166,000 incurred in relation to the transfer of management arrangements from Invesco Fund Managers Limited to Baillie Gifford & Co Limited.

5 Finance Costs of Borrowings

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Interest payable on borrowings repayable not by instalment:						
Interest and commitment fees on loan facility	89	266	**355**	38	111	**149**
	89	266	**355**	38	111	**149**
Dividends on 5% cumulative preference shares	12	–	**12**	12	–	**12**
	101	**266**	**367**	**50**	**111**	**161**

See note 11 on page 57 for details of the Company's borrowing facilities.

6 Tax on Ordinary Activities

	2022 £'000	2021 £'000
Analysis of charge in year		
Overseas tax	**216**	**121**
Factors affecting tax charge for the year		
The tax assessed for the year is higher (2021 – lower) than the average standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:		
Net return on ordinary activities before taxation	(74,500)	32,335
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19% (2021 – 19%)	(14,155)	6,144
Capital returns not taxable	14,078	(5,955)
Income not taxable	(275)	(444)
Taxable expenses in the year not utilised	352	255
Overseas tax	216	121
Tax charge for the year	**216**	**121**

As an investment trust, the Company's capital returns are not taxable.

Factors that may affect future tax charges

At 30 September 2022 the Company had surplus management expenses and losses on non-trading loan relationships of £84,688,000 (2021 – £82,849,000) which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 Net Return per Ordinary Share

	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Net return per ordinary share	**0.63p**	**(121.50p)**	**(120.87p)**	**2.60p**	**49.49p**	**52.09p**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £389,000 (2021 – £1,605,000) and on 61,815,632 (2021 – 61,846,509) ordinary shares of 10p, being the weighted average number of ordinary shares in issue during the year. Capital return per ordinary share is based on the net capital loss for the financial year of £75,105,000 (2021 – gain of £30,609,000) and on 61,815,632 (2021 – 61,846,509) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2022 p	2022 £'000	2021 p	2021 £'000
Amounts recognised as distributions in the year:				
Fourth interim dividend in lieu of a final dividend (prior year)	4.00	2,473	4.00	2,473
First interim dividend	–	–	2.40	1,483
Second interim dividend	–	–	2.40	1,483
Third interim dividend	–	–	2.40	1,483
	4.00	**2,473**	**11.20**	**6,922**

We also set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £389,000 (2021 – £1,605,000).

	2022 p	2022 £'000	2021 p	2021 £'000
Amounts paid and payable in respect of the financial year:				
First interim dividend	–	–	2.40	1,483
Second interim dividend	–	–	2.40	1,483
Third interim dividend	–	–	2.40	1,483
Proposed final (payable 15 February 2023)/fourth interim dividend	0.40	247	4.00	2,473
	0.40	**247**	**11.20**	**6,922**

9 Investments

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables below provide an analysis of these investments based on the fair value hierarchy described beneath, which reflects the reliability and significance of the information used to measure their fair value.

As at 30 September 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	142,878	–	–	**142,878**
Unlisted securities	–	–	9,189	**9,189**
Total financial asset investments	**142,878**	**–**	**9,189**	**152,067**

As at 30 September 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	219,818	–	–	**219,818**
Unlisted securities	–	–	4,646	**4,646**
Total financial asset investments	**219,818**	**–**	**4,646**	**224,464**

Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit and loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

The Company's unlisted investments at 30 September 2022 were valued using a variety of techniques. These include using comparable company multiples, net asset values, assessment of comparable company performance and assessment of milestone achievement at the investee companies. The determinations of fair value included assumptions that the trading multiples and comparable companies chosen for the multiples approach provide a reasonable basis for the determination of fair value. Valuations are cross-checked for reasonableness to alternative multiples-based approaches or benchmark index movements as appropriate. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

	2022 Listed securities £'000	2022 Unlisted securities £'000	2022 £'000	2021 £'000
Cost of investments at start of year	216,375*	4,361*	220,736	233,428
Investment holding gains/(losses) at start of year	3,443	285	3,728	(22,690)
Value of investments at start of year	**219,818**	**4,646**	**224,464**	**210,738**
Movements in year:				
Purchases at cost	16,851	3,702	20,553	359,777
Sales – proceeds received	(20,185)	–	(20,185)	(376,529)
Gains and losses on investments	(73,606)	841	(72,765)	30,478
Value of investments at end of year	**142,878**	**9,189**	**152,067**	**224,464**
Cost of investments at end of year	206,078	8,063	214,141	220,736
Investment holding (losses)/gains at end of year	(63,200)	1,126	(62,074)	3,728
Value of investments at end of year	**142,878**	**9,189**	**152,067**	**224,464**

The purchases and sales proceeds figures above include transaction costs of £5,000 (2021 – £137,000) and £8,000 (2021 – £226,000) respectively. The Company received £20,185,000 (2021 – £376,529,000) from investments sold during the year. The book cost of these investments when they were purchased was £27,148,000 (2021 – £372,693,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments. Of the realised losses on sales of investments during the year of £6,963,000 (2021 – gain of £4,060,000), a net loss of £2,218,000 was included in investment holding gains at the previous year end (2021 – loss of £152,000).

