AJOT

AVI Japan Opportunity Trust

Finding Compelling Opportunities in Japan

ANNUAL REPORT 2021

AVI

For more information visit:
www.ajot.co.uk

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Financial Highlights

AVI Japan Opportunity Trust plc ("AJOT" or "the Company") invests in a focused portfolio of quality small and mid-cap listed companies in Japan that have a large portion of their market capitalisation in cash or realisable assets.

Portfolio Statistics as at 31 December 2021

Measure	2021	2020
NAV Total Return*	12.3%	(2020: -1.4%)
Benchmark Total Return*†	-1.4%	(2020: 3.2%)
Share Price Total Return*	10.0%	(2020: -1.1%)
Portfolio Discount*	-41.2%	(2020: -41.9%)
Net Cash/Market Cap*	39.9%	(2020: 46.1%)
Net Financial Value/Market Cap*	75.9%	(2020: 82.1%)
EV/EBIT*	5.1x	(2020: 4.3x)
Portfolio Dividend Yield*	1.8%	(2020: 2.1%)
FCF Yield*	5.4%	(2020: 5.3%)
EV/FCF Yield*	21.2%	(2020: 18.1%)
ROE*	10.9%	(2020: 7.9%)
ROE ex non-core financial assets*	25.3%	(2020: 21.3%)

* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 71 and 72.

† MSCI Japan Small Cap Index (£ adjusted total return).

Financial Highlights continued

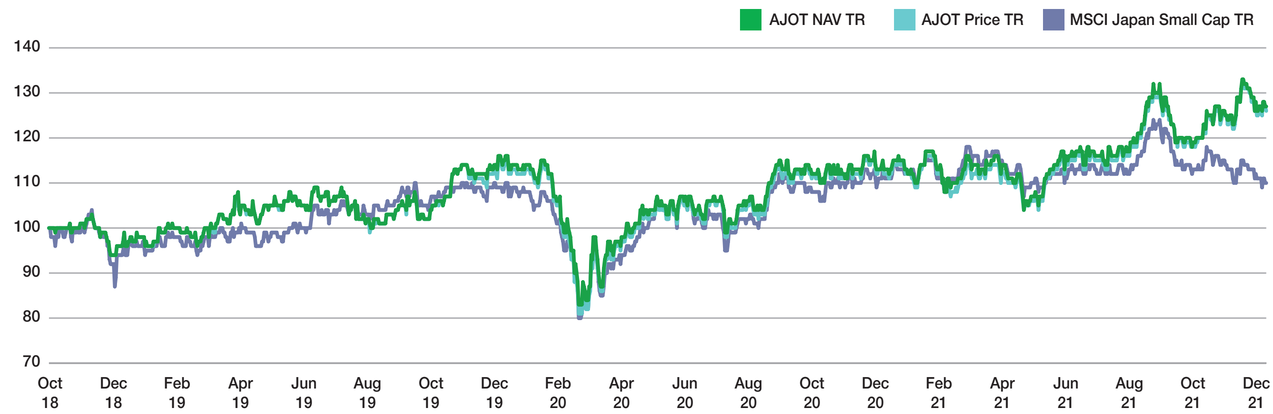
For the year ended 31 December 2021

Performance Summary

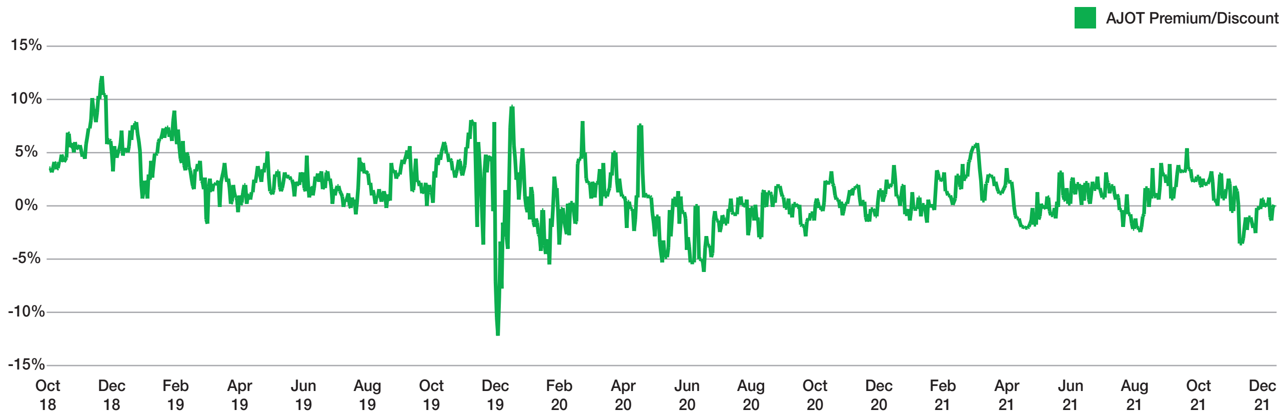
Net asset value per share at 31 December 2021	120.87p
Share price at 31 December 2021	121.00p

Premium as at 31 December 2021	
(difference between share price and net asset value)	0.11%

Net Asset Value, Share Price* and Benchmark



Premium or Discount to Net Asset Value



* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 71 and 72.

Overview

Discovering overlooked and under researched investment opportunities, utilising shareholder engagement to unlock long-term value.

Company Objective and Strategy

AJOT aims to provide Shareholders with total returns in excess of the MSCI Japan Small Cap Index in GBP ("MSCI Japan Small Cap"), through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by Asset Value Investors Limited as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or other realisable assets.

AVI seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance, balance sheet efficiency, and returns to shareholders in Japan.

The companies in the portfolio are selected for their high quality, whether having strong prospects for profit growth or economically resilient earnings. By investing in companies whose corporate value should grow overtime, AVI can be patient in its engagement to unlock value.

Benchmark

The MSCI Japan Small Cap Index.

Capital Structure

As at 31 December 2021, the Company's issued share capital comprised 133,220,702 Ordinary Shares of 1p each, of which 250,000 were held in treasury and therefore the total voting rights attached to Ordinary Shares in issue were 132,970,702. As at 11 March 2022 it comprised 137,211,702 Ordinary Shares, none of which were held in treasury and therefore the total voting rights attached to Ordinary Shares in issue were 137,211,702.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 11.30 am on Tuesday 3 May 2022 at the offices of the Association of Investment Companies ("AIC"), 24 Chiswell Street, London, EC1Y 4YY. Shareholders will be able to submit questions to the Board and AVI ahead of the AGM and answers to these, as well as AVI's presentation, will be made available on the Company's website. Please refer to the Notice of AGM for further information and the resolutions which will be proposed at this meeting.

Investment Manager

The Company has appointed Asset Value Investors Limited ("AVI" or the "Investment Manager") as its Alternative Investment Fund Manager.

Financial Conduct Authority ("FCA") regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'

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

The Company's ordinary shares are not classified as 'complex instruments' under the FCA's revised appropriateness criteria adopted in the implementation of MiFID II.

The Association of Investment Companies ("The AIC")

The Company is a member of The AIC.

Website

The Company's website, which can be found at www.ajot.co.uk, includes useful information on the Company, such as price performance, news, monthly and quarterly reports as well as previous annual and half year reports.

Chairman's Statement

"Three and a half years from launch, the Company's strategy continues to deliver excellent results."

Norman Crighton, Chairman

Overview of the Year

AVI Japan Opportunity Trust ("AJOT" or "the Company") enjoyed a successful third full year of investing in Japan on your behalf. As well as benefitting from a resumption in economic and corporate activity as we emerge from the COVID-19 pandemic, we saw further evidence of the successful implementation of our strategy.

Continuing their ascent from the March 2020 lows, global equities performed well in 2021, with the MSCI AC World index returning +19.6% in GB pounds. Japan has been a laggard, with our benchmark the MSCI Japan Small Cap Total Return Index realising -1.4%. As an asset class, Japanese equities did not benefit from the general rebound and remain underweight in most portfolios.

AJOT, however, has never been a Japan allocation story being focused instead on delivering attractive absolute and relative returns through stock selection, stake holding and corporate activity. AJOT's performance in 2021 reinforced the power of this strategy, with the largest contributors to returns, Secom Joshinetsu and Daibiru, both results of take private offers at +66% and +50% premiums to their respective undisturbed share prices.

The resumption of corporate activity following a subdued 2020 has given your Investment Manager, Asset Value Investors ("AVI"), fresh opportunities to engage with its portfolio companies to unlock value for all shareholders. AVI see the potential for further change of control transactions, boding well for future returns. Over the last year AVI's investment team has grown substantially, with the addition of two experienced Japanese-speaking analysts, who have been busy building constructive and respectful relationships with portfolio company management teams.

Performance and Dividend

Three and a half years from launch, the Company's strategy continues to deliver excellent results. In 2021 your Company generated a net asset value ("NAV") per share total return of +12.3% in GBP versus a -1.4% return for our benchmark, the MSCI Japan Small Cap Index (also in GBP). Although not relevant for relative performance comparisons, the Japanese Yen has depreciated 9.6% over the last year, acting as a headwind to returns.

Since the start of 2022, as at 11 March 2022 (the latest practicable date prior to publication of this document), AJOT's NAV and share price returned -8.0% and -8.0% in GBP, which compares to -6.4% for the benchmark. The closing share price was 111.00p, a discount of -0.4% to the NAV per share of 111.43p.

Soft99

2.2% net assets

Soft99 manufactures a variety of cleaning products. It is most famous for its car cleaning wax, but also manufactures porous cloths, rollers used in semiconductor manufacturing and, more recently with increased mask wearing, anti-fog eyeglass cream. Despite demonstrating an astute ability to grow its business into new product lines, whilst expanding profit margins, it trades on a lowly EV/EBIT of 1.0x.

Source: Soft99 Corp.

Chairman's Statement continued

Performance and Dividend continued

Consistent with the Prospectus at the Initial Public Offering ("IPO"), the Company intends to distribute substantially all the net revenue arising from the portfolio. The Company paid an interim dividend of 0.70p per share in October 2021 and the Board has elected to propose a final dividend of 0.70p per share, bringing total dividend for the year ended 31 December 2021 to 1.40p per share (2020: 1.30p per share).

Investment Strategy

AJOT listed in October 2018 to take advantage of the highly attractive opportunity to invest in under-valued, over-looked, under-researched Japanese small-cap equities with strong underlying business fundamentals. We believed – and still do – that activism and corporate activity allow for the unlocking of valuation anomalies unavailable in other global developed markets, with the potential for attractive absolute and relative returns. The investment opportunity remains as exciting today as it did at launch.

Share Premium and Issuance

As at 31 December 2021, your Company's shares were trading at a premium of 0.11% to NAV per share. The Board monitors this premium carefully and manages it by periodically issuing or buying back shares. During 2021, we utilised the Company's authorised block listing facility to increase our shares in issue by 3,623,637 and 12,107,323 shares were issued under the prospectus published in March 2020. 250,000 shares were bought back during the year, all of which have been sold from Treasury since the year end. As at 31 December 2021, 133,220,702 shares were in issue, a pleasing increase from the 80,000,000 shares at AJOT's launch. Since the year end, the Company issued further shares through the blocklisting facility as detailed on pages 34 and 35 and as at 11 March 2022, the Company had 137,211,702 shares in issue.

Debt Structure and Gearing

As described in the Prospectus, the Board supports the use of gearing to enhance portfolio performance. The Company has in place a ¥4.330 billion debt facility which was renewed on 2 February 2022. As at 31 December 2021, ¥2.930 billion (£18.8 million) of the facility had been drawn and gearing was 6.6%.

ESG

The Board and the AVI have continued to develop and refine our approach to ESG issues over the past 12 months. In particular, I would like to draw your attention to the work that AVI has done in this area with their ESG, Responsible Investor and Sustainability Policy, which can be found on their website. I would urge all Shareholders and other stakeholders in AJOT to read this document. I believe AVI should be congratulated on their approach to these issues and the work they have done in communicating their solutions to the industry.

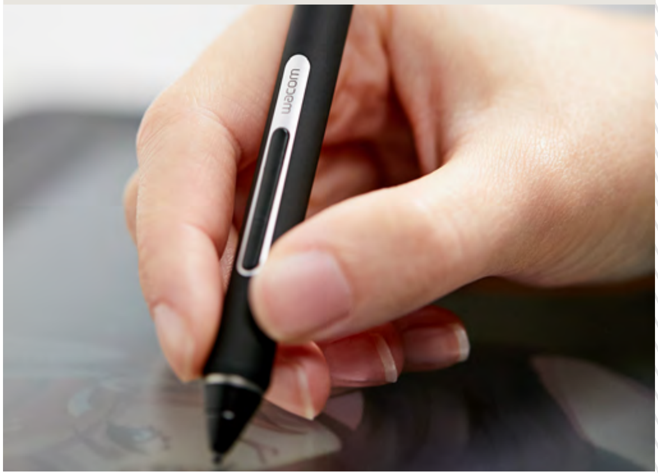
As the world returns to normal after COVID-19 we will address several ESG issues that have been less prevalent over the past two years. As Japan finally opens up to foreign visitors, your Investment Manager will again start to revisit companies in Japan to seek out new opportunities and encourage change at our investee companies to benefit all shareholders and the broader Japanese corporate world. This will of course require long-haul flights to Japan and the inevitable carbon emissions produced by these flights. The entire world will face these issues as travel returns to normal pre-pandemic levels. There are currently various mechanisms available to offset the carbon emissions produced by these flights but I am unaware of any in-depth research that has examined the cost-benefit analysis of each. This is something that all fund management houses, and boards, should be thinking about over the coming months.

I shall be contacting Shareholders and other stakeholders to continue the discussions on ESG issues if they wish. In the meantime if you have any questions on these or other issues please do not hesitate to contact me.

Wacom

8.3% net assets

Wacom is a global leader in digital pen solutions, benefitting from the increased adoption of digital drawing and writing. Wacom manufactures its own branded tablets and sells its technology to other electronic device manufacturers. Its leading technology is used in Samsung devices, with the S22 Ultra launched at the start of 2022 having an embedded Wacom pen.



Source: Wacom Co. Ltd

Chairman's Statement continued

Exit Opportunity

As noted above, the Company's recent share price and NAV total return performance have been excellent and the shares are trading close to NAV. Furthermore, as explained in their report on page 11, our Investment Manager believes the Company's investment case remains highly compelling and the construction of the current portfolio contains considerable future value.

The Company's IPO Prospectus stated that the Directors may, at their discretion, deliver a full or a partial exit opportunity to Shareholders in October 2022 and every two years thereafter (the "Exit Opportunity"). The Board together with its advisers will canvass opinion from Shareholders in the months leading up to October 2022 when making any decision in respect of any potential Exit Opportunity. In the event that an Exit Opportunity is offered, the mechanism will be dependent on various factors including the number of Shareholders seeking to participate, the liquidity of the underlying market, the demand for Shares from other investors and the most cost efficient way of providing the Exit Opportunity. The Company will update the investors in due course.

Outlook

Looking ahead, the current portfolio is well positioned with a concentrated yet diverse collection of high quality, lowly valued companies, with multiple levers for re-ratings, including activism and increased corporate activity. AVI has increased its capacity for research and engagement on its pipeline of ideas to generate exceptional returns. As a board, we are confident that AJOT can build on its successful track record of engagement with companies and continue to deliver overall attractive returns for investors.

Closing remarks

The Board would like to thank Shareholders for their continued trust and support. If you have any queries, please do not hesitate to contact me personally (norman.crighton@ajot.co.uk) or alternatively speak to our broker Singer Capital Markets to arrange a meeting.

Norman Crighton
Chairman
16 March 2022

Top 10 Investments

1 WACOM CO LTD

Source: Wacom Co. Ltd

8.3% of portfolio **9.9x** EV/EBIT

Wacom is a global leader in digital pen solutions. It is uniquely positioned to benefit from the growing adoption of digital pens, whether from movie studios, industrial designers, or schools. Its dominant market position allows Wacom to be at the forefront of technological innovation, developing solutions that utilise big data, artificial intelligence, and virtual reality. Investors underappreciate the growth potential of Wacom's technology, but under the leadership of the relatively new President and with improved investor communication, we think that will change.

2 T HASEGAWA CO LTD

Source: T.Hasegawa Co. Ltd

7.9% of portfolio **10.7x** EV/EBIT

T Hasegawa is a top ten global flavour and fragrance (F&F) manufacturer. Its products are used in a variety of products from tea to instant noodles. It prides itself on R&D, with 322 patents and 20% of its workforce involved in R&D. The Company motto is "a company founded on technology". The F&F industry is appealing because of its high barriers to entry and resilient pricing power, which explains why T Hasegawa's peers trade on an average EV/EBIT multiple of 28x.

3 DAIBIRU CORP

Source: Getty Images

7.5% of portfolio –*

Daibiru owns a portfolio of high-quality commercial real estate in Tokyo and Osaka. While operating as a property development company, the lack of portfolio turnover means it is more akin to a Real Estate Investment Trust (REIT). Due to corporate governance failures and an inefficient holding structure, Daibiru traded at a 50% discount to its real estate market value. In November 2021, Daibiru was subject to a takeover offer from its parent company at a 50% premium.

4 C UYEMURA & CO LTD

Source: C Uyemura & Co. Ltd

7.0% of portfolio **3.9x** EV/EBIT

C Uyemura produces plating and surface finishing related chemicals for electronic circuit boards. Although it has a long history of developing and manufacturing high-quality products, years of hoarding cash have unfairly depressed its valuation. Its business should be a beneficiary of strong trends in the increased adoption of electric vehicles, 5G-enabled devices and the Internet of Things ("IoT").

5 DTS CORP

Source: Getty Images

6.8% of portfolio **6.0x** EV/EBIT

DTS provides a variety of IT-related services to Japanese corporations. It is expanding its business in "DX-related" fields such as cloud, robotics and IoT. Japanese companies have underinvested in their IT infrastructure, with antiquated processes and complex legacy systems. With support from the Japanese government to digitalise processes we believe companies will dramatically increase their IT expenditure – much to the benefit of DTS.

* AVI does not report a NFV/Market Capitalisation or EV/EBIT for Daibiru as it is a real estate company.

Top 10 Investments continued

6 PASONA GROUP INC


Source: Getty Images

6.6% of portfolio

<0.0 EV/EBIT

A staffing company providing dispatch workers and outsource processing services throughout Japan. Pasona has a 51% stake in Benefit One, a provider of welfare agency services. Benefit One has grown rapidly in recent years and Pasona's stake in the company is worth 291% of its market cap. Investors underappreciate the value of Pasona's other businesses, and including the value of the stake in Benefit One, Pasona trades at an astonishingly wide 73% discount.

7 FUJITEC CO LTD


Source: Getty Images

6.1% of portfolio

8.6x EV/EBIT

Fujitec is a global leader in manufacturing and servicing elevators and escalators. It trades at a significant discount compared to global peers due to weak margins outside of Japan and a lower ROE exacerbated by a large cash pile on its balance sheet. In May 2020 we launched a public campaign highlighting Fujitec's underperformance and undervaluation. Management have started to address a number of these issues, and we believe there is considerable upside from an improving margin and higher valuation.