* Restated to correctly reflect the book cost reclassification arising from the conversion of Jaguar Health to a listed security during the year to 30 September 2021.

9 Investments (continued)

	2022 £'000	2021 £'000
(Losses)/gains on investments:		
Realised (losses)/gains on sales	(6,963)	4,060
Changes in investment holding gains and losses	(65,802)	26,418
	(72,765)	**30,478**

Significant Holdings Disclosure Requirements – AIC SORP

Details are disclosed below in accordance with the requirements of paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in July 2022) in relation to unlisted investments in the top twenty of the List of Investments on page 16. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors as reported within the most recently audited financial statements of the investee companies, where possible.

As at 30 September 2022 Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/(loss) ('000)	Net assets attributable to shareholders ('000)
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	0.04%	3,641	4,710	7	Information not publicly available		

10 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	82	68
Other debtors and prepayments	117	64
	199	**132**

None of the above debtors are financial assets held at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – Amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans	15,275	10,114
Other creditors and accruals	375	308
	15,650	**10,422**

None of the above creditors are financial liabilities held at fair value through profit or loss. Included in other creditors is £213,000 (2021 – £203,000) in respect of the investment management fee.

Borrowing facilities

At 30 September 2022 the Company had a 3 year £25 million multi-currency unsecured floating rate revolving facility with The Royal Bank of Scotland International Limited, which expires on 31 August 2024.

At 30 September 2022 drawings were as follows:

— The Royal Bank of Scotland International Limited: US$8.7 million at an interest rate of 1.25% over US LIBOR and £7.5 million at an interest rate of 1.25% over SONIA, both maturing in December 2022 (2021 – US$6.9 million at an interest rate of 1.25% over US LIBOR and £5 million at an interest rate of 1.25% over SONIA, both maturing in December 2021).

The main covenants relating to the above loans are that total borrowings shall not exceed 25% of the Company's adjusted portfolio value and the Company's minimum adjusted portfolio value shall be £100 million.

There were no breaches of loan covenants during the year.

12 Creditors – Amounts falling due after more than one year

	2022 £'000	2021 £'000
5% cumulative preference shares of £1 each	**250**	**250**

Preference share dividends are paid bi-annually in March and September.

13 Share Capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted, called up and fully paid ordinary shares of 10p each	61,815,632	6,182	61,815,632	6,182
Treasury shares of 10p each	5,778,363	578	5,778,363	578
	67,593,995	**6,760**	**67,593,995**	**6,760**

The Company is limited by shares. The ordinary shares are fully participating and on a poll carry one vote per £1 nominal held. In the year to 30 September 2022, the Company issued and bought back no ordinary shares. (2021 – 423,735 shares were bought back during the year over 14 separate occasions at an average price of 257.8p to be held in treasury for subsequent re-issue or cancellation). At 30 September 2022 the Company had authority to buy back 9,266,163 ordinary shares and to allot or sell from treasury 6,181,563 ordinary shares without application of pre-emption rights. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 October 2021	6,760	3,449	466	203,842	–	**214,517**
Losses on investments	–	–	–	(72,765)	–	**(72,765)**
Exchange differences on bank loans	–	–	–	(1,434)	–	**(1,434)**
Other exchange differences	–	–	–	101	–	**101**
Revenue return on ordinary activities after taxation	–	–	–	–	389	**389**
Investment management fee charged to capital	–	–	–	(741)	–	**(741)**
Finance costs of borrowings charged to capital	–	–	–	(266)	–	**(266)**
Dividends paid in the year	–	–	–	(2,473)	–	**(2,473)**
At 30 September 2022	**6,760**	**3,449**	**466**	**126,264**	**389**	**137,328**

The share premium account comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 10 pence and any applicable issue costs (nominal amount of 50 pence prior to the subdivision on 13 February 2020). The capital redemption reserve maintains the equity share capital arising from the buy back and cancellation of shares. It, and the share premium account, are non-distributable.