8 DIGITAL GARAGE INC


Source: Getty Images

6.0% of portfolio

12.6x EV/EBIT

Digital Garage's three main business interests are card payment processing, online marketing, and venture investments. Digital Garage has a good track record of incubating young tech businesses and being at the forefront of digital innovation. Its incubation success has resulted in its 20% stake in the online price comparison site Kakaku.com, accounting for 56% of its market cap. However, the real crown jewel is its wholly-owned payment processing business, a beneficiary of an expected increase in online payment transactions. Digital Garage's complex holding structure leads to a large discount as investors cannot understand the Group strategy and overlook its growing payments business.

9 NS SOLUTIONS CORP


Source: Getty Images

5.0% of portfolio

7.0x EV/EBIT

NS Solutions is one of Japan's leading IT system integrators. Investment in IT infrastructure is increasing in Japan, attempting to rectify years of underinvestment and a myriad of antiquated systems. This bodes well for NS Solutions, which we expect to have a long growth runway in the high single digits. Its valuation, however, reflects poor corporate governance, being a listed subsidiary of Nippon Steel, and an inefficient balance sheet. Both issues are rectifiable, and we think after that, investors will be able to value NS Solutions growing business more fairly.

10 SK KAKEN CO LTD


Source: Getty Images

4.3% of portfolio

0.3x EV/EBIT

SK Kaken specialises in architectural paints, commanding more than 50% domestic market share. It is a stable business with consistent earnings and margins but a low payout ratio has led to cash ballooning on the balance sheet. This capital inefficiency masks an otherwise high-quality business, that trades on an EV/EBIT multiple of only 0.3x.

ESG Policy

About Asset Value Investors

Asset Value Investors ("AVI") has been investing in Japan for three decades. AVI focuses on undervalued companies with resilient and growing earnings, that are overlooked by investors due to non-fundamental factors. By utilising 30 years of capital markets experience, having analysed and met with 100s of Japanese companies across a wide variety of industries, AVI works with management teams, making suggestions on how to grow long-term corporate value and address share price undervaluation. AVI focuses on four main areas of improvement: capital efficiency, ESG, investor communication and operational strategy. While AVI seeks to work privately and collaboratively with management teams, if progress is not made, AVI will share its ideas with other shareholders in a public forum.

Unique Approach

Value + Quality + Event

Engaged Shareholder

We engage with our companies, to hasten change

Cultural Knowledge

Experienced Japanese nationals on full-time staff and a permanent presence in Tokyo

Concentrated Portfolio

High conviction, bottom-up 20-30 stock portfolio

Inefficient Market

81% portfolio NO sell-side analyst coverage

Stewardship

We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment's ability to create long-term value but aligned with our values as responsible investors.

#1	#2	#3	#4	#5	#6
Purpose	Philosophy	Principles	Approach	Defining 'E', 'S' & 'G'	Stewardship

#1 Purpose

Helping our clients to make the most of their financial future.

The people at Asset Value Investors (AVI) are committed to leveraging our long heritage, stewardship, and expertise to make investing responsible, accessible, and profitable for everyone – individuals, families, institutions, private companies, and listed companies. Financial returns matter but we are in a unique position to influence positive change by questioning the practices of the companies we invest in for a more sustainable future.

#2 Philosophy

We are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy with a responsible approach to the environment, society, and governance.

#3 Principles

We are aligned with the UN PRI's belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole. AVI became a signatory to the UN-supported Principles for Responsible Investment (UNPRI) on 9 April 2021. In doing so we have confirmed our belief in our duty to act in the best long-term interests of our beneficiaries and that the below principles will better align investors with the broader objectives of society.

ESG Policy continued

#4 Approach

Our approach to ESG should not be viewed as distinct from our investment philosophy, an afterthought to our general practice, but rather as part of an integrated system that provides a vital perspective when analysing the long-term sustainable value creation potential of a company.

As research-driven value investors, we seek to truly understand each company in our portfolio and the context within which it operates on a case-by-case basis. Our approach to ESG integration reflects this. Our process does not involve the use of a filter to screen out negative-scoring ESG stocks, or a filter to only include positive-scoring ESG stocks as we believe this approach is inconsistent with our unique bottom-up investment strategy.

#5 Defining ‘E’, ‘S’ & ‘G’

We seek to identify the most relevant factors within each area of ESG and sustainability by materiality and financial risk.

We define **Environmental** sustainability within the context of Environmental Impact, Tackling Climate Change and Sustainable Management.

Social, we divide into Dignity and Equality, Wellbeing and Development, and Community Engagement

Governance includes Quality of the Governing Body, Corporate Strategy, and Ethical Behaviour.

#6 Stewardship

AVI, as the investment manager are responsible, active stewards of AJOT’s capital. AVI has a duty to vote carefully and thoughtfully and takes this duty seriously. AVI aims to vote at every general meeting when eligible.

AVI considers proxy voting to be an important lever in engaging with the portfolio companies and ensuring that our perspectives on environmental, social and governance issues are represented.

Investment Manager's Report

"Our increased engagement capacity allowed us to build close relationships with our portfolio companies, and while in some cases the improvements might be subtle, managements are responding positively."

Joe Bauernfreund, Portfolio Manager

2021 was an excellent year for the strategy, with your Company's NAV returning +12.3% against its benchmark, the MSCI Japan Small Cap Index, which fell -1.4% (both in GBP). The performance of AVI Japan Opportunities Trust ("AJOT") benefited from the privatisation of Daibiru and Secom Joshinetsu at 50% and 66% premiums, respectively, which together added +6.5% to performance. Both were taken private by their parent companies, Secom and Mitsui O.S.K Lines, taking the total privatisation events since AJOT's launch to five. Performance was also aided by strong earnings growth, which propelled the share prices of C Uyemura, Pasona and T Hasegawa by +70%, +62% and +34%, respectively, adding +6.9% to performance. Finally, it was a year when the number of detractors was notably few. The top five largest detractors saw an average share price decline of only -5.2%, detracting a combined -3.4% from AJOT's NAV, much of this coming from Japanese Yen weakness.

Yen weakness against Sterling proved the most significant headwind to performance over the year, with the Yen declining by -9.6%. If not for the Yen weakness, AJOT's 2021 NAV would have increased by an impressive +24.1%. Surprisingly, given the strong performance, we suffered from weakening valuations. Adjusting for trading activity, the EV/EBIT of the portfolio fell from 3.8x to 3.2x, as share prices failed to keep up with earnings growth.

In 2021 Asset Value Investors ("AVI") welcomed Mr Kaz Sakai and Ms Makiko Shimada to its investment team, which significantly bolstered our research and engagement capacity. Kaz and Makiko bring their experience in management consultancy and investment banking, along with Japanese cultural knowledge, having grown up in Japan. Kaz's consultancy background allows us to put forward more proposals focused on business strategy, while Makiko's Investment Banking experience brings new thinking on possible engagement options.

With the expanded team, it was a busy year for our engagement. Although we subsequently withdrew four of them, we submitted shareholder proposals to seven companies and launched a public campaign highlighting flaws in the tender offer bid for Daibiru. In total, we sent 41 letters or presentations and held over 118 meetings with the 28 companies in our current portfolio.

Our increased engagement capacity allowed us to build close relationships with our portfolio companies, and while in some cases the improvements might be subtle, managements are responding positively. Our engagement extends beyond simply asking for cash to be returned to shareholders. While balance sheet efficiency is a common component of our suggestions, we have engaged on issues as detailed as suggesting a new colour scheme for DTS' earnings presentation (which was adopted) and our input was appreciated by Secom Joshinetsu, whose President thanked us after the company was taken over by its parent company just ¥50 below our recommended ¥6,400 fair valuation.

Our engagement activities are a source of future investment returns and should help accelerate the change our portfolio companies are undertaking. However, our businesses' underlying quality is of greater importance. While we are engaging or waiting for an event, it is the company's performance that matters. If the value of the business is not growing, time is against us, no matter the valuation or engagement success. Over 2021 we have made conscious efforts to improve the quality of the companies in the portfolio, building positions in Wacom, T Hasegawa and LOCONDO. The portfolio's weighted average operating profit margin increased from 10.7% to 12.5%, while the average Return on Equity ("ROE") excluding cash rose from 21.3% to 25.3%.

At the end of the year, the companies in our portfolio saw a strong rebound in earnings. Trailing twelve-months profits for the year ending 30 September 2021 (the latest available at the time of writing) grew +22% and, vs pre-COVID profits, are up +20%. Standout results were reported by Pasona, C Uyemura and T Hasegawa who saw trailing twelve-months profits grow by +481%, +58% and +47% vs their pre-COVID earnings.

Investment Manager's Report continued

AJOT's portfolio is constructed of undervalued, growing businesses, where through our engagement we believe there is the potential to unlock significant value. The performance over 2021 was driven strongly by two privatisation events, and while it is hard to predict the timing, we would not be surprised if we saw a similar number in 2022. Having suffered from a valuation headwind in 2021 and with a busy year of engagement ahead, we believe the portfolio is well positioned for continued strong performance.

Buyout activity in the portfolio

Company/ Buyer	Tender Offer Premium	AJOT Contribution to NAV (GBP)
Secom Joshinetsu / Secom (parent buyout)(2021)	+66%	+4.2%
Daibiru / Mitsui O.S.K. Lines (parent buyout)(2021)	+50%	+2.9%
NuFlare / Toshiba Corp (parent buyout)(2019)	+46%	+4.7%
Toshiba Plant / Toshiba Corp (parent buyout)(2019)	+28%	+1.8%
Nittofc / Integral Corporation (private equity buyout)(2018)	+38%	+1.6%

Source: AVI, CapitalIQ, 31/12/2021

Contributors

Secom Joshinetsu

3.7%	0.0%	–	–
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

At the end of May 2021, our 5% of NAV position in Secom Joshinetsu was taken private by its parent company, Secom, at a 66% premium to the prevailing share price. Given the concentrated nature of our portfolio, it had a meaningful impact on NAV. Over the life of the investment, it generated a total return of 94%, making it the most significant contributor to performance over the year, adding 366bps.

We commented in AJOT's 2020 annual report that, "given the multitude of potential conflicts of interest with minority investors … our thesis is that Secom will buy in Secom Joshinetsu.… With a new President at Secom and some nudging from minority shareholders at Secom Joshinetsu, we think this process can be hastened." It was pleasing to see our thesis played out only five months later.

Although undertaken behind closed doors, we have been engaging with Secom Joshinetsu's senior management and directors since we initiated our position in January 2019, and towards the end with its parent company, Secom. We put forward several measures to address the glaringly low valuation, one of which was to be taken private by Secom. We built a healthy rapport with management and the President of Secom Joshinetsu took the time to thank us for our input after the acquisition. The outcome highlights that hands-on, persistent shareholder engagement can be effective, even with a controlling shareholder.

Pressure from regulatory and governmental bodies to improve corporate governance accelerated the buyout of Secom Joshinetsu. Secom Joshinetsu cited the Tokyo Stock Exchange ("TSE")'s upcoming market reform as a motivating factor for collapsing the parent/child structure, failing to meet both the minimum free float requirements for listing and stricter guidelines on listed subsidiaries in the newly revised Corporate Governance Code.

We expect that regulatory pressure will lead to the collapse of more listed subsidiary structures over the coming years. While it is difficult to identify which, we search for similar characteristics to Secom Joshinetsu's undervalued, high-quality businesses with a parent motivated to collapse the structure.

Investment Manager's Report continued

Daibiru

2.9%	7.5%	–*	–
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

The tender offer for Daibiru at a 50% premium added 289bps to returns, making it the second largest contributor over the period. Daibiru was a relatively new position for AJOT, entering the portfolio at the end of 2020 following a COVID-induced sell-off in its share price. The company owns a collection of well-located office buildings in Tokyo and Osaka. While masquerading as a property developer, its lack of sales activity made the company more akin to a REIT (without the tax benefits). Poor corporate governance, an inefficient holding structure and the listed subsidiary relationship with Mitsui O.S.K. Lines ("MOL") meant Daibiru traded on a phenomenally wide (after-capital gains tax) discount of 50%. This was far wider than the single-digit discounts of listed office REITs with similar portfolios.

Changing TSE listing rules, new leadership at both Daibiru & MOL, and MOL's rolling management plan stating its intention to dispose of non-core business assets such as real estate, led us to believe that a privatisation event was a higher likelihood than assumed by the market. Confident in Daibiru's undervaluation, quality, and the potential for an event, we built a near 1% stake in the company and embarked on a private engagement campaign putting forward suggestions on how to address various issues, including corporate governance and the subsidiary listing structure.

While the quality of Daibiru's portfolio allowed us to be patient, it was pleasing that in just over a year of ownership, MOL and Daibiru decided to collapse the subsidiary structure, with MOL offering a 50% premium to buy 48% of the company it did not already own. The ¥2,200 offer price, however, came at a 30% discount to Daibiru's published real estate value and followed a flawed negotiation process by Daibiru's Board of directors. We launched a public campaign to raise awareness of MOL's exploitation, publishing our arguments on a dedicated website.

With MOL owning 52% of Daibiru and only needing 14% more shares to force a squeeze-out, the prospects for successfully pressuring MOL to raise the price were slim. However, we felt a responsibility to challenge such a flawed process and defend the rights of all minority shareholders. Our campaign gathered considerable attention, with several other shareholders voicing protest, both publicly and privately, and numerous articles published by the Japanese media sympathetic to our arguments.

Even in the absence of a higher offer price, we expect the publicity to help our engagement at other portfolio companies. Daibiru has been an excellent investment for AJOT, generating a total return of +74%, and an IRR of +74%.

C Uyemura

2.7%	7.0%	3.9x	53%
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

C Uyemura, a manufacturer of chemicals used in the production of electronic devices, was the third-largest contributor adding 266bps to performance with its share price appreciating by +71%. The share price strength was driven by a string of positive shareholder-friendly actions in May 2021 followed by strong earnings growth, which propelled the shares higher towards the end of the year.

Along with the release of its first mid-term business plan, C Uyemura announced stock-based compensation for directors, a 2-for-1 stock split to improve liquidity, and a 9% buyback over the next three years. Also, the company enhanced its investor relations, increasing and improving the contents of its presentations and the number of investor meetings. That sent a powerful message to the market that C Uyemura was changing from a sleepy family-oriented company to a more progressive shareholder-friendly one.

We put in a significant amount of effort to engage with management behind closed doors, suggesting multiple ways C Uyemura could increase its corporate value. While we have had a consistent dialogue with management since the launch of AJOT, having an expanded team allowed us to step up the pressure earlier this year and we believe this was a contributing factor to C Uyemura's shareholder-friendly announcements.

On the earnings side, C Uyemura has benefited from increased electronic demand, most notably from its exposure to semiconductors. It supplies plating chemicals needed for surface treatment in chips and circuit boards, with the main end products being smartphones and automobiles. Given both the granularity and sensitivity of electronic circuits, C Uyemura's products are hard to replicate, which is why it has achieved operating margins of more than 20% in its chemicals segment.

* AVI does not report a NFV/Market Capitalisation or EV/EBIT for Daibiru as it is a real estate company.

Investment Manager's Report continued

In November 2021 C Uyemura reported H1 year on year profit growth of +64% and revised up its full-year guidance by +43% to a record high. Despite the announcement of shareholder-friendly measures and strong growth, C Uyemura's valuation has not rerated, trading on a 3.9x EV/EBIT multiple and 8% free-cash-flow yield, with 53% of its market cap covered by cash and listed securities. Considering the lowly valuation, strong earnings growth, and improved shareholder focus, we are optimistic about C Uyemura's prospects.

Pasona Group

2.5%	6.6%	<0.0	301%
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

Pasona was a meaningful contributor for the second year running, adding 254 bps to performance. The shares returned +62% over the period, largely driven by a +63% increase in Benefit One's share price and strong performance from Pasona's unlisted businesses. Pasona Group is one of Japan's largest recruitment and outsourcing companies, mainly operating through 3 business segments: HR, Life, and Public Solutions.

Our initial interest in Pasona came from its 50% stake in Benefit One, which accounts for 291% of Pasona's market cap. Benefit One is a market leader in providing outsourced HR services, from education and training to healthcare and employee benefit options. Benefit One has performed remarkably well this year, generating record-high profits. It has gained from the widespread labour shortage, as companies look to retain workers but lack the HR resources to develop incentive structures in-house.

Pasona's standalone businesses performed remarkably well over the period, reporting record-high operating profits and a transformation in operating margins. The strongest segments were Career Solutions and Business Process Outsourcing Services, profiting from the same labour shortage trends as Benefit One. Despite this, we still think that investors underappreciate the quality of Pasona's unlisted businesses, focusing instead on Pasona's stake in Benefit One and overlooking Pasona's improved profitability.

Pasona has been a large weight in the portfolio, and we took the opportunity to trim the position slightly following concerns over Benefit One's valuation. Still, considering the wide discount (73%) and upcoming potential IPO of Pasona's subsidiary Bewith (which we estimate could account for 20% of Pasona's market cap), we are comfortable with its 6.6% weight.

T Hasegawa

1.7%	7.9%	10.7x	29%
Contribution (GBP)	% of net assets	EV/EBITA	NFV/Market Cap

We began building a position in T Hasegawa ("TH"), a global top-ten flavour and fragrance ("F&F") company in March 2021. By the end of the year, it was AJOT's second-largest position with a 7.9% weight. The investment merits of F&F companies are not lost on international investors – TH's global peers trade on an average EV/EBITA multiple of 28x. TH trades on 11x, and we do not think the reasons for this are attributable to inferior quality.

TH, founded in 1903, first expanded to the US in 1978 and now boasts over a third of sales overseas, mainly to the US and China. Flavours are a critical component of consumers' purchasing decisions while accounting for only a small portion of overall costs. This creates sticky customer contracts, strong barriers to entry, and pricing power. TH has consistently generated double-digit EBIT margins with little cyclicality, evidence of the appealing business model.

Where TH has failed, is converting its world-class technology into sales. Sales have grown at an annualised rate of just 1.1% over the past ten years, while peers have compounded at 6.8%. An employee summed up TH's issues on a job review site, stating that "top management tends to be conservative and too cautious and there is no active, enterprising spirits in them". That was the focus of our 13-page letter which we sent to the Company in June 2021, titled "a lost decade". We asked the Company to put behind its conservative, sedentary culture and embrace a new, bolder future.

Investment Manager's Report continued

The letter was well received by the President, Mr Takao Umino, who told us, that "the prudence and conservatism of management is exactly what I am trying to change". We are pushing on an open door and are extremely excited about the changes that are underway. Mr Umino has been hiring outside senior management to bring in fresh perspectives, formed a new marketing division to address the poor sales track record, and oversaw a $128m acquisition of a US-based flavouring company (at a perfectly reasonable valuation). While it is still early days (the flavour development process takes around 18 months) signs are positive. EBITA for the financial year ending 30 September 2021 grew +35% taking growth over the past two years to +48%. TH released a three-year mid-term plan forecasting continued growth, at an annualised compound rate of +10%.

While TH has long suffered a valuation discount to global peers, the current EV/EBITA disparity is wider than the 10-year average. Considering the positive steps that management have undertaken to improve operations, we believe the fair discount should be towards the lower end of the historical range (20-70%). A return to a 20% valuation discount from the current 63% amounts to an implied upside of +84%. While there is not an explicit catalyst, with +10% compound annual profit growth and an undemanding valuation, we are happy to be patient.

Investment Manager's Report continued

Detractors

The Bank of Kyoto

-0.8%	0.0%	–	–
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

The Bank of Kyoto was the largest detractor to performance over the year, reducing returns by 80bps. While classified as a bank, the Bank of Kyoto is more akin to a Japan Exchange Traded Fund ("ETF") with 80% of our estimated value and 217% of its market cap accounted for by a collection of listed companies.

The Bank of Kyoto has long been known as a value trap for investors. However, following positive rhetoric from the FSA and government surrounding the need to reform regional banks along with public shareholder criticism on capital efficiency, we decided to build a modest position in August 2021. Given the Bank of Kyoto's liquidity, we knew that this might be a temporary investment and way to gain market exposure while we built and engaged with our less liquid names. This proved to be the case as we exited the position in November 2021.

Our investment suffered a modest -5% loss, which was driven entirely by a widening discount from an already wide 60% to a remarkable 63%. While the Bank of Kyoto remains extremely undervalued, we felt there were better uses for our capital and we could not justify its position in an increasingly concentrated portfolio.

Kato Sangyo

-0.7%	3.9%	0.7x	94%
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

Kato Sangyo detracted 70bps from performance due to Yen weakness, as its share price actually fell by only -2%. Kato Sangyo is a wholesale distributor of food and drink, split into four business lines: room temperature, alcohol, low temperature and overseas. Given the stable demand for everyday food items, Kato Sangyo's business is resilient to economic fluctuations. Since listing in 2003, sales have grown every year and we were told by management that they have grown every year since its founding in 1947.

2021 continued Kato Sangyo's unbroken positive sales growth record with sales up +2.9%, although profits grew a more muted +0.3%. Kato Sangyo trades on an EV/EBIT multiple of 0.7x with listed securities and net cash accounting for 94% of its market cap. Therefore, it was encouraging that Kato Sangyo announced a tender offer to buy back 2.8% of its shares from Sumitomo Corp. This is not Kato Sangyo's first buyback, having repurchased 7.8% of shares outstanding over the past six years.

We have been engaging with management frequently throughout 2021 and sent a 20-page letter in July 2021 covering various issues including ESG disclosure, corporate governance, and capital efficiency. While the letter led to a healthy discussion with the President's office, we are not sure that the company feels the need to address the issues urgently. Considering the near 30% allegiant shareholding ratio and tepid company response, we will prioritise our engagement resources elsewhere. Given the weakness in Kato Sangyo's share price, the stable business and compelling valuation, we are happy to hold the position, but if more pressing uses for cash are needed, Kato Sangyo could be a source of capital.

Investment Manager's Report continued

Teikoku Sen-i

-0.7%	3.6%	4.2x	73%
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

Although Teikoku Sen-I's share price fell only -1%, Yen deprecation resulted in an -11% decline for sterling investors, making Teikoku Sen-I the 2nd largest detractor, reducing returns by 77bps.

Teikoku Sen-I is the leading manufacturer and distributor of disaster prevention equipment in Japan, from fire hoses to airport fast firefighting trucks. Geographically speaking, Japan is precariously placed, and each year suffers from typhoons, earthquakes, and flooding. The Government of Japan is devoting significant resources to disaster prevention infrastructure as have private companies (particularly nuclear power operators).

Teikoku Sen-I is well placed to benefit from this trend and has a fantastic track record of diversifying into new business lines. However, the market has difficulty understanding Teikoku Sen-I's business model as its earnings are extremely seasonal, with over 100% of profits coming in the first and last quarter of the calendar year. It means that investors must wait until the last quarter to get a good handle on the financial situation and during the year, less sophisticated investors tend to extrapolate the weak Q2 and Q3 earnings. This year was no different, with the share price lagging throughout the year, before jumping +13% at the end of December 2021 after the Company revised up profits by +33%, seeing full-year profit growth of +15%.

We have been reducing Teikoku Sen-I's weight in the portfolio from 6.9% at the end of 2019 to 3.6% at the end of 2021. While a portion of that is due to the weak share price, we sold 27% of our shares over the past two years. Teikoku Sen-I's business outlook is strong, and trading on a 4.2x EV/EBIT it is undervalued, but the shareholder register is littered with institutions that are allegiant to management, frustrating our engagement efforts. As we expect continued earnings growth, we are in no rush to exit the position. Still, we are unlikely to allocate further to the investment and it could be used as a source of capital for higher conviction ideas.

SK Kaken

-0.6%	4.3%	0.3x	97%
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

SK Kaken's share price fell by a modest -2%, with yen deprecation leading to the position detracting 62bps from performance. What is more notable than the lacklustre share price performance this year is that the share price has not recovered from its March 2020 lows. Since the market low on 16th March 2020, SK Kaken's share price has fallen by -6%, remarkable considering that the MSCI Japan Small Cap Index is up +64% over the same period.

SK Kaken commands an over 50% market share of the domestic construction paint market, which is dominated by renewal works. By focusing on high-value products sold to professionals, who care more about quality and durability than price, SK Kaken has generated a 10-year average operating margin of 13% and an average ROIC of 32%.

Social restrictions and soft construction demand have not been kind to SK Kaken's earnings, but neither has it been disastrous. For the fiscal year ending March 2021 operating profits fell -12%, and although not back to pre-COVID levels, profits for the six months ending September 2021 rebounded +22%. We are confident that profits will make a full recovery.

Instead of idly waiting for this recovery, we have continuously engaged with SK Kaken's management over the past year to address its undervaluation. SK Kaken traded on a 0.3x EV/EBIT multiple at the end of December 2021, with net cash covering 98% of its market cap. Such valuations are not unheard of in Japan, but they are unusual for a company of SK Kaken's size (£650m market cap) and quality. Our engagement has centred around SK Kaken's excess cash and prohibitively large minimum trading lot.

We submitted two intentionally modest shareholder proposals at the June 2021 AGM, seeking shareholder approval to require the company to undertake a 10-for-1 stock split and to cancel its outstanding treasury shares. Unsurprisingly, given that family-related entities own c.40% of the shares, the shareholder proposals were not passed, but they achieved 45% and 47% support from minority shareholders. We were told that the Board had not seriously discussed shareholder value or capital efficiency before our shareholder proposals. To the extent that we have forced a conversation around those issues, we count our shareholder proposals as a success.

In December 2021 SK Kaken released a plan to attract more shareholders in order to meet the criteria of a standard market listing on the TSE. To say we were disappointed is an understatement. SK Kaken announced that shareholders who own more than 100 shares are entitled to an annual ¥5,000 gift voucher – not an enticing proposition considering the purchase price for 100 shares is ¥3.8m (effectively 0.1% yield). We will continue to engage with the company to address the undervaluation and lagging share price.

Investment Manager's Report continued

SoftBank Group			
-0.6%	**0.0%**	**–**	**–**
Contribution (GBP)	% of net assets	EV/EBIT	NFV/Market Cap

SoftBank Group detracted 55bps from returns over the period, with our investment suffering from a -15% share price decline before we exited in July 2021. We trimmed the position throughout the period as our original thesis had played out and the company became less compelling. This marked the end of what has been a successful investment, generating a Yen total return of +31%, compared to a TOPIX return of +12%.

We made our first investment in SoftBank in February 2020, predicated on the wide discount (48% at the time) and heightened pressure on both the founder and President to address that discount. We added to this pressure, sending letters to the Board in March and August 2020. SoftBank addressed several of the issues we raised, at least in part, and with the discount narrowing, we began reducing the position at the end of 2020. We held on to a small position at the start of the year, seeing further potential upside to the 41% discount.

However, our optimism waned when SoftBank continued to take outsized risks through its asset management arm, an entity which was riddled with conflicts of interest given 1/3 ownership by SoftBank's President, and after they ceased buying back shares. Along with a narrower discount than our average purchase price and exposure to China regulatory risk through their holding in Alibaba, we felt the investment case had deteriorated from when we first made our purchase and that SoftBank no longer warranted a position in the portfolio.

Outlook

As is well known, on 24 February 2022 Russia invaded Ukraine in what is first and foremost a humanitarian tragedy. We have no direct exposure to Russia or Ukraine, none of the portfolio companies have operations, material supply chains or revenues in Russia or Ukraine and any such exposures are de minimis in the context of their overall businesses and our investment thesis.

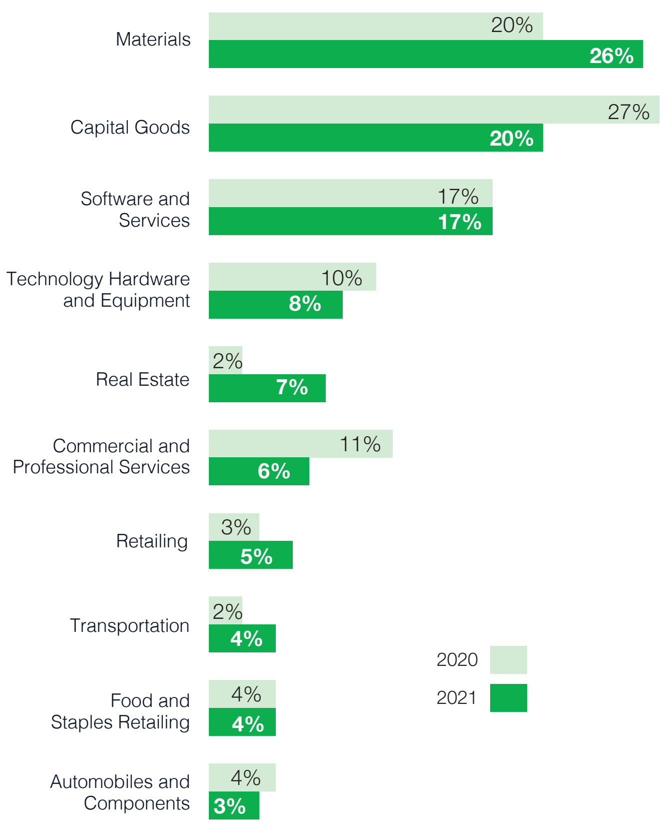
Regardless of the economic and political backdrop, we continue to engage with our portfolio companies and believe, given their quality, they will continue to grow shareholder value over the long term. With compelling valuations, COVID restrictions in the rear-view mirror and companies laden with cash, we believe AJOT is poised for a period of strong performance.

Joe Bauernfreund
Asset Value Investors Limited
16 March 2022

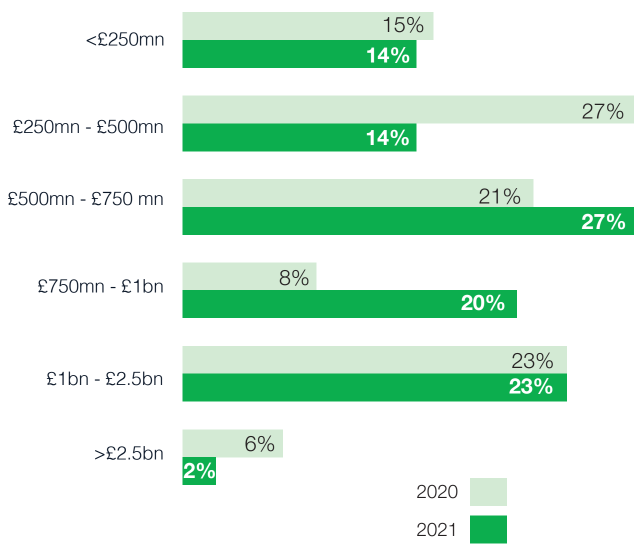
Portfolio Construction

The objective of AVI's portfolio construction is to create a concentrated position in about 20-30 holdings, facilitating a clear monitoring process of the entire portfolio. AVI picks stocks that meet our investment criteria and once we decide to invest a minimum position size of approximately 2% of the portfolio is initiated. In determining position sizes, AVI is mindful of liquidity and the likely timing of any catalysts to unlock value. A key consideration is the make-up of the shareholder register, a proxy for how receptive management might be to our suggestions. The portfolio is diverse in the industries within it but we are sector agnostic and select investments based on quality and value.

Portfolio value by sector



Equity portfolio value by market capitalisation



Japan Investment Team

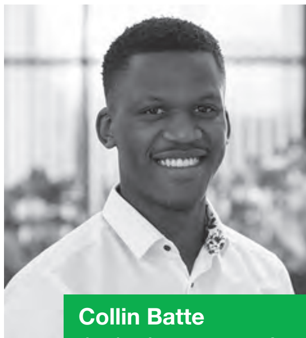
Joe Bauernfreund
CEO, Portfolio Manager

Daniel Lee
Head of Japan Research

Kaz Sakai
Senior Investment Analyst*

Jason Bellamy
Japan Consultant*

Makiko Shimada
Investment Analyst*



Collin Batte
Junior Investment Analyst

Yuki Nicolas
Japan Team Assistant*

* Native Japanese speaker

Investment Portfolio

At 31 December 2021

Company	Stock Exchange Identifier	% of AJOT net assets	% of investee company	Cost £'000*	Market value £'000	NFV/Market capitalisation[1]	EV/EBIT[1]
Wacom	TSE: 6727	8.3	1.4	11,277	13,339	19%	9.9
T Hasegawa	TSE: 4958	7.9	1.7	10,694	12,651	29%	10.7
Daibiru	TSE: 8806	7.5	0.7	7,619	12,127	–±	–±
C Uyemura	TSE: 4966	7.0	1.4	7,076	11,262	53%	3.9
DTS	TSE: 9682	6.8	1.4	11,156	11,028	48%	6.0
Pasona	TSE: 2168	6.6	1.2	5,112	10,576	301%	–
Fujitec	TSE: 6406	6.1	0.7	6,053	9,821	40%	8.6
Digital Garage	TSE: 4819	6.0	0.6	7,427	9,617	73%	12.6
NS Solutions	TSE: 2327	5.0	0.4	7,657	8,006	40%	7.0
SK Kaken	JASDAQ: 4628	4.3	0.9	9,444	6,853	97%	0.3
Top ten investments		**65.5**		**83,515**	**105,280**		
Konishi	TSE: 4956	4.1	1.5	6,781	6,593	65%	3.0
Kato Sangyo	TSE: 9869	3.9	0.8	7,151	6,271	94%	0.7
Teikoku Sen-i	TSE: 3302	3.6	1.4	6,232	5,817	73%	4.2
Toagosei	TSE: 4045	3.1	0.5	5,753	5,007	66%	2.9
Locondo	TSE: 3558	2.9	4.8	4,840	4,584	20%	8.5
A-One Seimitsu	JASDAQ: 6156	2.8	8.0	4,571	4,424	96%	0.6
NC Holdings	TSE: 6236	2.7	6.5	3,511	4,389	63%	5.3
Daiwa Industries	TSE: 6459	2.7	1.0	4,495	4,377	99%	0.1
Alps Logistics	TSE: 9055	2.3	1.4	2,989	3,663	43%	4.1
Soft99	TSE: 4464	2.2	1.9	2,811	3,563	86%	1.1
Top twenty investments		**95.8**		**132,649**	**153,968**		
King	TSE: 8118	2.2	4.1	3,891	3,535	104%	–
Aichi	TSE: 6345	1.9	0.8	2,789	2,989	63%	5.3
Keisei Electric Railway	TSE: 9009	1.7	0.1	3,071	2,690	119%	–
Tokyo Radiator MFG	TSE: 7235	1.6	4.9	4,250	2,665	122%	–
Shin Etsu Polymer	TSE: 7970	1.5	0.4	2,511	2,406	56%	4.2
Sekisui Jushi	TSE: 4212	1.2	0.3	2,075	1,876	78%	1.7
Kanaden	TSE: 8081	0.7	0.5	1,384	1,064	104%	–
Teikoku Electric MFG	TSE: 6333	0.0	-	57	56	46%	6.3
Total investments		**106.6**		**152,677**	**171,249**		
Other net assets and liabilities		(6.6)			(10,528)		
Net assets		100.0			160,721		

[1] Please refer to Glossary on page 72.

± AVI does not report a NFV/Market Capitalisation or EV/EBIT for Daibiru as it is a real estate company. Daibiru was sold shortly after the end of the year as it was acquired by its parent company at a 50% premium to the prevailing share price.

Business Model

Company Status

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

The Company was incorporated on 27 July 2018 and listed on the London Stock Exchange on 23 October 2018.

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

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ("AIFMD").

Investment Objective

The Company's investment objective is to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by AVI as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

Investment Policy

The Company invests in a diversified portfolio of equities listed or quoted in Japan which are considered by the Investment Manager to be undervalued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation. AVI seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance and returns to shareholders in Japan. The Board has not set any limits on sector weightings or stock selection within the portfolio. Whereas it is not expected that a single holding (including any derivative instrument) will represent more than 10% of the Company's gross assets at the time of investment, the Company has discretion to invest up to 15% of its gross assets in a single holding, if a suitable opportunity arises.

No restrictions are placed on the market capitalisation of investee companies, but the portfolio is weighted towards small and mid-cap companies. The portfolio normally consists of between 20 and 30 holdings although it may contain a lesser or greater number of holdings at any time.

The Company may invest in exchange traded funds, listed anywhere in the world, in order to gain exposure to equities listed or quoted in Japan. On acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

The Company will not be constrained by any index benchmark in its asset allocation.

Borrowing Policy

The Company may use borrowings for settlement of transactions, to meet on-going expenses and may be geared through borrowings and/or by entering into long-only contracts for difference or equity swaps that have the effect of gearing the Company's portfolio to seek to enhance performance.

The aggregate of borrowings and long-only contracts for difference and equity swap exposure will not exceed 25% of NAV at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in JPY.

Hedging Policy

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in JPY, although the Investment Manager and the Board may review this from time to time.

Material Changes to the Investment Policy

No material change will be made to the Company's investment policy without Shareholder approval. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which have been taken to rectify the breach.

Management Arrangements

The Company has an independent Board of Directors which has appointed AVI, the Company's Investment Manager, as Alternative Investment Fund Manager ("AIFM") under the terms of an Investment Management Agreement ("IMA") dated 6 September 2018. The IMA is reviewed annually by the Board and may be terminated by one year's notice from either party subject to the provisions for earlier termination as stipulated therein.

The portfolio is managed by Joe Bauernfreund, the Chief Executive Officer and Chief Investment Officer of AVI. He also manages AVI Global Trust Plc and is responsible for

Business Model continued

all investment decisions across the Investment Manager's strategies. Travel restrictions permitting, he conducts regular visits to Japan, engaging with prospective and current investments, which he has done for over 15 years.

Management fees are charged in accordance with the terms of the management agreement, and provided for when due. The Investment Manager is entitled to an annual fee of 1% per annum of the lesser of the Company's NAV or the Company's market capitalisation, invoiced monthly in arrears. The IMA requires AVI to invest not less than 25% of the management fee in shares in the Company. Management fees paid during the year were £1,447,000 and the number of shares held by AVI is set out in note 14.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 6 September 2018 (the "Depositary Agreement"). The Depositary Agreement is terminable on 90 calendar days' notice from either party.