The capital reserve includes cumulative realised gains/(losses) on the disposal of investments and the unrealised investment holding gains/(losses), being the difference between cost and market value at the balance sheet date. Certain expenses are also deducted from capital as detailed in notes 1(g) and 1(h). The capital reserve balance at 30 September 2022 includes unrealised investment holding losses on investments of £62,074,000 (2021 – gains of £3,728,000) as detailed in note 9 on page 56, with a realised capital balance of £188,612,000 at 30 September 2022 (2021 – £200,228,000). Share buy backs can be funded from the capital reserve and during the year nil (2021 – £1,100,000) of share buy backs were funded from the capital reserve. The revenue reserve shows the net revenue retained. The revenue reserve is distributable by dividend and was fully utilised during the year to 30 September 2021. The capital reserve is also distributable by way of dividend, to the extent that it constitutes realised returns.

When making a distribution to shareholders, the Directors determine profits available for distribution by reference to the 'Guidance on realised and distributable profits under the Companies Act 2006' issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland in April 2017. The availability of distributable reserves in the Company is dependent on those dividends meeting the definition of qualifying consideration within the guidance and on available cash resources of the Company and other accessible sources of funds. The distributable reserves are therefore subject to any future restrictions or limitations at the time such distribution is made. When making their assessment of reserves available for distribution, the Directors adopt a prudent approach, such that net unrealised investment holding gains would not be treated as distributable, irrespective of how readily realisable the relevant securities are considered to be, and net unrealised investment holding losses would be deducted from accumulated realised capital reserves.

15 Shareholders' Funds Per Ordinary Share

	2022	2021
Shareholders' funds	£137,328,000	£214,517,000
Number of ordinary shares in issue at the year end	61,815,632	61,815,632
Shareholders' funds per ordinary share	222.2p	347.0p

The shareholders' funds figures above have been calculated after deducting borrowings at book value, in accordance with the provisions of FRS 102. The net asset value figures shown in the performance highlights on page 19 have been calculated after deducting borrowings at market value. Reconciliations between shareholders' funds and NAV measures are shown in the Glossary of Terms and Alternative Performance Measures on pages 73 to 75.

16 Analysis of Changes in Net Debt

	At 1 October 2021 £'000	Cash flows £'000	Exchange movement £'000	At 30 September 2022 £'000
Cash at bank and in hand	593	309	60	962
Loans due within one year	(10,114)	(3,727)	(1,434)	(15,275)
5% cumulative preference shares	(250)	–	–	(250)
	(9,771)	**(3,418)**	**(1,374)**	**(14,563)**

17 Contingent Liabilities, Guarantees and Financial Commitments

At 30 September 2022 and 30 September 2021 the Company had no contingent liabilities, guarantees or financial commitments.

18 Related Parties and Transactions with the Managers

The Directors' fees and shareholdings are detailed in the Directors' Remuneration Report on pages 37 and 38. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Baillie Gifford & Co Limited has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Details of the terms of the Investment Management Agreement are set out on page 28 and details of the fees during the year and the balances outstanding at the year end are shown in notes 3 and 11 respectively.

19 Financial Instruments

As an investment trust, the Company invests in equities and makes other investments so as to secure its investment objective of capital growth. The Company borrows money when the Board and investment managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to a variety of risks that cause short term variation in the Company's net assets and could result in either a reduction in the Company's net assets or a reduction in the net return available for dividend.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent reduction in the Company's net assets rather than to minimise the short term volatility.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and the Company's investment managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

Details of the Company's investment portfolio are shown in note 9.

19 Financial Instruments (continued)

Currency Risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The investment managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Investment Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the currency in which an investee company's share price is quoted is not necessarily the one in which it earns its profits.

The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the share price of the company is quoted. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, and currently does, match specific overseas investment with foreign currency borrowings.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

At 30 September 2022	Investments £'000	Cash and cash equivalents £'000	Loans and preference shares £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	95,057	604	(7,775)	59	**87,945**
Euro	18,778	–	–	58	**18,836**
Japanese yen	4,371	–	–	–	**4,371**
Other overseas currencies	32,733	–	–	36	**32,769**
Total exposure to currency risk	150,939	604	(7,775)	153	**143,921**
Sterling	1,128	358	(7,750)	(329)	**(6,593)**
	152,067	**962**	**(15,525)**	**(176)**	**137,328**

At 30 September 2021	Investments £'000	Cash and cash equivalents £'000	Loans and preference shares £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	142,849	288	(5,114)	63	**138,086**
Euro	29,488	–	–	26	**29,514**
Japanese yen	8,677	–	–	–	**8,677**
Other overseas currencies	41,169	118	–	11	**41,298**
Total exposure to currency risk	222,183	406	(5,114)	100	**217,575**
Sterling	2,281	187	(5,250)	(276)	**(3,058)**
	224,464	**593**	**(10,364)**	**(176)**	**214,517**

Currency Risk Sensitivity

At 30 September 2022, if sterling had weakened by 15% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have increased by the amounts shown below. A 15% strengthening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis was performed on the basis of a 5% strengthening/weakening of sterling for 2021.