JPMorgan Chase Bank, London Branch, has been appointed as the Company's Custodian under an agreement dated 6 September 2018 (the "Custodian Agreement"). The Custodian Agreement is terminable on 90 calendar days' notice from the Company or 180 calendar days' notice from the Custodian.

Link Company Matters Limited was appointed as corporate Company Secretary on 27 July 2018. The current annual fee is £62,177, which is subject to an annual RPI increase. The agreement may be terminated by either party on six months' written notice.

Link Alternative Fund Administrators Limited has been appointed to provide general administrative functions to the Company. The Administrator receives an annual fee of £93,084. The agreement can be terminated by either the Administrator or the Company on six months' written notice, subject to an initial term of one year.

Directors' Duties

Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006 ("Section 172"). In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of, and understand, their duties, they are provided with the pertinent information when they first join the Board as well as receive regular and ongoing updates and training on the relevant matters. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of matters reserved for the Board, as well as the terms of reference of its committees are reviewed on at least an annual basis and further describe Directors' responsibilities and obligations, and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

Decision-making

The importance of stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Examples of decisions made by the Board on this basis include the approval of the placing of 12.1 million new shares and the increase of the blocklisting facility, as the Board believes that growing the Company will benefit stakeholders. In addition, in line with increasing stakeholder attention on Environmental, Social and Governance ("ESG") matters, the Board has contacted all major stakeholders to establish their views and policies on ESG matters and requests regular updates from its main service providers on these matters.

Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Board has discussed which parties should be considered as stakeholders of the Company. Following thorough review, it was concluded that, as the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders and service providers. The section on the pages following discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

Business Model continued

Importance	Board Engagement
Shareholders	
Continued Shareholder support and engagement are critical to the existence of the Company and the delivery of the long-term strategy of the Company. The Directors may, at their discretion, offer Shareholders the opportunity to exit the Company at close to NAV in October 2022 and every two years thereafter. The Board and Corporate Broker will canvass opinion from Shareholders in the months leading up to October 2022 (and at each appropriate interval thereafter) when making any decision in respect of any potential exit opportunity.	The Company has over 200 Shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engage with Shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of Shareholders. These include: • **AGM -** under normal circumstances, the Company welcomes and encourages attendance and participation from Shareholders at the AGM. Due to the restrictions relating to the COVID-19 pandemic, the Company's first two AGMs were held as closed meetings. Ahead of the 2020 and 2021 AGMs, the Company enabled Shareholders to put questions to the Board and Investment Manager via email. Similar arrangements will be made for the upcoming AGM and a presentation by the Investment Manager will also be made available on the Company's website. Please refer to the AGM notice for further details of the arrangements for this year's AGM. The Company is looking forward to be able to welcome Shareholders at this year's AGM, where they will have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Investment Manager attends the AGM and provides a presentation on the Company's performance and the future outlook. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM and will take action or make changes, when and as appropriate; • **Publications -** the Annual Report and Half-Year results are made available on the Company's website and the Annual Report is circulated to Shareholders. These reports provide Shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and quarterly reports which are available on the Company's website and the publication of which is announced via a Regulatory Information Service. Feedback and/or questions the Company receives from the Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable; • **Shareholder meetings -** unlike trading companies, Shareholder meetings often take the form of meeting with the Investment Manager rather than members of the Board. Shareholders are able to meet with the Investment Manager throughout the year and the Investment Manager provides information on the Company and videos of the Investment Manager on the Company's website and via various social medial channels. Feedback from all meetings between the Investment Manager and Shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, the Chairman seeks meetings with Shareholders who might wish to meet with him and Shareholders can contact him by emailing norman.crighton@ajot.co.uk; • **Shareholder concerns -** in the event Shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office or emailing norman.crighton@ajot.co.uk. Other members of the Board are also available to Shareholders if they have concerns that have not been addressed through the normal channels; and • **Investor Relations updates -** at every Board meeting, the Directors receive updates from the Company's broker on the share trading activity, share price performance and any Shareholders' feedback, as well as an update from the Investment Manager on any publications or comments by the press. To gain a deeper understanding of the views of its Shareholders and potential investors, the Investment Manager will also undertake regular Investor Roadshows. Any pertinent feedback is taken into account when Directors discuss the share capital, any possible fundraisings or the dividend policy and actioned as and when appropriate. The willingness of the Shareholders, including the partners and staff of the Investment Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how the Company is meeting its objectives and suggests a presence of a healthy corporate culture.

Business Model continued

Importance	Board Engagement
Service Providers	
The Investment Manager	
Holding the Company's shares offers investors an investment vehicle through which they can obtain exposure to AJOT's diversified portfolio of Japanese equities. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index through active management of the portfolio and engagement with portfolio companies.	Maintaining a close and constructive working relationship with the Investment Manager is crucial as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with the investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture, are: • encouraging open discussion with the Investment Manager, allowing time and space for original and innovative thinking; • the Chairman has weekly conversations with the Investment Manager to talk through any matters discussed by the Board between scheduled meetings, as well as any matters raised by the Investment Manager; • the IMA requires AVI to invest not less than 25% of the management fee in shares in the Company and to hold these for a minimum of two years which ensures that the interests of Shareholders and the Investment Manager are well aligned; • recognising the alignment of interests mentioned above, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Manager's terms of engagement if those interests should not be fully congruent; • drawing on Board Members' individual experience and knowledge to support the Investment Manager in its monitoring of and engagement with portfolio companies; and • willingness to make the Board Members' experience available to support the Investment Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Manager is in the interests of Shareholders in the Company.
The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Corporate Broker	
In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.	The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Board formally assesses their performance, fees and continuing appointment at least annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. For the year under review all key service providers were asked to complete a questionnaire regarding the matters discussed above, the results of which were discussed during a formal review of service providers at the March 2022 Board meeting. The Audit Committee reviews and evaluates the control environment in place at each service provider. In the light of the exceptional circumstances caused by the COVID-19 pandemic during the year under review, the Audit Committee also requested and reviewed updates from key service providers on business continuity, cyber security and fraud prevention.

Business Model continued

Importance	Board Engagement
Other Stakeholders	
Lender	
Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Therefore, the Company aims to demonstrate to lenders that it is a well-managed business, capable of consistently delivering long-term returns.
Proxy Advisors	
The evolving practice and support (or lack thereof) of proxy adviser agencies are important to the Directors, as the Company aims to build a good reputation and maintain high standards of corporate governance, which contribute to the long-term sustainable success of the Company.	The Board recognises that the views, questions from, and recommendations of many proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving Shareholders' expectations and concerns. When deemed relevant, the Company will engage with proxy advisers regarding resolutions that will be proposed to the Company's Shareholders at AGMs and, based on feedback received, incorporate changes to future Annual Reports to enhance disclosures. Based on feedback received from proxy advisers on the 2020 Annual Report, the Company has included more details on gender and ethnic diversity.
Regulators	
The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its Shareholders.	The Company follows voluntary and best-practice guidance, regularly considers how it meets various regulatory and statutory obligations and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer-term.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective.

Culture

The Directors agree that establishing and maintaining a healthy corporate culture within the Board and in its interaction with the Investment Manager, Shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy. The Company has a number of policies and procedures in place to assist with maintaining good corporate governance including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board regularly through Board meetings and in particular during the annual evaluation process (for more information see the performance evaluation section on page 41).

The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis as described on page 30. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Business Model continued

Environmental, Social and Governance Matters

As an investment company, the Company's own direct environmental impact is minimal. The Company has minimal direct greenhouse gas emissions to report from its operations (2020: none), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Where a large company does not consume more than 40,000 kWh of energy in a reporting period, it qualifies as a low energy user and is exempt from reporting under these regulations. This exemption applies to the Company.

The Company's operations are delegated to third-party service providers, and the Company has no employees. The Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

The Directors do not have service contracts. There are four Directors, two male and two female. Further information on the Board's policy on diversity and recruitment of new Directors is contained on page 39.

Both the Board and AVI recognise that social, human rights, community, governance and environmental issues have an effect on its investee companies. The Board supports AVI in its belief that good corporate governance will help to deliver sustainable long-term Shareholder value. AVI is an investment management firm that invests on behalf of its clients and its primary duty is to produce returns for its clients. AVI seeks to exercise the rights and responsibilities attached to owning equity securities in line with its investment strategy. A key component of AVI's investment strategy is to understand and engage with the management of public companies. AVI's Stewardship Policy recognises that Shareholder value can be enhanced and sustained through the good stewardship of executives and boards. It therefore follows that in pursuing Shareholder value AVI will implement its investment strategy through proxy voting and active engagement with management and boards. Further details on AVI's environmental, social and governance policy can be found on pages 9 and 10. AVI became supporters of the Task Force on Climate-related Financial Disclosures ("TCFD") in May 2021 and a signatory to the UN-supported Principles for Responsible Investment ("UNPRI") on 9 April 2021. The UNPRI is the world's leading proponent of responsible investment which entails the following commitments, developed by an international group of institutional investors.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance ("ESG") issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, Asset Value Investors Ltd. commit to the following:

- to incorporate ESG issues into investment analysis and decision-making processes;
- to be an active owner and to incorporate ESG issues into our ownership policies and practices;
- to seek appropriate disclosure on ESG issues by the entities in which we invest;
- to promote acceptance and implementation of the Principles within the investment industry;
- to work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles; and
- to report on our activities and progress towards implementing the Principles.

Business Model continued

KPIs

The Company's Board meets regularly and at each meeting reviews performance against a number of key measures. In selecting these measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company.

NAV Performance in Absolute and Relative Terms

12.3%	26.9%	7.8%
One year	Since Inception (SI)	SI Annualised

The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders over the long-term. Total return reflects both the NAV growth of the Company and also dividends paid to Shareholders. Since the launch on 23 October 2018, the Company's NAV has increased by 26.9%, resulting in an annualised return of 7.8%. The Investment Manager's investment style is such that performance is likely to deviate materially from that of any broadly based equity index. The Board considers the most useful comparator to be the MSCI Japan Small Cap Index. Since the launch on 23 October 2018, the benchmark has increased by 9.7%, resulting in an annualised return of 3.0%. For the year ended 31 December 2021, the Company's NAV rose by 12.3%. The MSCI Japan Small Cap Index fell by -1.4%. A full description of performance and the investment portfolio is contained in the Investment Manager's Report, commencing on page 11.

Discount/Premium

0.1%	6.0%	-3.6%
Premium 31 December 2021	Premium – high for the period	Discount – low for the period

The Board believes that an important driver of an investment trust's discount or premium over the long-term is investment performance. However, there can be volatility in the discount or premium. Therefore, the Board seeks Shareholder approval each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium. During the period under review, 3.6 million new shares were issued under the authorisation granted at the 2021 AGM (as well as 12.1 million under the prospectus), using the Company's Block Listing Facility. During the year, 250,000 shares were bought back into treasury under the authorisation granted at the 2021 AGM, which were subsequently reissued in January 2022.

Peer Group NAV Performance Total Return AIC Japanese Smaller Companies Sector*

12.3%	-11.5%	-10.2%	-9.6%	22.3%	-2.2%
AVI Japan Opportunity Trust	JP Morgan Japan Smaller Companies	Baillie Gifford Shin Nippon	Atlantis Japan Growth	Nippon Active Value	Average AIC peer group

The Board is aware of other investment trusts in The AIC Japanese Smaller Companies Sector. Each investment trust has its own focus and strategy which will differ from the one implemented by AVI. The Company's activist approach is concurrent with the focus on corporate governance reform taking place in Japan.

Ongoing Charges

1.45%	1.56%
31 December 2021	31 December 2020

The Board continues to be conscious of expenses and aims to maintain a sensible balance between good service and costs. In reviewing charges, the Board reviews in detail each year the costs incurred and ongoing commercial arrangements with each of the Company's key suppliers. The majority of the ongoing charges ratio is the cost of the fees paid to the Investment Manager. This fee is reviewed annually and the Board believes that the cost is reasonable, given the Investment Manager's activist approach to fund management and the resources required to provide the level of service. The Company adheres to The AIC guidance in calculating its ongoing charges ratio.

* Returns are for the year to 31 December 2021

Business Model continued

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance) and the potential exit opportunity in October 2022 as discussed in the viability statement below. Therefore, the financial statements have been prepared on a going concern basis.

Viability

The Directors consider viability as part of their continuing programme of monitoring risk. The Directors believe five years to be a reasonable time horizon to consider the continuing viability of the Company, reflecting a balance between a longer-term investment horizon and the inherent shorter-term uncertainties within equity. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits.

The five year time horizon takes into account that the Directors may offer Shareholders a potential opportunity to exit the Company at close to NAV in October 2022 and every two years thereafter. The Board together with its advisers will canvass opinion from Shareholders in the months leading up to October 2022 when making the decision in respect of any potential Exit Opportunity. Considering investment and share price performance, the Ordinary Shares' liquidity as well as continued Shareholder satisfaction, the Board does not anticipate more than a minimal take-up of any such exit opportunity. The investment strategy remains robust.

The following facts support the Directors' view of the viability of the Company:

- in the year under review, expenses (including finance costs and taxation) were adequately covered by investment income and there is no expectation that these expenses would significantly increase over the next five years;
- the Company's investment portfolio is made up of listed equities;
- the Company has short-term debt of ¥2.93 billion via an unsecured revolving credit facility (extended for two years to February 2024 during February 2022). This debt was covered over 9 times as at the end of December 2021 by the Company's total assets. The Directors are of the view that, subject to unforeseen circumstances, the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt; and
- the Company has a large margin of safety over the covenants on its debt.

The Company's viability depends on the Japanese and the global economy and markets continuing to function. The Directors also consider the possibility of a wide-ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are in *ad valorem* investment management fees, which would reduce if the market value of the Company's assets were to fall. In arriving at its conclusion, the Board has taken account of the potential effects of the COVID-19 pandemic on the value of the Company's assets, income from those assets and the ability of the Company's key suppliers to maintain effective and efficient operations.

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

Taking the above into account, and the potential impact of the principal risks as set out on pages 30 to 31, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of approval of this Annual Report.

Approval of Strategic Report

The Strategic Report has been approved by the Board and is signed on its behalf by:

Norman Crighton
Chairman

16 March 2022

Principal Risks and Uncertainties

The Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. However, as AJOT has a limited operating history, some risks are not yet known and some that are currently not deemed material, could later turn out to be material. Following the risk assessment process described above, the Board considers the following as the principal risks faced by the Company and the following controls are in place to manage or mitigate these risks:

Risk Area	Controls and Mitigation
Investment Objective	
The Company may be unsuccessful in achieving its investment objective, leading to a potential loss of demand for its shares.	The Company has a clearly defined strategy and investment remit. The portfolio is managed by a highly experienced Investment Manager backed by a strong team. The Board relies on the Investment Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index, that of its competitors and the outlook of the markets on a regular basis. The Board ensures that there is regular dialogue with major investors, primarily through the Company's broker and the Investment Manager; it follows up on any concerns and regularly reviews the discount control policy.
Investment opportunities matching the criteria encapsulated in the investment objective may become less available in the future.	The Board monitors the portfolio's composition, performance and development. Should appropriate opportunities diminish, the Board will consider the future of the Company and may recommend that the Company's investments are sold, it is wound up and cash returned to Shareholders.
Gearing	
The use of borrowings by the Company has the effect of amplifying the gains or losses the Company experiences. A significant fall in portfolio value could cause gearing levels to exceed pre-set limits, requiring the Company to sell investments at short notice.	The Board and the Investment Manager regularly review gearing, as well as the effect of interest rate movements on the Company's finances and the Company's on-going compliance with the loan covenants. Aggregate borrowings may not exceed 25% of net assets. The Company has in place a 364 day ¥4.330 billion (£32 million) unsecured revolving facility agreement which was renewed in February 2022. As at 31 December 2021, ¥2.930 billion (£18.8 million) of the facility had been drawn. Interest is payable at a rate equal to TONAR plus 1.15%. As at 31 December 2021, gearing stood at 6.6%.
Reliance on the Investment Manager and Other Service Providers	
The Company has no employees and relies on a number of third-party service providers, principally the Investment Manager, Registrar, Administrator and Custodian / Depositary. It is dependent on the effective operation of its service providers' control systems with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements.	The Board carries out regular reviews of the delegated services to ensure their continued competitiveness and effectiveness, which include assessment of the providers' control systems, whistleblowing, anti-bribery and corruption policies and business continuity plans.
The Company is heavily reliant on the Investment Manager's processes, both in terms of making investment decisions and compliance with the investment policy.	The Investment Manager has an established investment process which has proven to be successful within the AVI Global Trust plc portfolio. The Board evaluates the investment process and compliance with investment limits and restrictions in conjunction with its portfolio review at every board meeting.

Principal Risks and Uncertainties continued

Risk Area	Controls and Mitigation
Cyber Security	
The Company has limited direct exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its service providers suffered a major cyber security breach.	The Board monitors the preparedness of its service providers in general. In the light of the impact of the COVID-19 pandemic and related changes to working conditions during the year under review, the Audit Committee requested and reviewed updates from key service providers on cyber security and other matters. Following this review, the Board remained satisfied that the risk is given due priority.
Portfolio Liquidity	
The market for smaller Japanese stocks can be illiquid. The Company is exposed to the risk that it will not be able to sell its investments at the current market value or on a timely basis, when the Investment Manager chooses or is required to do so to meet financial liabilities.	The Investment Manager monitors trading volumes and prices and looks to ensure that a proportion of the portfolio is invested in readily realisable assets. The Board also receives updates on the liquidity of the portfolio and the current level of liquidity of the Company on a regular basis.
Foreign Exchange	
The functional and presentational currency of the Company is Pounds Sterling. All investments held and income derived from these investments are denominated in Japanese Yen. Certain costs of the Company are impacted by the underlying value of the investments denominated in Japanese Yen and converted to Pounds Sterling. The Company is subject to currency risk on exchange rate movements between Pounds Sterling and Japanese Yen.	It is the Company's current policy not to hedge against currency risk, however the Investment Manager and the Board continuously monitor currency movements and exposure. The revolving credit facility is denominated in Yen and therefore the effect of Yen exchange rate movements on the drawn down facility will be offset against the assets.
Global/Climate/Systemic	
Unforeseen global disruption such as a pandemic, climate and nature change-related event, geopolitical conflict or systemic technology failure could lead to dramatically increased market and Company share price volatility. Fraud and cyber security vulnerability could increase for key service providers.	The Board continuously monitors global developments and their potential impact on the Company; it scrutinises the performance of the Investment Manager and is aware of emerging risks and has a robust process for addressing them. All key service providers are asked to provide updates on business continuity, anti-bribery and corruption and information security processes on an annual basis.

Environmental, Social and Governance Policy

Factor	What we look at	The tools we use
Governance	Good corporate governance is paramount to the Board and has always been at the core of AVI's investment approach. The two areas of focus are: • how the managers and directors guide a business. This includes topics such as dividend policy, capital expenditure, merger and acquisition activity, and buybacks; and • the set of rules that describes the company's governing mechanisms, including incentive and compensation structures, tenure policy, shareholder rights and remedies, and (specifically in Japan) poison pills.	We engage with our investee businesses in a variety of ways. Our preference is for collaborative engagement with management, although we will have the ability and willingness to bring issues to broader attention where we deem it necessary. The Corporate Governance and Stewardship Codes provide a useful framework for our interactions with companies, as they provide a set of standards against which we can measure a company's standing and progress. The various methods through which we engage with companies include: voting at AGMs; letters to boards requesting change; dialogue (usually via meetings and letters) with management and boards about governance issues.
Social	We try to understand the social system that an investee company operates within. The areas of focus are: • the stakeholder relationships between the company and its suppliers, customers, employees, and society-at-large.	As a minority shareholder, AVI advises and guides its investee companies in these areas. In this regard, we have been pleased to see progress in Japan on minimum wage laws, and a reduction in levels of overtime required of employees. Areas of engagement for the 'Social' aspect include: • discussions on unequal relationships between stakeholders and how they can be remedied; and • how employees are remunerated.
Environmental	As a responsible steward of capital, AVI fully supports policies and actions implemented by its portfolio companies to support a sustainable environment.	Our influence is limited as AVI is not involved in the day-to-day activities of its portfolio companies. However, we look to understand a company's stewardship of the environment to ensure that there are no egregious practices.

Directors

Norman Crighton
Chairman, Non-Executive Director

Norman Crighton is an experienced public company director having served on the boards of eight closed-end funds and one operating company. Presently Norman is also Non-Executive Chair of Weiss Korea Opportunity Fund Ltd, RM Infrastructure Income plc and Harmony Energy Income Trust plc.

Norman has extensive fund experience having previously been Head of Closed-end Funds at Jefferies International and Investment Manager at Metage Capital Ltd. leveraging his 31 years of experience in investment trusts. His career in investment banking covered research, sales, market making and proprietary trading, servicing major international institutional clients over 15 years. His work in many countries included restructuring closed-end funds and well as several IPOs. As a fund manager Norman managed portfolios of closed-end funds on a hedged and unhedged basis covering developed and emerging markets.

Following on from his long-term promotion of best corporate governance practice, Norman has more recently been focussing on expanding his work into Environmental and Social issues. His work in the investment trust industry is backed up with a master's degree from the University of Exeter in Finance and Investment. Norman is British and resident in the United Kingdom.

Date of Appointment:
27 July 2018

Ekaterina Thomson
Chairperson of the Audit Committee, Non-Executive Director

Katya is Chairperson of the Audit Committee. She is a corporate finance, strategy and business development professional with over 25 years of experience with UK and European blue chip companies. Katya is a non-executive director and audit committee chairman of Miton Global Opportunities plc and Henderson EuroTrust plc, and a non-executive director of The New Carnival Company CIC. She is a member of the Institute of Chartered Accountants in England and Wales. Katya is British and resident in the United Kingdom.

Date of Appointment:
5 September 2018

Yoshi Nishio
Non-Executive Director

Yoshi began his career at Goldman Sachs International, where he had overall responsibility for the trading of Japanese equities and equity derivative products. Since then, he has combined his twin specialisations of finance and media as an investor, advisor and consultant. Much of his work has had a Japanese focus, with clients ranging from family offices to the office of the chairman of Columbia Pictures in Hollywood in the period following the studio's acquisition by the Sony Corporation, to the Ministry of Finance of the Russian Federation. Yoshi is fluent in Japanese and in English. He was born in Japan but now holds dual British/American citizenship and lives in the United States of America.

Date of Appointment:
27 July 2018

Margaret Stephens
Chairperson of the Nomination Committee, Non-Executive Director

Margaret is a Non-Executive Board Member and Chair of the Audit and Risk Committee of VH Global Sustainable Energy Opportunities plc and a Trustee, Director and Chair of the Audit Committee of the Nuclear Liabilities Fund. She was a partner of KPMG until 2016 having qualified as a Chartered Accountant in 1988. From 2007, she played a key role in building KPMG's Global Infrastructure Practice, also leading UK and international due diligence and structuring services on major merger and acquisition transactions and public private partnerships. Margaret was a non-executive Board Member and Chair of the Audit and Risk Assurance Committee of the Department for Exiting the European Union and was also a Board Trustee of the London School of Architecture. Margaret is British and resident in the United Kingdom.

Date of Appointment:
5 September 2018

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

The Investment Portfolio on page 21, the Corporate Governance Statement on pages 37 to 42, Report from the Audit Committee on pages 47 to 48 and the Shareholder Information on pages 71 to 75 form part of the Report of the Directors.

Directors

The Directors of the Company are listed on page 33. All served throughout the year under review. The Directors will retire at the forthcoming AGM and offer themselves for re-election.

As set out on page 41, the Board carries out an annual review of each Director and of the Board as a whole. The Board considers that all Directors contribute effectively, possess the necessary skills and experience and continue to demonstrate commitment to their roles as non-executive Directors of the Company. Following the performance review, it was agreed that all Directors should stand for re-election, and the re-election of each of the Directors is recommended by the Board.

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

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 31 December 2021 are set out in the Directors' Remuneration Report on page 45.

Share Capital

The Company's share capital comprises Ordinary Shares with a nominal value of 1p each. The voting rights of the shares on a poll are one vote for each share held. There are no restrictions on the transfer of the Company's Ordinary Shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the Ordinary Shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the Shareholders pro rata to their holding of Ordinary Shares.

At 31 December 2021, there were 133,220,702 Ordinary Shares of 1p each in issue, of which 250,000 were held in treasury, and therefore the total voting rights attaching to Ordinary Shares in issue were 132,970,702. In the period from 1 January 2022 to 11 March 2022 3,991,000 shares were issued and the 250,000 shares were sold from treasury, and the voting rights attaching to Ordinary Shares as at 11 March 2022 were 137,211,702.

The Directors intend to seek annual authority from Shareholders to allot new Ordinary Shares, to disapply pre-emption rights of existing Shareholders and to buyback Ordinary Shares for cancellation or to be held in treasury.

Issues of Shares

At the AGM held on 28 April 2021, the Company was granted authority to allot up 26,286,000 shares on a non-pre-emptive basis. This authority is due to expire at the Company's forthcoming AGM on 3 May 2022. In addition to this authority, at the General Meeting held on 26 March 2020, the Company was authorised to allot up to 85 million Ordinary Shares and/or C Shares on a non-pre-emptive basis pursuant to a Placing Programme and Prospectus. On 15 February 2021, the Company announced that it had raised gross proceeds of approximately £13.9 million through the issue of 12,107,323 new Ordinary Shares at £1.1507 each (mid market price on 15 February 2021: £1.1300 per share). These shares were admitted to trading on the London Stock Exchange on 17 February 2021. The net proceeds of the placing have been used to fund investments in accordance with the Company's investment objective and policy. The Placing Programme closed on 2 March 2021 and the authority to issue up to 85 million Ordinary Shares expired at the Company's AGM on 28 April 2021. As at 31 December 2021, the remaining authority to allot Ordinary Shares under the authority granted at the AGM held on 28 April 2021 was 25,186,000 Shares and as at 11 March 2022 the remaining authority was 20,945,000 Shares.

The Company has a block listing of Ordinary Shares to be listed to the premium segment of the Official List of the FCA and admitted to trading on the premium segment of the LSE's main market. During the year, the Company issued 3,623,637 shares utilising the block listing, details of which (as well as a further issue following the year end) are provided in the schedule below. During the year, block listing of a further 24,782,777 Ordinary Shares was applied for and granted effective from 6 May 2021. As at 31 December 2021, the remaining authority under the block listing facility was 25,624,140 Ordinary Shares and as at 11 March 2022 the remaining authority is 21,633,140 Ordinary Shares.

Directors' Report continued

Share Issues during the year and following year end

Date	No of shares	Price paid per share	Mid market price
15/02/2021	12,107,323*	£1.15070	£1.13000
24/02/2021	1,833,637	£1.10440	£1.11500
18/03/2021	390,000	£1.11900	£1.08750
20/04/2021	300,000	£1.11500	£1.11250
30/04/2021	250,000	£1.11250	£1.12000
14/05/2021	250,000	£1.04100	£1.04250
13/10/2021	200,000	£1.16500	£1.17000
26/10/2021	250,000	£1.17000	£1.16500
04/11/2021	150,000	£1.22650	£1.22500
13/01/2022	750,000**	£1.20500	£1.18500
26/01/2022	400,000	£1.15900	£1.15000
27/01/2022	760,000	£1.13000	£1.15500
31/01/2022	500,000	£1.14750	£1.15500
07/02/2022	870,000	£1.15500	£1.15500
09/02/2022	961,000	£1.16000	£1.17000
Total	**19,971,960**		

* Share issue pursuant to equity placing as discussed above.

** This issue is comprised of 250,000 treasury shares and 500,000 shares issued under the block listing.

Purchase of Shares

At the general meeting held on 28 April 2021, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue as at the close of business on 15 March 2021, such authority to expire on conclusion of the 2022 AGM. During the year 250,000 Ordinary Shares were bought back under this authority and as at 31 December 2021, authority to buy back a further 19,451,462 Ordinary Shares remained.

Sale of Shares from Treasury

At the AGM held on 28 April 2021, the Company was authorised to waive pre-emption rights in respect of Treasury Shares, such authority to expire on conclusion of the 2022 AGM. Since 8 June 2021, 250,000 Ordinary Shares were held in Treasury, but no shares were sold from Treasury during the year. The shares held in Treasury were sold on 13 January 2022 and as at the date of this report, there were no shares held in Treasury.

Related Party Transactions

The Company's related parties in the year were its Directors, the Investment Manager, City of London Investment Management and Finda Oy as the Company's largest Shareholders.

There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable. Directors' shareholdings are disclosed on page 45.

In relation to the provision of services by the Investment Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Investment Manager affecting the financial position of the Company during the year under review. More details on transactions with the Investment Manager, including amounts outstanding at 31 December 2021 and shares held by AVI, are given in note 14 on page 69.

Finda Oy and City of London Investment Management, significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holding in the Company's issued share capital. During the year under review, no transactions took place between the Company and Finda Oy. City of London Investment Management increased its holding in the Company's shares during the year, but no other transactions took place between it and the Company.

Interests in Share Capital

At 31 December 2021, the following holdings representing more than 3% of the Company's voting rights had been reported to the Company in accordance with the Disclosure Guidance and Transparency Rules:

	Number held at 31 December 2021	Percentage held at 31 December 2021	Percentage held at 11 March 2022
Finda Oy	30,000,000	22.83	21.86
City of London Investment Management Company Limited	23,000,685	17.7	16.76
Investec Wealth & Investment Limited	4,320,570	3.68	3.15

During the period between 31 December 2021 and 11 March 2022 the Company has been notified by Finda Oy of a change in the percentage represented by their holding due to issuance of shares. As at 9 February 2022, Finda Oy's holding of 30,000,000 shares represented 21.86% of the voting rights.

Dividends

The Directors are proposing a final dividend of 0.70 pence per Share for the year to 31 December 2021. Subject to the approval of Shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 26 May 2022 to Shareholders on the register at the close of business on 29 April 2022. The ex-dividend date will be 28 April 2022.

Financial Instruments

The Company utilises financial instruments, which comprise equity investments, cash balances, receivables, payables and borrowings. The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk. The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed in note 13.

Annual General Meeting ("AGM")

The AGM will be held on Tuesday 3 May 2022 at 11.30 am at the offices of the Association of Investment Companies ("AIC"), 24 Chiswell Street, London, EC1Y 4YY. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the circular sent to Shareholders with this report.

Directors' Statement as to Disclosure of Information to Auditor

Each of the Directors, who were all members of the Board at the date of approval of this Report, confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditors are unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to Shares issued by the Company is set out on pages 34 and 35.

Other Information

Information on future developments and financial risks is detailed in the Strategic Report. Further details of post balance sheet events can be found in note 15.

By order of the Board
For and on behalf of Link Company Matters Limited

Company Secretary
16 March 2022

Corporate Governance Statement

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

Applicable Corporate Governance Codes

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 46, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and The AIC's Code of Corporate Governance issued in 2019, (the "AIC Code"), which complements the UK Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to Shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of Compliance

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- management performance;
- remuneration and succession planning;
- workforce policies (including remuneration) and practices; and
- the need for an internal audit function.

For the reasons explained in the AIC Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions. The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the principles and provisions of the AIC Code except as disclosed below:

- provision 14: No senior independent director has been appointed. All the Directors have different qualities and areas of expertise on which they lead, and concerns can be conveyed to another Director if Shareholders do not wish to raise concerns with the Chairman or the Chairman of the Audit Committee. Any other Director will chair the Board or Nomination Committee meeting when the annual evaluation of the Chairman's performance, his re-election, or the recruitment of his successor, is discussed;
- provision 17: As all of the Directors are independent of the Investment Manager, the Board is of the view that there is no requirement for a separate management engagement committee. The Board as a whole will review the terms of appointment and performance of the Investment Manager and the Company's other third-party service providers (other than the Auditor who is reviewed by the Audit Committee);
- provision 37: As all of the Directors are non-executive, the Board is of the view that there is no requirement for a separate remuneration committee. Directors' fees will be considered by the Board as a whole within the limits approved by Shareholders; and
- provision 23: Directors are not appointed for a specified term, as all Directors are non-executive and the Board believes that a Director's performance and their continued contribution to the running of the Company is of greater importance and relevance to Shareholders than the length of time for which they have served as a Director of the Company. Each Director is subject to the election and re-election provisions set out in the Articles, which provide that a Director appointed during the year is required to retire and seek election by Shareholders at the next AGM following their appointment. Thereafter the Directors intend to offer themselves for re-election annually but, under the Articles, are only required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years will be subject to annual re-election, provided that the Nomination Committee and the Board remain satisfied that the relevant Director's independence is not impaired by their length of service.

Role of the Board

A management agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority. This includes management of the Company's assets and some marketing services. The Board is collectively responsible for the success of the Company and a formal schedule of matters reserved to the Board for decision has been approved, which is available on the Company's website: www.ajot.co.uk. This includes strategy and management, Board and committee membership and other appointments, appointment and oversight of delegates, corporate structure and share capital, remuneration, financial reporting and controls, company contracts, internal controls, corporate governance and policies.

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

The Board's role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It is responsible for setting the Company's standards and values and for ensuring that its obligations to its Shareholders and other stakeholders are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the Shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met. The Articles of Association may only be amended by way of a special resolution of shareholders.

The Board meets formally at least four times a year, with additional ad hoc Board or Committee meetings arranged when required. The Directors have regular contact with the Investment Manager and Company Secretary between formal meetings. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, premium, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the investment restrictions required by the FCA and s1158 of the Corporation Tax Act 2010, the Company's objective, investment, borrowing and hedging policies and reviews the investment strategy. The Board regularly receives reports from the Investment Manager on marketing and investor relations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Board Composition

The Board is chaired by Norman Crighton, and consists of four non-executive Directors who have all served throughout the year. All of the Board are regarded as independent of the Company's Investment Manager, including the Chairman. The Directors have a breadth of investment, financial and professional experience relevant to the Company's business and brief biographical details of each Director are set out on page 33. The members of the Board are from a variety of social, geographical and ethnic backgrounds, with 25% of the Board being of Asian ethnicity and 50% of the Board is female.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

Responsibilities of the Chairman, the Board and its Committees

The Chairman leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Company has adopted a document setting out the responsibilities of the Chairman, which is available on the website: www.ajot.co.uk.

Tenure

Directors are generally initially appointed by the Board, until the following AGM when, as required by the Company's Articles of Association, they will stand for re-election by Shareholders. Thereafter, a Director's appointment is subject to an annual performance evaluation and the approval of Shareholders at each AGM, in accordance with corporate governance best practice.

Under the Articles of Association, Shareholders may remove a Director before the end of his or her term by passing a special resolution at a meeting, and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place. A special resolution is passed if more than 75% and an ordinary resolution if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

In accordance with the above and the AIC Code, all Directors will stand for re-election at the 2022 AGM. The contribution and performance of the Directors seeking re-election was reviewed by the Nomination Committee at its meeting in March 2022, which recommended to the Board their continuing appointment.

Corporate Governance Statement continued

Tenure continued

The Board has adopted a formal tenure policy for Directors based on a continual review of performance. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. It is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to Shareholders at the time, a one or two year extension might be appropriate.

Similarly, it is not anticipated that the Chairman will normally serve in excess of nine years. However, in exceptional circumstances, which would be fully explained at the time, a one or two year extension might be appropriate, given the entirely non-executive nature of the Board and in particular where the Chairman has not been appointed in his position for the entire duration of his tenure as a Director. As with all Directors, the continuing appointment of the Chairman is subject to ongoing review of performance, including a satisfactory annual evaluation, annual re-election by Shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board.

The Directors acknowledge the benefits of Board diversity and continual review of the Board's and individual Directors' effectiveness, while seeking to retain a balance of knowledge of the Company, diversity and continuity in the relationship with the Investment Manager. The Board has adopted a Diversity Policy in line with its commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. The Board does not feel that it would be appropriate to set targets as all appointments must be made on merit. However, diversity generally will be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy. The Board has established the following objectives for achieving diversity on the Board:

- all Board appointments will be made on merit, in the context of the skills, background, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential non-executive directors should include diverse candidates of appropriate merit.

The Board is mindful of the current FCA proposals to incorporate the diversity recommendations from the Parker and Hampton-Alexander reviews into the Listing Rules on a 'comply or explain' basis which will apply to financial years commencing 1 January 2022. Once finalised, these proposals will be taken into consideration in respect of the recruitment of all new Directors of the Company. The Company will report its compliance against this new requirement in the Annual Report for the year ending 31 December 2022, to be published in 2023.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office during normal business hours and at the Company's AGM.

Board Independence

All Directors are non-executive, have a range of other interests and are not dependent on the Company itself. At the Nomination Committee meeting in March 2022, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Investment Manager. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company are of great benefit to Shareholders.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts").

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. The Board has a formal system in place in line with the Articles of Association for Directors to declare any new situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes and the register of interests. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively. The Chairman has had no relationship that may have created a conflict between his interests and those of the Company's Shareholders.

Corporate Governance Statement continued

Induction and Training

On appointment, the Company Secretary provides all Directors with induction training. The training covers the Company's investment strategy, policies and practices. The Directors are also given regular briefings on changes in law and regulatory requirements that affect the Company and the Directors. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible for general secretarial functions and for assisting the Company with compliance with its continuing obligations as a company listed on the premium segment of the Official List. The Company Secretary is also responsible for ensuring good information flows between all parties.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover was in place throughout the year and remains in place at the date of this report. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. The Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

Board Committees

The Board delegates certain responsibilities and functions to the Audit Committee and the Nomination Committee. Both Committees comprise all Directors. The terms of reference for these Committees are available on the website www.ajot.co.uk or via the Company Secretary.