	2022 £'000	2021 £'000
US dollar	13,192	6,904
Euro	2,825	1,476
Japanese yen	656	434
Other overseas currencies	4,915	2,065
	21,588	**10,879**

19 Financial Instruments (continued)

Interest Rate Risk

Interest rate movements may affect directly:

- the fair value of any investments in fixed interest rate securities;
- the level of income receivable on cash deposits; and
- the interest payable on any variable rate borrowings which the Company may take out.

Interest rate movements may also impact upon the market value of the Company's investments other than any fixed income securities. The effect of interest rate movements upon the earnings of an investee company may have a significant impact upon the valuation of that company's equity. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements. The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments. The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

Financial Assets

The Company's interest rate risk exposure on its financial assets at 30 September 2022 amounted to £962,000 (2021 – £593,000), comprising its cash and short term deposits.

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the bank base rate.

Financial Liabilities

The interest rate risk profile of the Company's bank loans and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 30 September are shown below.

Interest Rate Risk Profile

	2022 £'000	2021 £'000
Floating rate – US dollar	7,775	5,114
Floating rate – sterling	7,500	5,000
	15,275	**10,114**

Maturity Profile

	2022 Within 1 year £'000	2021 Within 1 year £'000
Repayment of loans	15,275	10,114
Interest on loans	42	16
	15,317	**10,130**

Interest Rate Risk Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

An increase of 1% in interest rates, with all other variables being held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 30 September 2022 by £149,000 based on actual drawings through the year, (2021 – a decrease of £88,000, based on actual drawings through the year). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 1% would have had an equal but opposite effect.

19 Financial Instruments (continued)

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objective and investment policy.

Other Price Risk Sensitivity

A full list of the Company's investments is shown on page 16. In addition, analysis of the portfolio by impact theme is contained in the Strategic Report. 104.0% of the Company's net assets are invested in listed equities (2021 – 102.5%). A 10% increase in listed equity valuations at 30 September 2022 would have increased total assets and total return on ordinary activities by £14,288,000 (2021 – £21,982,000). A decrease of 10% would have had an equal but opposite effect.

6.7% (2021 – 2.2%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 1(c) on pages 50 and 51). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the Recent Transaction Price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs. A sensitivity analysis has not been provided for the year to 30 September 2021 as the valuation methodologies employed involved less subjectivity in their significant unobservable inputs as the Recent Transaction Price valuation approach was deemed appropriate for each of the Company's private company valuations at 30 September 2021.

As at 30 September 2022	Significant unobservable inputs*					
Valuation approach	Fair value as at 30 September 2022 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Recent transaction price	4,710,000	n/a	a,b	n/a	n/a	n/a
Comparable company performance	4,479,000	Selection of comparable companies and indices#	a,b,c	(14%)–(26%)	10%	If input comparable company performance changed by +/-10%, the fair value would change by +£199,044 and -£199,044.

† See explanation for other unobservable inputs below (sections 'a' to 'c' as relevant).

See explanation for the selection of comparable companies below.

*Significant Unobservable Inputs

The variable inputs applicable to each broad category of valuation basis will vary depending on the particular circumstances of each private company valuation. An explanation of each of the key variable inputs is provided below. The assumptions made in the production of the inputs are described in note 1(c) on pages 50 and 51.

(a) Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

(b) Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the transaction-based and multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

(c) Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries in which they operate.

19 Financial Instruments (continued)

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable. The Board also sets parameters for the degree to which the Company's net assets are invested in listed equities. The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facilities are detailed in note 11 and the maturity profile of its borrowings is set out above.

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. This risk is managed as follows:

— where the investment managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;

— the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Managers monitor the Company's risk by reviewing the Depositary's internal control reports and reporting their findings to the Board;

— investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily done on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed; and

— cash is only held at banks that have been identified by the Managers as reputable and of high credit quality.

Credit Risk Exposure

The amount that best represents the Company's maximum exposure to direct credit risk at 30 September was:

	2022 £'000	2021 £'000
Cash and cash equivalents	962	593
Debtors	181	118
	1,143	**711**

None of the Company's financial assets are past due or impaired.

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that there is no difference between the amounts at which the financial assets and liabilities of the Company are carried in the Balance Sheet and their fair values. The fair values of the Company's borrowings are shown below. The fair value of the 5% cumulative preference shares is based on the closing market offer price on the London Stock Exchange.

	2022 Par value £'000	2022 Book value £'000	2022 Market value £'000	2021 Par value £'000	2021 Book value £'000	2021 Market value £'000
Bank loans due within one year	15,275	15,275	15,275	10,114	10,114	10,114
5% cumulative preference shares	250	250	239	250	250	248
	15,525	**15,525**	**15,514**	**10,364**	**10,364**	**10,362**

20 Capital Management

The capital of the Company is its share capital and reserves as set out in note 14 together with its borrowings (see note 11).