Separate Remuneration and Management Engagement Committees have not been established as the Board consists of only independent non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the Remuneration Policy set out on page 43, which is subject to periodic Shareholder approval. The investment management agreement and performance of the Investment Manager is reviewed by the Board as a whole on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its Shareholders. The Board as a whole also reviews the terms of appointment and performance of the Company's other service providers.

Audit Committee

The Audit Committee comprises all Directors and is chaired by Katya Thomson, who is a Chartered Accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. All members of the Audit Committee are independent. The Chairman of the Board is a member of the Audit Committee but, in line with the AIC Code, does not chair it and was considered independent on appointment. The Chairman's membership of the Audit Committee is considered appropriate given his extensive knowledge of the Investment Trust sector.

The Report of the Audit Committee, which forms part of this Corporate Governance Statement, can be found on pages 47 and 48.

Nomination Committee

The Nomination Committee, consisting of all of the Directors, meets at least annually. At its March 2021 meeting, Margaret Stephens was appointed as Chair of the Nomination Committee. Prior to this, the Chairman of the Board chaired the Committee. The Nomination Committee is responsible for ensuring that the Board has an appropriate balance of skills and experience to carry out its duties, to select and propose suitable candidates for appointment when necessary and for making recommendations regarding the re-election of existing Directors.

When considering succession planning and tenure policy, the Nomination Committee bears in mind the balance of skills, knowledge, experience, gender and diversity of Directors, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. The Nomination Committee will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when recruitment becomes necessary.

The Nomination Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow an annual performance evaluation of the Board, its Committees and individual Directors and consideration of the Director's independence. The evaluation of individual Directors takes into account whether they have devoted sufficient time and contributed

Nomination Committee continued

adequately to the work of the Board and its Committees. The evaluation of the Board and its Committees considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

The Nomination Committee met in March 2022 to carry out its annual review of the Board, its composition and size and its Committees, the results of which are detailed below.

Board and Committee Meeting Attendance

The table details the number of scheduled Board and Committee meetings held during the year under review and the number of meetings attended by each Director.

	Board	Audit Committee	Nomination Committee
Norman Crighton	4 (4)	3 (3)	2 (2)
Yoshi Nishio	4 (4)	3 (3)	2 (2)
Margaret Stephens	4 (4)	3 (3)	2 (2)
Katya Thomson	4 (4)	3 (3)	2 (2)

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

The Directors also met on an ad hoc basis during the year to undertake business such as to discuss the results of the placing and approve allotment of shares in February 2021, approve the block listing of further shares and the renewal of the loan facility and to review portfolio developments with the Investment Manager.

Performance Evaluation

In January 2022, the Nomination Committee conducted a review of the Board's performance, together with that of its Committees, the Chairman and each individual Director, as well as their independence. This was conducted by way of individual discussions between the Nomination Committee Chairman and, separately, Chairman of the Board, with each Director, as well as a discussion between the Chairman of the Board and the Nomination Committee Chairman. A summary of the findings was then discussed at the Nomination Committee meeting held in March 2022. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was satisfactory and the Board has a good balance of skills, knowledge and experience and includes individuals from different social, geographical and ethnic backgrounds. It is considered that each of the Directors remains independent of the Investment Manager, makes a significant contribution and devotes sufficient time to the affairs of the Company, the Chairman continues to display effective leadership and all Directors seeking re-election at the Company's AGM merit re-election by Shareholders.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework. The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014.

The risk management process and system of internal control was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

In arriving at its judgement of what risks the Company faces, the Board, through the Audit Committee, has considered the Company's operations in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the extent to which third parties operate the relevant controls.

The Company maintains a risk matrix which identifies key risks faced by the Company and controls in place to mitigate those risks. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate against them. This risk matrix is reviewed twice a year by the Audit Committee and at other times as necessary.

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks as identified by the Board, which are set out on pages 30 to 31, as well as the controls in place to manage or mitigate those risks.

The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis. Most functions for the day-to-day management of the

Internal Control continued

Company are subcontracted, and the Directors therefore obtain assurances and information, including internal control reports, from key third-party suppliers regarding the internal systems and controls operated in their respective organisations. During the year under review, the Audit Committee also requested and reviewed updates from key service providers on business continuity, cyber security and fraud prevention to assess whether each service provider would continue to be able to function effectively despite the COVID-19 pandemic and associated restrictions.

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 31 December 2021, and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Internal Audit Function

As the Company is an externally managed investment company with day-to-day management and administrative functions being outsourced to third parties, and as the Company does not have executive Directors, employees or internal operations, the Board does not consider it necessary to establish an internal audit function, as it believes the existing system of monitoring and reporting by the third parties to be appropriate and sufficient.

Accountability and Relationship with AVI

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 46, the Independent Auditors' Report on pages 49 to 53 and the Viability Statement on page 29.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (including the safeguarding of the assets), the day-to-day accounting and cash management, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. Further information on management arrangements can be found on pages 22 and 23.

The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of AVI attend Board meetings, enabling the Directors to probe further on matters of concern. The Board and the Investment Manager operate in a supportive, co-operative and open environment.

Continued Appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. In addition to the monitoring of investment performance at each Board meeting, an annual review of the Company's investment performance over both the short and longer terms is undertaken.

Following an annual review, it is the Directors' opinion that the continuing appointment of AVI, the Investment Manager, on the existing terms, is in the best interests of the Company and its Shareholders as a whole.

By order of the Board

For and on behalf of Link Company Matters Limited

Company Secretary
16 March 2022

Directors' Remuneration Report

Directors' Remuneration Policy

The Remuneration Policy provides details of the remuneration policy for the Directors of the Company. The Remuneration Policy was approved by Shareholders at the AGM of the Company held on 26 March 2020. Remuneration Policy Provisions apply until they are next put to Shareholders for approval at intervals of not more than three years (which was next due to occur at the Company's AGM in 2023), or if the Remuneration Policy is varied. This year, the Board proposes a small change to the Remuneration Policy by increasing the limit of the aggregate annual Directors' Remuneration from £150,000 to £250,000 as discussed in the statement from the Chairman on page 44. Therefore a resolution to adopt the amended Remuneration Policy will be put to Shareholders at the Company's upcoming AGM. The updated Remuneration Policy is provided below (no other changes, other than the increase in the aggregate limit, have been made).

The Company follows the recommendation of the AIC Code of Corporate Governance that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined from time to time at the Board's discretion with reference to comparable organisations and appointments.

All Directors are non-executive, appointed under the terms of letters of appointment. There are no service contracts in place. The Company has no employees. In line with the majority of investment trusts and the AIC Code, there are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

The Board has set three levels of fees: one for a Director and additional fees for the Chairman of the Audit Committee and the Chairman of the Board. Fees are reviewed annually in accordance with the above policy. Annual fees are pro-rated where a change takes place during a financial year. The fee for any new Director appointed to the Board will be determined on the same basis.

In addition to the annual fee, under the Company's Articles of Association, any Director who is requested to perform services which, in the opinion of the Board, go beyond the ordinary duties of a director, may be paid such extra remuneration as the Board may in its discretion decide in addition to or in substitution for any other remuneration that they may be entitled to receive. Should any extra remuneration be paid during the year, details of the events, duties and responsibilities that gave rise to the additional directors' fees would be disclosed in the Annual Report. Directors are also entitled to reimbursement of reasonable fees and expenses incurred by them in the performance of their duties.

The approval of Shareholders would be required to increase the aggregate annual Directors' Remuneration limit of £250,000, as set out in the updated Company's Articles of Association (which are also to be put to a Shareholder vote at the 2022 AGM).

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance related payments. No Director is entitled to any other monetary payment or any assets of the Company except in their capacity (where applicable) as Shareholders of the Company. Directors' Letters of Appointment expressly prohibit any entitlement to payment on loss of office.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors. The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The Company is committed to ongoing Shareholder dialogue and any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

This policy was approved by the Board on 26 November 2019 and by Shareholders on 26 March 2020.

Report on Implementation

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 as amended in August 2013. The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration. The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive, and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

Directors' Remuneration Report continued

Statement from the Chairman

As the Company has no employees and the Board is comprised wholly of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion, within an aggregate set amount per annum. This aggregate ceiling had been set at £150,000 in the Company's Articles of Association and in the Remuneration Policy as approved on 26 March 2020. In order to provide flexibility to broaden the expertise of the Board over the coming years, the Board proposes increasing this limit to £250,000 and resolutions to adopt updated Articles of Association and an updated Remuneration Policy will be put to a Shareholder vote at the Company's 2022 AGM.

Each Director abstains from voting on their own individual remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

During the year the Board carried out a review of the level of Directors' fees in accordance with the Remuneration Policy. As part of this review, the Board considered the Company's performance, the demands placed on Directors' time and the level of fees being paid to non-executive directors in the Company's peer group. Taking these matters into consideration, the review concluded that the fees being paid to the Company's Directors were below the average. As a result, with effect from 1 October 2021, fees were increased to £37,500 (previously £35,000) per annum for the Chairman, £35,000 (previously £32,500) per annum for the Chairperson of the Audit Committee and £32,500 (previously £30,000) per annum for other Directors. The Board is satisfied that the changes to the remuneration of the Directors are compliant with the Directors' Remuneration Policy.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Directors' Emoluments (audited information)

Directors are only entitled to fixed fees at such rates as are determined by the Board from time to time and in accordance with the Directors' Remuneration Policy as approved by the Shareholders.

No Director has a service contract with the Company. None of the Directors has any entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance-related payments. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly, the Single Total Figure table below does not include columns for any of these items or their monetary equivalents. Directors' & Officers' liability insurance is maintained and paid for by the Company on behalf of the Directors.

In line with market practice, the Company has agreed to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' liability insurance maintained by the Company be exhausted.

The Directors who served during the year received the following emoluments:

Single Total Figure Table (audited information)

Name of Director	Fees paid* 2021	Fees paid* 2020	Taxable benefits 2021	Taxable benefits 2020	Total 2021	Total 2020	% change 2020-2021	% change 2019-2020±
Norman Crighton	35,625	35,000	–	–	35,625	35,000	1.8%	12.7%
Yoshi Nishio	30,625	30,000	–	–	30,625	30,000	2.1%	13.9%
Margaret Stephens	30,625	30,000	–	–	30,625	30,000	2.1%	15.2%
Katya Thomson	33,125	32,500	–	–	33,125	32,500	1.9%	15.2%
	130,000	**127,500**	**–**	**–**	**130,000**	**127,500**	**2.0%**	**14.2%**

* Excluding Employer's National Insurance Contribution.

± The 2019 fees used to calculate the percentage change were for those paid in the period from 1 January 2019 to 31 December 2019 rather than the period from IPO on 23 October 2018 to 31 December 2019, to provide a more accurate comparison.

Sums Paid to Third Parties (audited information)

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

Other Benefits

Taxable benefits – Article 105 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them

Directors' Remuneration Report continued

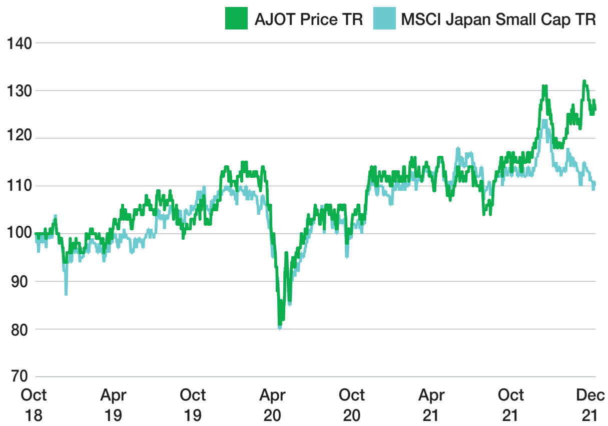
Other Benefits continued

in connection with the performance of their duties and attendance at Board and General Meetings or any other meeting which they, as Directors, are entitled to attend.

Pensions related benefits – Article 106 permits the Company to provide gratuities or pensions or similar benefits for Directors of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Performance

The chart below illustrates the total Shareholder return for a holding in the Company's shares, as compared to the MSCI Japan Small Cap (£ adjusted total return), which the Board has adopted as the measure for both the Company's performance and that of the Investment Manager for the year, over the period since inception of the Company.



Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2021 £'000	2020 £'000	Difference £'000
Spend on Directors' fees*	130	128	2
Distribution to Shareholders	1,885	1,624	261
Management fee and other expenses**	2,115	1,856	259

* As the Company has no employees the total spend on remuneration comprises only the Directors' fees.

** Note: the items listed in the table above are as required by the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 s.20 with the exception of the management fee and other expenses, which has been included because the Directors believe it will help Shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are the same as those shown in note 3 to the financial statements.

Statement of Directors' Shareholding and Share Interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity and debt securities of the Company at 31 December 2021 are shown in the table below:

Name of Director	Ordinary Shares
Norman Crighton	26,575
Yoshi Nishio	–
Margaret Stephens	10,000
Katya Thomson	10,000
Total	46,575

There have been no changes to Directors' interests between 31 December 2021 and the date of this Report.

Statement of Voting at AGM

At the 2021 AGM, 41,968,851 votes (99.72%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 56,832 (0.14%) were against, 58,357 (0.14%) were discretionary and 12,073 were withheld; the percentages of votes excludes votes withheld. In relation to the approval of the Remuneration Policy which was most recently approved at the 2020 AGM, 24,330,517 (99.06%) votes were received for the resolution, 224,817 (0.92%) were against, 6,000 (0.02%) were discretionary and 15,414 were withheld. The percentages of votes excludes votes withheld.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the year to 31 December 2021:

(a) the major decisions on Directors' remuneration;

(b) any discretion which has been exercised in the award of Directors' remuneration;

(c) any substantial changes relating to Directors' remuneration made during the year; and

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

A resolution to approve this Directors' Remuneration Report will be proposed at the AGM to be held on 3 May 2022.

Norman Crighton
Chairman

16 March 2022

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

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for 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 they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

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

Directors Statement as to the Disclosure of Information to Auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

For and on behalf of the Board

Norman Crighton
Chairman

16 March 2022

Report from the Audit Committee

I am pleased to present the Audit Committee Report for the year ended 31 December 2021.

The Audit Committee (the "Committee") met three times during the year under review and once following the year end. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Investment Manager may also be invited.

Details of the composition of the Committee are set out in the Corporate Governance Statement on page 40.

Responsibilities of the Committee

The Committee's responsibilities are set out in formal terms of reference which are available on the Company's website and are reviewed at least annually. The Committee's primary responsibilities are set as follows:

- to monitor the integrity of the financial statements of the Company, including its Annual and Half-Yearly reports and any other formal announcements of the Company relating to its financial performance, and to review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the Auditor;
- to review the Half-Yearly and Annual Reports;
- to review the Company's internal financial controls and the internal control and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;
- to review the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services and considering relevant guidance regarding the provision of non-audit services by the external audit firm; and
- to review circulars issued in respect of major non-routine and corporate transactions.

Activities in the year

During the year, the Committee has:

- conducted a detailed review of the internal controls and risk management systems of the Company and its third-party service providers;
- carried out a detailed review of the external Auditor's performance during the 2020 audit and discussed the proposed audit fee with the external Auditor;
- agreed the audit plan and fees with the Auditor in respect of the Annual Report for the year ended 31 December 2021, including the principal areas of focus;
- reviewed the Company's Half-Yearly Report and financial statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval;
- considered the appropriate level of dividend to be paid by the Company for recommendation to the Board; and
- examined in detail the methodology and assumptions applied in valuing the assets of the Company.

Following the year end, the Committee has received and discussed with the Auditor their report on the results of the audit and reviewed this Annual Report and Financial Statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval.

Significant Issues

The Committee considered the following key issues in relation to the Company's financial statements during the year. A more detailed explanation of the consideration of the issues set out below, and the steps taken to manage them, is set out in the principal risks and uncertainties on pages 30 to 31.

Valuation of Investments

The Committee considered the valuation of the investment portfolio. The Company's portfolio currently consists of quoted investments, which are valued by reference to their bid prices on the relevant exchange. Third-party fund valuations are received from the fund managers and reviewed by the Directors. Any future unquoted or illiquid investments will be valued by the Directors based on recommendations from the Investment Manager's pricing committee.

Maintaining Internal Controls

The Committee has considered carefully the internal control systems. As the Company relies heavily on third-party suppliers, the Committee monitors the services and control levels of all of its suppliers on an ongoing basis, as explained below.

Going Concern and Long-term Viability of the Company

The Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the Annual Report for the year ended 31 December 2021, covering a five year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 29.

Report from the Audit Committee continued

Internal Controls

The Committee carefully considers the internal control systems by continually monitoring the services and controls of its third-party service providers.

The Committee reviewed the risk matrix at each of its three meetings during the year under review and where appropriate it was updated. The results of this ongoing process, as well as the principal risks identified, and controls put in place to manage or mitigate these risks are detailed on pages 30 to 31 of this Report. The Committee received a report on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.

The Company does not have an internal audit function. During the year, the Committee reviewed whether an internal audit function would be of value and concluded that this would provide minimal additional comfort at considerable extra cost to the Company. While the Committee believes that the existing systems of monitoring and reporting by third parties remain appropriate and adequate, it will continue, on an annual basis, to actively consider possible areas within the Company's controls environment which may need to be reviewed in detail.

External Auditor

BDO LLP has been the Auditor to the Company since launch in 2018. No tender for the audit of the Company has been undertaken. In accordance with the Competitions and Markets Authority Order, a competitive audit tender must be carried out at least every ten years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31 December 2029. The Committee will review the continuing appointment of the Auditor on an annual basis and give regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

Audit fees and Non-audit Services provided by the Auditor

In accordance with the Company's non-audit services policy the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that auditor independence and objectivity are safeguarded. The policy includes a list of non-audit services which may be provided by the Auditor provided there is no apparent threat to independence, as well as a list of services which are prohibited. Non-audit services are capped at 70.0% of the average of the statutory audit fees for the preceding three years.

Information on the fees paid to the Auditor is set out in note 3 to the Financial Statements on page 61.

Effectiveness of the External Audit

The Audit Committee monitors and reviews the effectiveness of the external audit carried out by the Auditor, including a detailed review of the audit plan and the audit results report, and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. During the year to 31 December 2021, the Committee carried out a detailed review of the quality and effectiveness of the 2020 audit. The review was based on feedback requested from the Investment Manager, the Administrator and the Company Secretary and discussions with the Auditor. No serious issues were identified with regards to the effectiveness of the external audit. Any concerns with effectiveness of the external audit process would be reported to the Board.

Independence and Objectivity of the Auditor

The Committee has considered the independence and objectivity of the Auditor. No non-audit fees were paid to BDO LLP during the year to 31 December 2021 (2020: £26,000 reporting accountant fees in respect of the issue of the Prospectus). The Committee is satisfied that the Auditor has fulfilled its obligations to the Company and its Shareholders and remains independent and objective.

Appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the Committee has recommended to the Board the appointment of BDO LLP as Auditor to the Company.

Ekaterina Thomson
Chairperson of the Audit Committee

16 March 2022

Independent Auditor's Report to the Members

For the year ended 31 December 2021

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AVI Japan Opportunities Trust PLC (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors of AVI Japan Opportunity Trust Plc on 8 October 2018 to audit the financial statements for the year ending *31 December 2019* and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ending 31 December 2019 to 31 December 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Challenging management's assumptions and judgements used in the going concern assessment and the stress testing performed by assessing them for reasonableness and performing our own stress-testing forecasts;
- Calculating financial ratios to ascertain the financial health of the Company such as gearing and liquidity of the Company;
- Reviewing loan arrangements with the bank for any covenants in place and recalculating the period end covenant compliance calculations to ensure that the Company has calculated their position appropriately;
- Assessing whether the Company has the ability to repay the loan and pay anticipated expenses, taking into account the liquidity of the Company's investment portfolio and the Company's financial position; and
- Considering the potential impact of the Directors' assessment of the impact of the exit opportunity which may be offered in October 2022 at their discretion as detailed in the Strategic Report.

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

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

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

Overview

		2021	2020
Key audit matters	Valuation and ownership of investments	✓	✓
Materiality	£1.6m based on 1% of net assets (£1.2m based on 1% of net assets)		

Independent Auditor's Report to the Members continued

An Overview of the Scope of our Audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 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.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Notes 1,8 and 13 to the financial statements)	
We considered the valuation and ownership of investments to be the most significant audit area, as investments represent the most significant balance in the financial statements and underpin the principal activity of the Company.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: • Compared the valuations used by management to independent third party sources; • Obtained direct independent confirmation from the custodian regarding the investments held at year end; and • Assessed whether there were contra indicators such as liquidity considerations to suggest bid price was not the most appropriate indication of fair value. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report to the Members continued

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

	Company Financial statements 2021 £m	Company Financial statements 2020 £m
Materiality	£1,600,000	£1,200,000
Basis for determining materiality	1% of net assets	1% of net assets
Rationale for the benchmark applied	Financial statement materiality was set at 1% of net assets as it is the main factor considered by potential investors before they make their investments decisions. In setting materiality, we have had regard to the nature and disposition of the investment portfolio. For a low risk portfolio where fair values are highly visible (e.g. quoted securities such as the Company's portfolio), a base line percentage of 1% invested assets would be a typical benchmark.	
Performance materiality	£1,200,000	£900,000
Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower Testing Threshold

Profit before tax could influence users of the financial statements as it is a measure of the company's performance of income generated from its investments after expenses. Thus, we set a lower testing threshold for those items impacting revenue return of £230,000 which is based on 10% of revenue return before tax (2020:£200.000).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £32,000 (2020: £24,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

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

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

Independent Auditor's Report to the Members continued

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 29; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 29.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 46; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 41; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 41; and • The section describing the work of the audit committee set out on pages 47 and 48.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements ; and • the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • 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 • the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006,the FRC listing and DTR rules, the principles of the UK Corporate Governance Code and industry practice represented by the Statement of Recommended Practice (SORP) We also considered the Company's qualification as an investment company under UK tax legislation as any breach of this would lead to the Company being penalised.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management of any known, reported or indications of non-compliance with laws and regulations including fraud occurring within the Company and its operations; and
- review of minutes of board meetings throughout the period.
- We have communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

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

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

16 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

For the year ended 31 December 2021

		For the year ended 31 December 2021			For the year ended 31 December 2020		
	Notes	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Income							
Investment income	2	3,190	–	**3,190**	2,818	–	**2,818**
Gains/(losses) on investments held at fair value	8	–	15,646	**15,646**	–	(1,171)	**(1,171)**
Exchange losses on currency balances		–	(612)	**(612)**	–	(745)	**(745)**
		3,190	15,034	**18,224**	2,818	(1,916)	**902**
Expenses							
Investment management fee	3	(145)	(1,302)	**(1,447)**	(122)	(1,096)	**(1,218)**
Other expenses (including irrecoverable VAT)	3	(668)	–	**(668)**	(638)	–	**(638)**
Profit/(loss) before finance costs and tax		2,377	13,732	**16,109**	2,058	(3,012)	**(954)**
Finance costs	4	(21)	(187)	**(208)**	(22)	(194)	**(216)**
Exchange gains/(losses) on Revolving Credit Facility	4	–	1,956	**1,956**	–	(210)	**(210)**
Profit/(loss) before taxation		2,356	15,501	**17,857**	2,036	(3,416)	**(1,380)**
Taxation	5	(326)	–	**(326)**	(284)	–	**(284)**
Profit/(loss) for the year		**2,030**	**15,501**	**17,531**	**1,752**	**(3,416)**	**(1,664)**
Earnings per Ordinary Share	7	**1.55p**	**11.89p**	**13.44p**	**1.51p**	**(2.94p)**	**(1.43p)**

The total column of this statement is the Income Statement of the Company prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income, and therefore the profit for the year after tax is also the total comprehensive income.

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

Statement of Changes in Equity

For the year ended 31 December 2021

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the year to 31 December 2021						
Balance as at 31 December 2020	1,175	38,242	77,588	9,729	1,216	**127,950**
Issue of Ordinary Shares	157	17,818	–	–	–	**17,975**
Expenses of share issue	–	(686)	–	–	–	**(686)**
Ordinary Shares bought back and held in Treasury	–	–	(264)	–	–	**(264)**
Total comprehensive income for the period	–	–	–	15,501	2,030	**17,531**
Ordinary dividends paid	–	–	–	–	(1,785)	**(1,785)**
Balance as at 31 December 2021	**1,332**	**55,374**	**77,324**	**25,230**	**1,461**	**160,721**

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the year to 31 December 2020						
Balance as at 31 December 2019	1,139	34,476	77,588	13,145	1,262	**127,610**
Issue of Ordinary Shares	36	3,835	–	–	–	**3,871**
Expenses of share issue	–	(69)	–	–	–	**(69)**
Total comprehensive (loss)/income for the year	–	–	–	(3,416)	1,752	**(1,664)**
Ordinary dividends paid	–	–	–	–	(1,798)	**(1,798)**
Balance as at 31 December 2020	**1,175**	**38,242**	**77,588**	**9,729**	**1,216**	**127,950**

* Distributable reserves. Within the balance of the capital reserve, £4,156,000 (31 December 2020: £1,022,000) relates to realised gains which is distributable by way of dividend. The remaining £21,074,000 (31 December 2020: £8,707,000) relates to unrealised gains on investments and is non-distributable.

** Revenue reserve is fully distributable by way of dividend.

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

Balance Sheet

As at 31 December 2021

	Notes	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**171,249**	136,616
		171,249	136,616
Current assets			
Receivables	9	**404**	909
Cash and cash equivalents		**8,165**	6,028
		8,569	6,937
Total assets		**179,818**	143,553
Current liabilities			
Revolving credit facility	10	**(18,787)**	(15,231)
Payables	10	**(310)**	(372)
		(19,097)	(15,603)
Total assets less current liabilities		**160,721**	127,950
Net assets		**160,721**	127,950
Equity attributable to equity Shareholders			
Ordinary Share capital	11	**1,332**	1,175
Share premium		**55,374**	38,242
Special reserve		**77,324**	77,588
Capital reserve		**25,230**	9,729
Revenue reserve		**1,461**	1,216
Total equity		**160,721**	127,950
NAV per Ordinary Share – basic	12	**120.87p**	108.90p
Number of shares in issue excluding Treasury shares	11	**132,970,702**	117,489,742

These financial statements were approved and authorised for issue by the Board of AVI Japan Opportunity Trust plc on 16 March 2022 and were signed on its behalf by:

Norman Crighton

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

Registered in England & Wales No. 11487703

Statement of Cash Flows

For the year ended 31 December 2021

	31 December 2021 £'000	31 December 2020 £'000
Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities		
Profit/(loss) before taxation	**17,857**	(1,380)
(Gains)/losses on investments held at fair value through profit or loss	**(15,646)**	1,171
Decrease/(increase) in other receivables	**316**	(1)
Exchange (gains)/losses on revolving credit facility	**(1,956)**	210
Exchange losses on currency balances	**694**	–
Interest paid	**187**	195
Increase in other payables	**7**	57
Taxation paid	**(326)**	(284)
Net cash inflow/(outflow) from operating activities	**1,133**	(32)
Investing activities		
Purchases of investments	**(62,903)**	(50,653)
Sales of investments	**44,036**	38,141
Net cash outflow from investing activities	**(18,867)**	(12,512)
Financing activities		
Dividends paid	**(1,785)**	(1,798)
Issue of shares	**17,975**	3,871
Cost of share issues	**(686)**	(69)
Payments for Ordinary Shares bought back and held in Treasury	**(264)**	–
Issue/(repayment) of revolving credit facility net of costs	**5,512**	(944)
Interest paid	**(187)**	(195)
Prospectus issue costs	**–**	(288)
Cash inflow from financing activities	**20,565**	577
Increase/(decrease) in cash and cash equivalents	**2,831**	(11,967)
Reconciliation of net cash flow movement:		
Cash and cash equivalents at beginning of period	**6,028**	17,995
Exchange losses on currency balances	**(694)**	–
Increase/(decrease) in cash and cash equivalents	**2,831**	(11,967)
Cash and cash equivalents at end of period	**8,165**	6,028

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

Notes to the Financial Statements

For the year ended 31 December 2021

1 General information and accounting policies

AVI Japan Opportunity Trust plc is a public limited company incorporated on 27 July 2018 and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The Company commenced trading and was listed on the London Stock Exchange on 23 October 2018.

The financial statements of the Company have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts.

Basis of preparation

The financial statements of the Company have been prepared for the year ended 31 December 2021.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by The AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature has been prepared alongside the Statement of Comprehensive Income.

The financial statements are presented in the Company's functional currency, Pounds Sterling, rounded to the nearest thousand except where otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved. In making the assessment, the Directors have considered the likely impacts of the current COVID-19 pandemic on the Company, operations and the investment portfolio. The Directors noted that the Company, with the current cash balance and holding a portfolio of liquid listed investments, is able to meet the obligations of the Company as they fall due.

The current cash balance plus available additional borrowing, through the revolving credit facility (extended for two years to February 2024 during February 2022), enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-ended fund, where assets are not required to be liquidated to meet day-to-day redemptions.

The Directors have completed stress tests assessing the impact of changes in market value and income with associated cash flows. In making this assessment, they have considered plausible downside scenarios. These tests were driven by the possible effects of continuation of the COVID-19 pandemic but, as an arithmetic exercise, apply equally to any other set of circumstances in which asset value and income are significantly impaired. The conclusion was that in a plausible downside scenario the Company could continue to meet its liabilities. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or market value, the opinion of the Directors is that this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Company's IPO Prospectus stated that the Directors may, at their discretion, deliver a full or a partial exit opportunity to Shareholders in October 2022 and every two years thereafter. The mechanism would be dependent on various factors including the number of Shareholders seeking to participate in the exit opportunity, the liquidity of the underlying market and/or the demand for Shares from other investors. The Directors have reviewed the Shareholders of the Company, Shareholder feedback, the current market position and performance. It is anticipated no significant uptake by Shareholders of any potential realisation opportunity in 2022 is expected and the Company will continue as a going concern.

The Directors, the Manager and other service providers have put in place contingency plans to minimise disruption. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Segmental reporting

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

The Company invests in companies listed in Japan on recognised exchanges.

Accounting developments

In the year under review, the Company has applied amendments to IFRS issued by the IASB adopted in conformity with the Companies Act 2006. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. This incorporated:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7).

The adoption of the changes to accounting standards has had no material impact on these or prior years' financial statements.

There are amendments to IAS/IFRS that will apply from 1 January 2022 as follows:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);

1 General information and accounting policies continued

- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes; and
- Annual improvements to IFRS Standards.

The Directors do not anticipate the adoption of these will have a material impact on the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive income and the disclosure of contingent assets at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company invests in Japan with subsequent cash-flows (dividend receipts and interest payments) being received in Japanese Yen, however the Directors consider the Company's functional currency to be Pounds Sterling as the Shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its Shareholder base in the United Kingdom and pays dividend and expenses in Pounds Sterling. The Directors have chosen to present the financial statements in Pounds Sterling rounded to the nearest thousand except where otherwise indicated.

The areas requiring judgement and estimation in the preparation of the financial statements are: recognising and classifying unusual or special dividends received as either revenue or capital in nature.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There are no further significant judgements or estimates in these financial statements.

Investments

The investment objective of the Company is to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index in GBP, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by the Investment Manager as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

The investments held by the Company are designated 'at fair value through profit or loss'. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is the bid price. The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership to another entity. On derecognition of a financial asset, the difference between the asset's carrying value carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 13.

Foreign currency

Transactions denominated in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of transaction. Items which are denominated in foreign currencies are translated at the rates prevailing on 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 exchange gain or loss in the capital reserve or revenue reserve depending on whether the gain or loss is capital or revenue in nature.

Cash and cash equivalents

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

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts when applicable.

Receivables and payables

Trade and other receivables and payables are measured where applicable, at amortised cost and balances revalued for exchange rate movements.

Revolving credit facility

The revolving credit facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserve and shown in the capital column of the Statement of Comprehensive Income.

Notes to the Financial Statements continued

1 General information and accounting policies continued

Income

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis. Dividends from overseas companies are shown gross of any withholding taxes. Irrecoverable withholding taxes are disclosed separately within taxation in the Statement of Comprehensive Income.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares rather than cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted for on a time-apportioned accruals basis and is recognised in the Statement of Comprehensive Income.

Expenses and finance costs

All expenses and finance costs are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns the Company charges 90% of its management fee and finance costs to capital.

Taxation

The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

The tax charge consists of overseas tax not recoverable.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the 'marginal' basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

Dividends payable to Shareholders

Dividends to Shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

Share premium

The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity; and
- premium on the issue of shares.

Special reserve

The special reserve was created by the cancellation of the share premium account by order of the court and forms part of the distributable reserves.

Capital reserve

The following are taken to the capital reserve through the capital column in the Statement of Comprehensive Income:

Capital reserve – other, forming part of the distributable reserves:

- gains and losses on the disposal of investments;
- issue expenses on revolving credit facility;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve – investment holding gains, not distributable:

- increase and decrease in the valuation of investments held at the year end.

Revenue reserve

The revenue reserve represents the surplus of accumulated profits and is distributable by way of dividends.

2 Income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Income from investments		
Overseas dividends	**3,265**	2,840
Bank and deposit interest	**(30)**	(17)
Exchange losses on receipt of income*	**(45)**	(5)
Total income	**3,190**	2,818

* Exchange movements arise from ex-dividend date to payment date.

Notes to the Financial Statements continued

3 Investment management fee and other expenses

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	**145**	**1,302**	**1,447**	122	1,096	1,218
Other expenses:						
Directors' emoluments – fees	**130**	**–**	**130**	128	–	128
Directors' insurances and other expenses	**11**	**–**	**11**	9	–	9
Directors' National Insurance Contributions	**13**	**–**	**13**	13	–	13
Auditor's remuneration – audit services	**41**	**–**	**41**	44	–	44
Marketing	**102**	**–**	**102**	52	–	52
Printing and postage costs	**26**	**–**	**26**	48	–	48
Registrar fees	**18**	**–**	**18**	13	–	13
Custodian fees	**33**	**–**	**33**	33	–	33
Depositary fees	**33**	**–**	**33**	33	–	33
Advisory and professional fees	**237**	**–**	**237**	244	–	244
Regulatory fees	**24**	**–**	**24**	21	–	21
Total other expenses	**668**	**–**	**668**	638	–	638

The Auditor, BDO LLP, provided additional non-audit services for a fee of £26,000 as reporting accountants in 2020 for the issue of the Prospectus for the issue of additional shares. Subsequent to the issue of shares in 2021 this was charged against the premium of the shares issued in the Share Premium account.

The management fee of 1% per annum is calculated on the lesser of the Company's NAV or Market Capitalisation at each quarter end. The Investment Manager will invest 25% of the management fee it receives in shares of the Company (through open market purchases) and will hold these for a minimum of two years.

4 Finance costs

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
JPY revolving credit facility	**21**	**187**	**208**	22	194	216
Exchange gain/(loss) on JPY revolving credit facility*	**–**	**1,956**	**1,956**	–	(210)	(210)

* Revaluation of revolving credit facility.

Notes to the Financial Statements continued

5 Taxation

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Analysis of charge for the year						
Overseas tax not recoverable*	**326**	**–**	**326**	284	–	284
Tax cost for the year	**326**	**–**	**326**	284	–	284

* Tax deducted on payment of overseas dividends by local tax authorities.

The tax assessed for the year is the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Profit/(loss) on ordinary activities after interest payable but before appropriations	**2,356**	**15,501**	**17,857**	2,036	(3,416)	(1,380)
Theoretical tax at UK corporation tax rate of 19%	**448**	**2,945**	**3,393**	387	(649)	(262)
Effects of the non-taxable items:						
– Tax-exempt overseas investment income	**(612)**	**–**	**(612)**	(539)	–	(539)
– Gains on investments and exchange losses on capital items	**–**	**(2,856)**	**(2,856)**	–	363	363
– Excess management expenses carried forward	**164**	**(89)**	**75**	144	209	353
– Disallowed expenses	**–**	**–**	**–**	1	–	1
– Movement in NTLR deficit not utilised	**–**	**–**	**–**	7	77	84
– Overseas tax not recoverable	**326**	**–**	**326**	284	–	284
Tax charge for year	**326**	**–**	**326**	284	–	284

At 31 December 2021, the Company had unrelieved losses of £4,458,000 (31 December 2020: £4,061,000) that are available to offset future taxable revenue. A deferred tax asset of £1,114,000 (31 December 2020: £772,000), which has been calculated using a corporation tax rate of 25% (2020: 19%), has not been recognised because the Company is not expected to generate sufficient taxable income in future periods to utilise these losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company.

Notes to the Financial Statements continued

6 Dividends

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the period ended 31 December 2020: 0.65p (2019: 0.90p) per Ordinary Share	**860**	1,034
Interim dividend for the year ended 31 December 2021: 0.70p (2020: 0.65p) per Ordinary Share	**925**	764
	1,785	1,798

Set out below are the interim and final dividends paid or proposed on Ordinary Shares in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered:

	31 December 2021 £'000	31 December 2020 £'000
Interim dividend for the year ended 31 December 2021: 0.70p (2020: 0.65p) per Ordinary Share	**925**	764
Proposed final dividend for the year ended 31 December 2021 of 0.70p (2020: 0.65p) per Ordinary Share	**960***	860
	1,885*	1,624

* Based on shares in circulation on 11 March 2022.

7 Earnings per Ordinary Share

The earnings per Ordinary Share is based on the Company's net profit after tax of £17,531,000 (year ended 31 December 2020: loss of £1,664,000) and on 130,418,782 (year ended 31 December 2020: 116,259,004) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The earnings per Ordinary Share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) (£'000)	**2,030**	**15,501**	**17,531**	1,752	(3,416)	(1,664)
Weighted average number of Ordinary Shares			**130,418,782**			116,259,044
Earnings per Ordinary Share (pence)	**1.55**	**11.89**	**13.44**	1.51	(2.94)	(1.43)

There are no dilutive instruments issued by the Company.