The objective of the Company is to invest globally to achieve capital growth, which takes priority over income and dividends.

The Company's investment policy is set out on page 22. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 23, 24, 32 and 33.

The Company has the ability to issue and buy back its shares (see page 30) and any changes to the share capital during the year are set out in notes 13 and 14.

The Company does not have any externally imposed capital requirements other than the covenants on its loans which are detailed in note 11.

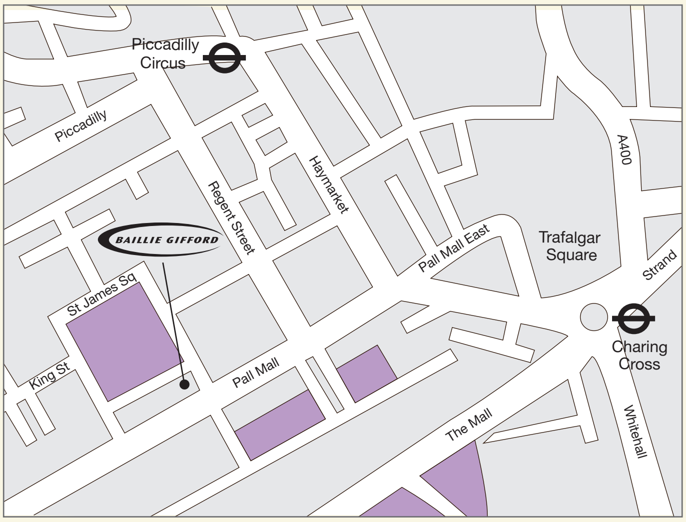
Notice of Annual General Meeting

We anticipate welcoming shareholders to the AGM in person. Notwithstanding the relaxation of government controls, Covid-19 related rules might tighten at short notice in the event of a winter resurgence, restricting the meeting to the minimum number. To ensure shareholders' votes are counted in that eventuality, it is recommended that shareholders submit their votes by proxy before the applicable deadline on 6 February 2023 and submit any questions for the Board or Manager in advance by email to trustenquiries@bailliegifford.com or by calling 0800 917 2112 (Baillie Gifford may record your call). This will not impede your subsequent attendance in person should you wish to be present, assuming regulations permit. Any changes to the AGM arrangements will be announced to the London Stock Exchange regulatory news service and made available at keystonepositivechange.com.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.

If you need help with voting, you may also contact our Registrar, Link Group, on Tel: 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales, or email Link at shareholderenquiries@linkgroup.co.uk.



Notice is hereby given that the Annual General Meeting of Keystone Positive Change Investment Trust plc will be held at the offices of Baillie Gifford & Co, Grimaldi House, 28 St James's Square, London SW1Y 4JH on Wednesday 8 February 2023, at 1.15pm for the following purposes:

Ordinary Business

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

1. To receive and adopt the Annual Report and Financial Statements of the Company for the year ended 30 September 2022 with the Reports of the Directors and of the Independent Auditors thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2022.
4. To declare a final dividend of 0.4p per ordinary share.
5. To re-elect Mrs Karen Brade as a Director.
6. To re-elect Mr Ian Armfield as a Director.
7. To re-elect Mrs Katrina Hart as a Director.
8. To re-elect Mr William Kendall as a Director.
9. To elect Mr Andrew Fleming as a Director.
10. To reappoint PricewaterhouseCoopers LLP as Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
11. To authorise the Directors to determine the remuneration of the Independent Auditors.

Special Business

To consider and, if thought fit, to pass resolutions 12 and 15 as ordinary resolutions and 13 and 14 as special resolutions:

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £618,156 (representing 10% of the Company's total issued share capital as at 25 November 2022), such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.
13. That, subject to the passing of Resolution 12 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the

Companies Act 2006 ('the Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash either pursuant to the authority given by Resolution 12 above or by way of the sale of treasury shares wholly for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal value of £618,156, being approximately 10% of the nominal value of the issued share capital of the Company as at 25 November 2022.

14. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act'), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 10p each in the capital of the Company ('Shares'), (either for retention as treasury shares for future reissue, resale, transfer or for cancellation) provided that:

(a) the maximum aggregate number of Shares hereby authorised to be purchased is 9,266,163, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this resolution;

(b) the minimum price (exclusive of expenses) which may be paid for each Share is 10p;

(c) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than the higher of:

(i) 5 per cent above the average closing price on the London Stock Exchange of a Share over the five business days immediately preceding the date of purchase; and

(ii) the higher of the price of the last independent trade and the highest current independent bid for a share on the London Stock Exchange.

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 30 September 2023, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

15. That the aggregate annual limit on Directors' remuneration be increased from £150,000 to £200,000.

By order of the Board
Baillie Gifford & Co Limited
Company Secretary
9 December 2022

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. In order to be valid an appointment of proxy must be returned by one of the following methods:
   - via Link Group's website signalshares.com; or
   - in hard copy form by post, by courier or by hand to the Company's registrars, Link Group, PXS1, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; and
   - in each case to be received by the Company not less than 48 hours before the time of the meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID RA10) no later than two days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than the close of business two days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by shareholders of the Company.

11. Under section 338 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; and (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than 28 December 2022.
12. Under section 338A of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than 28 December 2022. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.
13. Under section 527 of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditors) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditors' Report and the conduct of the audit. Such requests must be made in writing and must state your full name and address.
14. In order to be able to exercise the members' rights in notes 11 to 13, the relevant request must be made by: (a) members representing at least 5% of the total voting rights of all the members who have a right to vote on the resolution to which the requests relate; or (b) at least 100 members who have a right to vote on the resolution to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100. Such requests should be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN. Electronic requests permitted under section 338 (see note 11) should be sent to trustenquiries@bailliegifford.com.
15. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at keystonepositivechange.com.
16. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
17. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
18. As at 25 November 2022 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 61,815,632 ordinary shares of nominal value 10p each, carrying one vote per £1 nominal value. Therefore, the total voting rights in the Company as at 25 November 2022 were 6,181,563 votes. The 250,000 5% cumulative preference shares of £1 each carry no voting rights. This notice is sent for information only to holders of the 5% cumulative preference shares, who are not entitled to attend and vote at the meeting.
19. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
20. The Directors' skills and experience, which make their contributions important to the Company's long-term sustainable success, are set out in their biographies on page 27. No Director has a contract of service with the Company.

Further Shareholder Information

Keystone Positive Change is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from UK capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Keystone Positive Change, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting **keystonepositivechange.com**.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Company's website at **keystonepositivechange.com** and on other financial websites. Company factsheets are also available on the Company's website and are updated monthly. These are available from Baillie Gifford on request.

Keystone Positive Change Share Identifiers

ISIN GB00BK96BB68

Sedol BK96BB6

Ticker KPC

Legal Entity Identifier 5493002H3XLXLIGC563

The ordinary shares of the Company are listed on the London Stock Exchange and their price is shown in the Financial Times under 'Investment Companies'.

Key Dates

The Interim Report is issued in May and the Annual Report is normally issued in December. The 2023 AGM is being held in February 2023. Any dividends, if applicable, will be paid as a single final payment shortly after the Company's AGM.

Analysis of Shareholders at 30 September

Name	2022 Number	2022 %
Institutions	4,918,971	8.0
Intermediaries	51,510,276	83.3
Individuals	4,442,948	7.2
Marketmakers	943,437	1.5
	61,815,632	**100.0**

Share Register Enquiries

Link Group maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider.

You can also check your holding on the Registrars' website at **signalshares.com**. Link Group provides an online and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at **linksharedeal.com** or 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Lines are open from 9.00am to 5.30pm Monday to Friday (excluding Bank Holidays). Link Group is the business name of Link Market Services Limited.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **signalshares.com**.

If you have any questions about this service please contact Link Group on 0371 664 0300.

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, the Company is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, the Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders gov.uk/government/publications/exchange-of-information-account-holders.

Alternative Investment Fund Managers (AIFM) Regulations

In accordance with the AIFM Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Regulations, the AIFM remuneration policy is available at bailliegifford.com or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period are also available at bailliegifford.com.

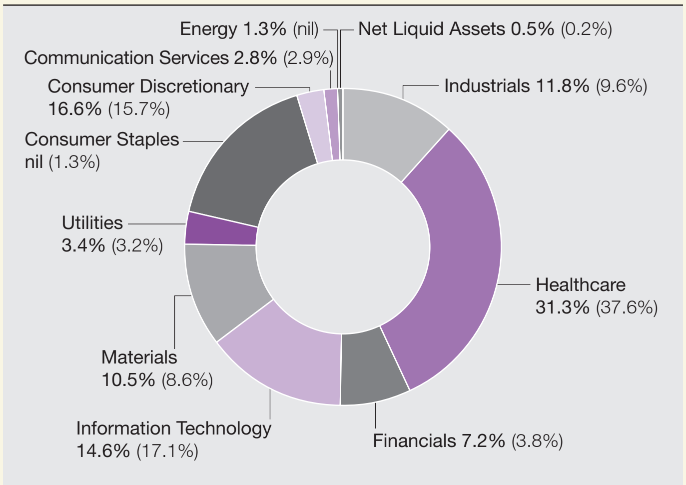
The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 73 to 75) at 30 September 2022 are as follows:

Leverage

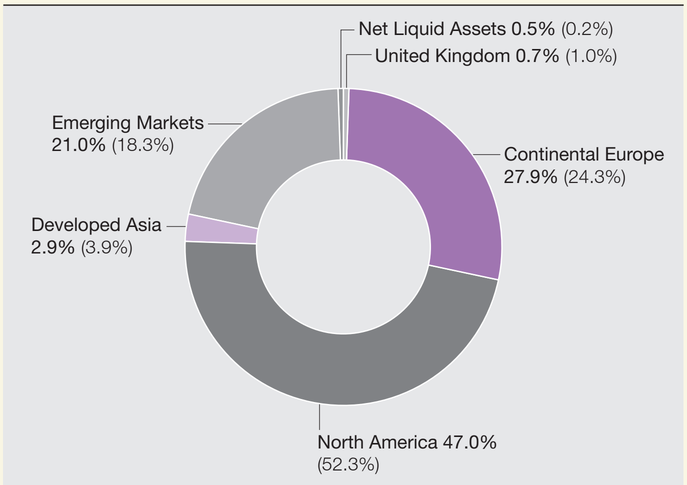
	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.11:1	1.11:1

The Managers do not manage the Keystone Positive Change Investment Trust portfolio by reference to conventional industry sectors or geographical exposure weightings. The analysis below is provided purely for shareholder interest.

Sectoral Analysis as at 30 September 2022 (2021)



Geographical Analysis as at 30 September 2022 (2021)



Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have direct impact in the UK following Brexit. However, it applies to third-country products marketed in the EU. As Keystone Positive Change Investment Trust plc is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime ('NPPR'), the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainability Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Detail on the Investment Manager's approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website (bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and-guidelines/).

Keystone Positive Change Investment Trust plc has sustainable investment as its objective while seeking capital growth over the long term. Pursuant to Article 9 of the Sustainable Finance Disclosure Regulation, it aims to invest in companies whose products or services make a positive impact.

No index has been designated as a reference sustainable benchmark against which the product can be measured to determine if it is meeting its sustainable investment objective. However, Baillie Gifford & Co has developed a robust approach using its in-depth knowledge of companies to measure the impact of sustainable investments. A positive change Impact Report is published annually and is publicly available on the Baillie Gifford website. This report shows how each company in the portfolio is delivering positive change through its products or services. Key metrics for each individual company in relation to the contribution made by their products or services to the four impact themes and their contribution to the Sustainable Development Goals are included in the report.

The Regulatory Technical Standards ('RTS') under SFDR which specify the details of the content and presentation of information regarding the transparency of the promotion of environmental and/or social characteristics or sustainable investments in the Company's financial reports are not yet in force. However, the Company believes the disclosures above comply with the principles-based Level 1 requirements under SFDR.

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of AIFs that invest in an economic activity that contributes to an environmental objective.

The Company invests predominantly in shares of companies whose products or services make a positive social or environmental impact. However, the Company is not able to positively report Taxonomy Regulation alignment and has deemed this to be 0%. The 'do no significant harm' principle applies only to those investments underlying the Company that take into account the criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the Company do not take into account the EU criteria for environmentally sustainable economic activities.

Risks

Past performance is not a guide to future performance.

Keystone Positive Change is a listed UK Company. The value of its shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Keystone Positive Change invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Keystone Positive Change invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

Keystone Positive Change's risk could be increased by its investment in private companies. These assets may be more difficult to sell, so changes in their prices may be greater.

Keystone Positive Change can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Keystone Positive Change can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Market values of securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Keystone Positive Change can make use of derivatives which may impact on its performance.

Keystone Positive Change invests in companies whose products or behaviour make a positive impact on society and/or the environment. This means the Company will not invest in certain sectors and companies and the universe of investments available to the Company will be more limited than other funds and trusts that do not apply such criteria. The Company therefore may have different returns than a fund or trust which has no such restrictions.

Charges are deducted from income. Where income is low the expenses may be greater than the total income received, meaning Keystone Positive Change may not pay a dividend and the capital value would be reduced.

Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.

In addition to impact, the aim of Keystone Positive Change is to achieve capital growth rather than income. You should not expect a significant, or steady, annual income from the Company.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

Keystone Positive Change is a UK public listed company and as such complies with the requirements of the Financial Conduct Authority and is not authorised or regulated by the Financial Conduct Authority.

The information and opinions expressed within this Annual Report and Financial Statements are subject to change without notice.

This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at keystonepositivechange.com or by calling Baillie Gifford on 0800 917 2112.

The Financial Statements have been approved by the Directors of Keystone Positive Change Investment Trust plc. The information and opinions expressed in this document are subject to change without notice. The staff of Baillie Gifford & Co and Keystone Positive Change's Directors may hold shares in Keystone Positive Change and may buy or sell such shares from time to time.