Notes to the Financial Statements continued

8 Investments held at fair value through profit or loss

	31 December 2021 £'000	31 December 2020 £'000
Financial assets held at fair value		
Opening book cost	**127,909**	118,320
Opening investment holding gains	**8,707**	7,211
Opening fair value	**136,616**	125,531
Movement in the year:		
Purchases at cost: Equities	**62,834**	50,722
Sales proceeds: Equities	**(43,847)**	(38,466)
– realised gains/(losses) on equity sales	**5,780**	(2,667)
Increase in investment holding gains	**9,866**	1,496
Closing fair value	**171,249**	136,616
Closing book cost	**152,677**	127,909
Closing investment holding gains	**18,572**	8,707
Closing fair value	**171,249**	136,616

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Transaction costs		
Cost on acquisition	**35**	30
Cost on disposal	**26**	22
	61	52
Analysis of capital gains		
Gains/(losses) on sales of financial assets based on historical cost	**5,780**	(2,667)
Movement in investment holding gains for the year	**9,866**	1,496
Net gains/(losses) on investments held at fair value	**15,646**	(1,171)

The Company received £43,847,000 (year ended 31 December 2020: £38,466,000) from investments sold in the year. The book cost of these investments when they were purchased was £38,067,000 (year ended 31 December 2020: £41,133,000). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.

9 Receivables

	31 December 2021 £'000	31 December 2020 £'000
Due from Brokers	**136**	325
Other receivables	**268**	584*
Total	**404**	909

* The Auditor BDO LLP provided additional non-audit service fees of £26,000 as reporting accountants for the issue of the Prospectus for the issue of additional shares.

No receivables are past due or impaired.

Notes to the Financial Statements continued

10 Current liabilities

	31 December 2021 £'000	31 December 2020 £'000
Revolving credit facility	**18,787**	15,231
Payables:		
Management fees	**133**	106
Interest payable	**66**	22
Purchases for future settlement	**–**	44
Other payables	**111**	200
	310	372
Total current liabilities	**19,097**	15,603

Revolving credit facility

The Company entered into an unsecured revolving credit facility ("the facility") of ¥4.33 billion with The Bank of Nova Scotia, London Branch on 5 April 2019, which was renewed for one year on 17 February 2021. This was an effective facility of ¥2.93 billion with the option to increase the facility by ¥1.4 billion to ¥4.33 billion should the Board wish to and dependent on being accepted by The Bank of Nova Scotia. This option was never invoked. Subsequent to the year end the facility was extended for a further two years to 2 February 2024 with the ¥1.4 billion option removed to leave a facility size of ¥2.93 billion.

During the year, the facility bore interest at the rate of 0.95% over LIBOR (1.25% to 17 February 2021) until the novation of the agreement on 9 September 2021 when LIBOR was replaced with Tokyo unsecured overnight rate ("TONAR") due to discontinuation of use of LIBOR as risk-free rate. From 2 February 2022 interest is being charged at TONAR plus 1.15%.

When less than 50% of the facility is being utilised, commitment fees of 0.325% (0.375% from 2 February 2022) are charged on undrawn balances. If over 50% is drawn down, 0.275% (0.325% from 2 February 2022) is payable on the undrawn amount. As at the date of this report, the Company has drawn down the ¥2.93 billion facility in full.

Under the terms of the facility the net assets shall not be less than £60 million (£75 million from 2 February 2022) and the adjusted total net assets to borrowing ratio shall not be less than 4.5:1.

The facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserves. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

11 Share capital

	As at 31 December 2021 Ordinary Shares of 1p each	
	Number of shares	Nominal value (£'000)
Allocated, called up, and fully paid	**133,220,702**	**1,332**
Treasury shares:		
Balance at beginning of year	**–**	
Buyback of Ordinary Shares into Treasury	**250,000**	
Balance at end of year	**250,000**	
Total Ordinary Share capital excluding Treasury shares	**132,970,702**	

During the year 31 December 2021, 15,730,960 (31 December 2020: 3,550,000) Ordinary Shares were issued for a net consideration of £17,289,000 (31 December 2020: £3,802,000).

During the year 250,000 Ordinary Shares (31 December 2020: nil) were bought back and placed in Treasury for an aggregate consideration of £264,000 (31 December 2020: £nil).

Notes to the Financial Statements continued

12 NAV per Ordinary Share

The NAV per Ordinary Share is based on net assets of £160,721,000 (31 December 2020: £127,950,000) and on 132,970,702 (31 December 2020: 117,489,742) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

13 Financial instruments and capital disclosures

Investment objective and policy

The investment objective of the Company is to achieve a total return through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV.

The Company's investment objective and policy are detailed on page 22.

The Company's financial instruments comprise equity investments, cash balances, receivables, payables and borrowings. The Company makes use of borrowings to achieve improved performance in rising markets. The risk of borrowings may be reduced by raising the level of cash balances held.

Risks

The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk.

The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed below.

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss which the Company might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

Market price risk

The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to Shareholders. If the fair value of the Company's investments at the year end increased or decreased by 10%, then it would have had an impact on the Company's capital return and equity of £17,125,000 (31 December 2020: £13,662,000).

Foreign currency

The value of the Company's assets and the total return earned by the Company's Shareholders can be significantly affected by foreign exchange rate movements as most of the Company's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt. The JPY exchange rate at 31 December 2021 was ¥155.96:£1 (31 December 2020: ¥141.16:£1).

Currency risk

	GBP £'000	JPY £'000	Total £'000
At 31 December 2021			
Receivables	**53**	**351**	**404**
Cash and cash equivalents	**1,363**	**6,802**	**8,165**
JPY revolving credit facility	**–**	**(18,787)**	**(18,787)**
Payables	**(244)**	**(66)**	**(310)**
Currency exposure on net monetary items	**1,172**	**(11,700)**	**(10,528)**
Investment held at fair value through profit or loss	**–**	**171,249**	**171,249**
Total net currency exposure	**1,172**	**159,549**	**160,721**

Notes to the Financial Statements continued

13 Financial instruments and capital disclosures continued

	GBP £'000	JPY £'000	Total £'000
At 31 December 2020			
Receivables	666	243	909
Cash and cash equivalents	693	5,335	6,028
JPY revolving credit facility	–	(15,231)	(15,231)
Payables	(253)	(119)	(372)
Currency exposure on net monetary items	1,106	(9,772)	(8,666)
Investment held at fair value through profit or loss	–	136,616	136,616
Total net currency exposure	1,106	126,844	127,950

A 5% decline in Sterling against foreign currency denominated (i.e. non Pounds Sterling) assets and liabilities held at the year end would have increased the NAV by £7,977,000 (31 December 2020: £6,342,000). A 5% rise in Sterling against foreign currency denominated assets & liabilities held at the year end would have decreased the NAV by £7,977,000 (31 December 2020: £6,342,000).

This exposure is representative at the Balance Sheet date and may not be representative of the period as a whole. The balances are shown in the reporting currencies of the investee companies and may not represent the underlying currency exposures of the investee companies.

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits; and
- the interest payable on variable rate borrowings.

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.

The exposure at 31 December of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	31 December 2021 £'000	31 December 2020 £'000
Exposure to floating interest rates		
Cash and cash equivalents	**8,165**	6,028
JPY revolving credit facility	**(18,787)**	(15,231)

If the above level of cash was maintained for a year, a 1% increase in interest rates would decrease the revenue return and net assets by £106,000 (31 December 2020: £92,000). Management proactively manages cash balances. If there was a fall of 1% in interest rates, it would potentially impact the Company by turning positive interest to negative interest. The total effect would be a cost increase/revenue reduction of £106,000 (31 December 2020: £92,000).

Liquidity risk

The Company's assets mainly comprise readily realisable securities which can be easily sold to meet funding commitments, if necessary. Unlisted investments, if any, in the portfolio are subject to liquidity risk. The risk is taken into account by the Directors when arriving at their valuation of these items.

Liquidity risk is mitigated by the fact that the Company has £8,165,000 (2020: £6,028,000) cash at bank, the assets are readily realisable and further short-term flexibility is available through the use of bank borrowings. The Company is a closed-ended fund, assets do not need to be liquidated to meet redemptions, and sufficient liquidity is maintained to meet obligations as they fall due.

The remaining contractual payments on the Company's financial liabilities at 31 December 2021, based on the earliest date on which payment can be required and current exchange rates at the Balance Sheet date, were as follows:

Notes to the Financial Statements continued

13 Financial instruments and capital disclosures continued

	Due in 1 year or less £'000
At 31 December 2021	
JPY revolving credit facility	**(18,787)**
Payables	**(310)**
	(19,097)

	Due in 1 year or less £'000
At 31 December 2020	
JPY revolving credit facility	(15,231)
Payables	(372)
	(15,603)

Credit risk

Credit risk is mitigated by diversifying the counterparties through which the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically, with limits set on amounts due from any one counterparty. As at 31 December 2021, cash was held with J.P. Morgan Chase Bank (A2* Moody's credit rating).

The total credit exposure represents the carrying value of cash and receivable balances and totals £8,569,000 (31 December 2020: £6,649,000).

Fair values of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The table below sets out fair value measurements of financial instruments as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**171,249**	**–**	**–**	**171,249**
	171,249	**–**	**–**	**171,249**

Financial assets at fair value through profit or loss at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	136,616	–	–	136,616
	136,616	–	–	136,616

There have been no transfers during the period between Levels 1, 2 and 3.

Notes to the Financial Statements continued

13 Financial instruments and capital disclosures continued

Capital management policies and procedures

The structure of the Company's capital is described on page 3 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 55.

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV, through an appropriate balance of equity capital and debt; and
- to maximise the return to Shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Company's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are set out in the Strategic Report. The Company is subject to externally imposed capital requirements:

- as a public company, the Company is required to have a minimum share capital of £50,000; and
- in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:
  - is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
  - is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

The Company has complied with these requirements at all times since commencing trading on 23 October 2018.

14 Related party disclosures and investment management fees

Fees paid to the Company's Directors are disclosed in the Directors' Remuneration Report on page 44 and in note 3 on page 61.

The Company paid management fees to AVI during the year amounting to £1,420,000 (2020: £1,145,000). As at the year end, £133,000 remained outstanding in respect of management fees (2020: £106,000). At 31 December 2021, AVI held 975,000 Ordinary Shares (2020: 675,000 Ordinary Shares) of the Company.

Finda Oy and City of London Investment Management Company Limited ("City of London"), significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holding in the Company's issued share capital. During the year under review no material transactions took place between the Company and Finda Oy and as at 31 December 2021 the Company had not been notified of any change to Finda Oy's holding of 30,000,000 Ordinary Shares reported in the period to 31 December 2020, apart from a change to the percentage held by Finda Oy due to an increase in the issued share capital. At the date of the latest notification, on 25 February 2021, Finda Oy's holding represented 22.8% of the Ordinary Shares in issue and, as at 31 December 2021, no further notifications have been received since that date (2020: 25.5%). During the year under review, City of London increased their holding in the Company and notified the Company on 17 February 2021 that their holding had increased to 17.7% of the issued capital on that date. As at 31 December 2021, no further notifications have been received from City of London (2020: 11.1%).

15 Post Balance Sheet events

Since 31 December 2021 the Company has issued 4,241,000 Ordinary Shares at an average price of 116p as detailed on pages 34 and 35.

On 2 February 2022 the Company entered into an amendment and restatement agreement between the Company and The Bank of Nova Scotia, London Branch which amended and restated the ¥2,930,000,000 revolving facility agreement which was originally entered into on 5 April 2019. Details of the facility can be found in note 10 on page 65.

As is well known, on 24 February 2022 Russia invaded Ukraine in what is first and foremost a humanitarian tragedy. While there are no positive takeaways, the economic impact on Japan, and indeed AJOT, should be limited. Nonetheless our companies do operate in a globally-linked economy, and while there could be spillover effects from the ever-developing situation, these are most likely to be felt in Japan through higher commodity prices, not as company-specific shocks to our portfolio.

AIFMD Disclosures

The Company's AIFM is Asset Value Investors Limited.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within an AIFMD Investor Disclosure Document. This, together with other necessary disclosures required under AIFMD, can be found on the Company's website www.ajot.co.uk. All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The AIFM's remuneration disclosures can be found on the Company's website www.ajot.co.uk.

Glossary

Alternative Performance Measure ("APM")

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The definitions below are utilised for the measures of the Company, the investment portfolio and underlying individual investments held by the Company. Certain of the metrics are to look through to the investments held, excluding certain non-core activities, so the performance of the actual core of the investment may be evaluated. Where a company in the investment portfolio holds a number of listed investments these are excluded in order to determine the actual core value metrics.

Comparator Benchmark

The Company's Comparator Benchmark is the MSCI Japan Small Cap Index, expressed in Sterling terms. The benchmark is an index which measures the performance of the Japan Small Cap equity market. The weighting of index constituents is based on their market capitalisation. Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yard stick to compare investment performance.

Cost

The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Discount/Premium

If 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.

The discount and performance are calculated in accordance with guidelines issued by The AIC. The discount is calculated using the net asset values per share inclusive of accrued income with debt at market value.

Earnings Before Interest and Taxes ("EBIT")

EBIT is equivalent to profit before finance costs and tax set out in the statement of comprehensive income.

Enterprise Value ("EV")

Enterprise Value reflects the economic value of the business by taking the market capitalisation less cash, investment securities and the value of treasury shares plus debt and net pension liabilities.

Enterprise Value ("EV")/Earnings Before Interest and Taxes ("EBIT")

A multiple based valuation metric that takes account of the excess capital on a company's balance sheet. For example, if a company held 80% of its market capitalisation in NFV (defined under Net Financial Value/Market Capitalisation), had a market capitalisation of 100 and EBIT of 10, the EV/EBIT would be 2x, (100-80)/10.

Enterprise Value ("EV") Free Cash Flow Yield ("EV FCF Yield")

A similar calculation to free cash flow yield except the free cash flow excludes interest and dividend income and is divided by enterprise value. This gives a representation for how overcapitalised and undervalued a company is. If a company were to pay out of all of its NFV (defined under Net Financial Value/Market Capitalisation) and the share price remained the same, the EV FCF Yield would become the FCF yield. For example, take a company with a market capitalisation of 100 that had NFV of 80 and FCF of 8. The FCF yield would be 8%, 8/100, but if the company paid out all of its NFV the FCF yield would become 40%, 8/(100-80). This gives an indication of how cheaply the market values the underlying business once excess capital is stripped out.

Free Cash Flow ("FCF") Yield

Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing

Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. 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.

Glossary continued

Gearing continued

The gearing of 11.7% (31 December 2020: 11.9%) represents borrowings of £18,787,000 (31 December 2020: £15,231,000) expressed as a percentage of Shareholders' funds of £160,721,000 (31 December 2020: £127,950,000). The gearing of -6.6% (31 December 2020: -6.8%) represents borrowings net of cash of (£10,528,000) (31 December 2020: (£8,666,000) expressed as a percentage of Shareholders' funds of £160,721,000 (31 December 2020: £127,950,000).

Net Asset Value ("NAV")

The NAV is Shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of Ordinary Shares in issue.

Net Cash/Market Capitalisation

Net cash consists of cash and the value of treasury shares less debt and net pension liabilities. It is a measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a net cash/market capitalisation of 100% is zero.

Net Financial Value ("NFV")/Market Capitalisation

Net Financial Value consists of cash, investment securities (less capital gains tax) and the value of treasury shares less debt and net pension liabilities. A measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a NFV/market capitalisation of 100% is zero.

Ongoing Charges Ratio

The Company's Expense Ratio is its annualised expenses (excluding finance costs and certain non-recurring items) of £2,115,000 (2020: £1,856,000) (being investment management fees of £1,447,000 (2020: £1,218,000) and other expenses of £668,000 (2020: £638,000) less non-recurring expenses of £nil (2020: £nil) expressed as a percentage of the average monthly net assets of £146,056,000 (2020: £119,025,000) of the Company during the year.

Portfolio Discount

A proprietary estimate of how far below fair value a given company is trading. For example, if a company with a market capitalisation of 100 had 80 NFV and a calculated fair value of the operating business of 90, we would attribute it a discount of -41%, 100/(90+80) -1. This indicates the amount of potential upside. The company trading on a -41% discount has a potential upside of +69%, 1/(1-0.41).

Portfolio Yield

The weighted-average dividend yield of each underlying company in AJOT's portfolio.

Return on Equity ("ROE")

A measure of performance calculated by dividing net income by Shareholder equity.

ROE ex Non-Core Financial Assets

Non-core financial assets consists of cash and investment securities (less capital gains tax) less debt and net pension liabilities. The ROE is calculated as if non-core financial assets were paid out to Shareholders. Companies with high balance sheet allocations to non-core, low yielding financial assets have depressed ROEs. The exclusion of non-core financial assets gives a fairer representation of the true ROE of the underlying business.

Total Return – NAV and Share Price Returns

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends received by a Shareholder are assumed to have been reinvested in either additional shares in the Company or in the assets of the Company at the prevailing NAV, in either case at the time that the shares begin to trade ex-dividend.

Investing in the Company

The Company's Ordinary Shares are listed on the London Stock Exchange and can be bought directly on the London Stock Exchange or through the platforms listed on www.ajot.co.uk/how-to-invest/platforms/.

Share Prices

The share price is published daily in The Financial Times, as well as on the Company's website: www.ajot.co.uk

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Link Group, using the contact details given below or via www.signalshares.com. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into Shareholders' bank accounts, dividend tax vouchers are sent to Shareholders' registered addresses.

Registrar Customer Support Centre

Link Group Customer Support Centre is available to answer any queries you have in relation to your shareholding:

– By phone: from the UK, call 0371 664 0300, from overseas call +44 (0) 371 664 0300 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);

– By email: enquiries@linkgroup.co.uk; and

– By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Change of Address

Communications with Shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Link Group using the contact details given above, under the signature of the registered holder.

Daily NAV

The daily NAV of the Company's shares can be obtained from the London Stock Exchange or via the website: www.ajot.co.uk

Company Information

Directors

Norman Crighton *(Chairman)*
Ekaterina (Katya) Thomson
Yoshi Nishio
Margaret Stephens

Administrator

Link Alternative Fund Administrators Limited
Beaufort House
51 New North Road
Exeter
EX4 4EP

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Corporate Broker

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Custodian

J.P. Morgan Chase Bank
National Association
London Branch
25 Bank Street
Canary Wharf
London
E14 5JP

Depositary

J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London
E14 5JP

Investment Manager and AIFM

Asset Value Investors Limited
2 Cavendish Square
London
W1G 0PU

Registered office

Beaufort House
51 New North Road
Exeter
Devon
EX4 4EP

Registrar and Transfer Office

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Registrar's Shareholder Helpline

Tel. 0371 664 0300
From overseas call: +44 (0) 371 664 0300
Calls are charged at the standard geographic rate and will vary by provider. Calls from 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.

Secretary

Link Company Matters Limited
Beaufort House
51 New North Road
Exeter
Devon
EX4 4EP

Solicitors

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

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