Communicating with Shareholders

Keystone Positive Change on the Web

Up-to-date information about Keystone Positive Change can be found on the Company's page of the Managers' website at keystonepositivechange.com. You will find full details on Keystone Positive Change, including recent portfolio information and performance figures.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Keystone Positive Change. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

You can subscribe to *Trust* magazine or view a digital copy at bailliegifford.com/trust.

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcome. Please contact the Baillie Gifford Client Relations Team (see contact details in the 'Further Information' box on the back cover) and give them your suggestions. They will also be very happy to answer questions that you may have about Keystone Positive Change.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email or post. See contact details in the 'Further Information' box on the back cover.

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice please ask an authorised intermediary.

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data.

No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom. No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

MSCI Index Data

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FTSE Index Data

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Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Shareholders' Funds

Shareholders' Funds is the value of all assets held less all liabilities, with borrowings deducted at book cost.

Net Asset Value (APM)

When a Company's borrowings are all short-term, flexible facilities, Net Asset Value (NAV) equates to shareholders' funds, being the value of all assets held less all liabilities (including borrowings). Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue (excluding shares held in treasury). For the current and prior year, the difference between borrowings at book value, borrowings at par and borrowings at market value is negligible (see note 19 on page 63) and no reconciliation between NAV at book/par value and NAV at fair value is provided, as the NAV per share is the same on both bases.

		2022	2021
Shareholders' funds (Net Asset Value)	a	£137,328,000	£214,517,000
Ordinary shares in issue (excluding treasury shares)	b	61,815,632	61,815,632
Net asset value per share	(a ÷ b x 100)	**222.2p**	**347.0p**

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings).

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Total Return (APM)

The total return is the return to shareholders after reinvesting the dividend on the date that the share price goes ex-dividend, as detailed below.

		2022 NAV	2022 Share price	2021 NAV	2021 Share price
Closing NAV per share/share price	a	222.2p	192.8p	347.0p	344.0p
Dividend adjustment factor*	b	1.01228	1.01242	1.0338	1.0360
Adjusted closing NAV per share/share price	c = a x b	224.9p	195.2p	358.7p	356.4p
Opening NAV per share/share price	d	347.0p	344.0p	305.8p	253.0p
Total return	(c ÷ d) -1	**(35.2%)**	**(43.3%)**	**17.3%**	**40.9%**

* The dividend adjustment factor is calculated on the assumption that dividends of 4.0p (2021 – 11.2p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV/share price, as appropriate, at the ex-dividend dates.

Ongoing Charges (APM)

The total expenses (excluding dealing and borrowing costs) incurred by the Company as a percentage of the daily average net asset value (with borrowings at market value), as detailed below.

		2022	2021
Investment management fee		£988,000	£601,000
Other administrative expenses		£506,000	£593,000
Less: non-recurring expenses		–	(£166,000)
Total recurring expenses	a	£1,494,000	£1,028,000
Average daily cum-income net asset value	b	£166,326,000	£202,840,000
Ongoing charges	a ÷ b	**0.90%**	**0.51%**

Baillie Gifford & Co Limited was appointed on 11 February 2021 and agreed to waive its management fee for six months from the date of its appointment. The calculation for 2021 above was therefore not representative of future management fees. The reconciliation below shows the ongoing charges figure if the management fee waiver had not been in place.

		2022	2021
Investment management fee		£988,000	£601,000
Investment management fee waiver		–	£643,000
Other administrative expenses		£506,000	£593,000
Non-recurring expenses		–	(£166,000)
Total expenses	a	£1,494,000	£1,671,000
Average daily cum-income net asset value	b	£166,326,000	£202,840,000
Ongoing charges	a ÷ b	**0.90%**	**0.82%**

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gross gearing, also referred to as potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds (a ÷ c in the table below).

Net gearing, also referred to as invested gearing is borrowings at book value less cash and cash equivalents (any certificates of deposit are not deducted) and brokers' balances expressed as a percentage of shareholders' funds (b ÷ c in the table below).

		2022	2021
Borrowings (at book cost)	a	£15,525,000	£10,364,000
Less: cash and cash equivalents		(£962,000)	(£593,000)
Less: sales for subsequent settlement		–	–
Add: purchases for subsequent settlement		–	–
Adjusted borrowings	b	£14,563,000	£9,771,000
Shareholders' funds	c	£137,328,000	£214,517,000
Gross gearing	a ÷ c	**11.3%**	**4.8%**
Net gearing	b ÷ c	**10.6%**	**4.6%**

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Regulations, 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 leverage figures at 30 September 2022 are detailed on page 69.

Unlisted (Private) Company

An unlisted or private company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

Compound Annual Return (APM)

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compounded value at the start of each year.

Treasury Shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer, or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

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