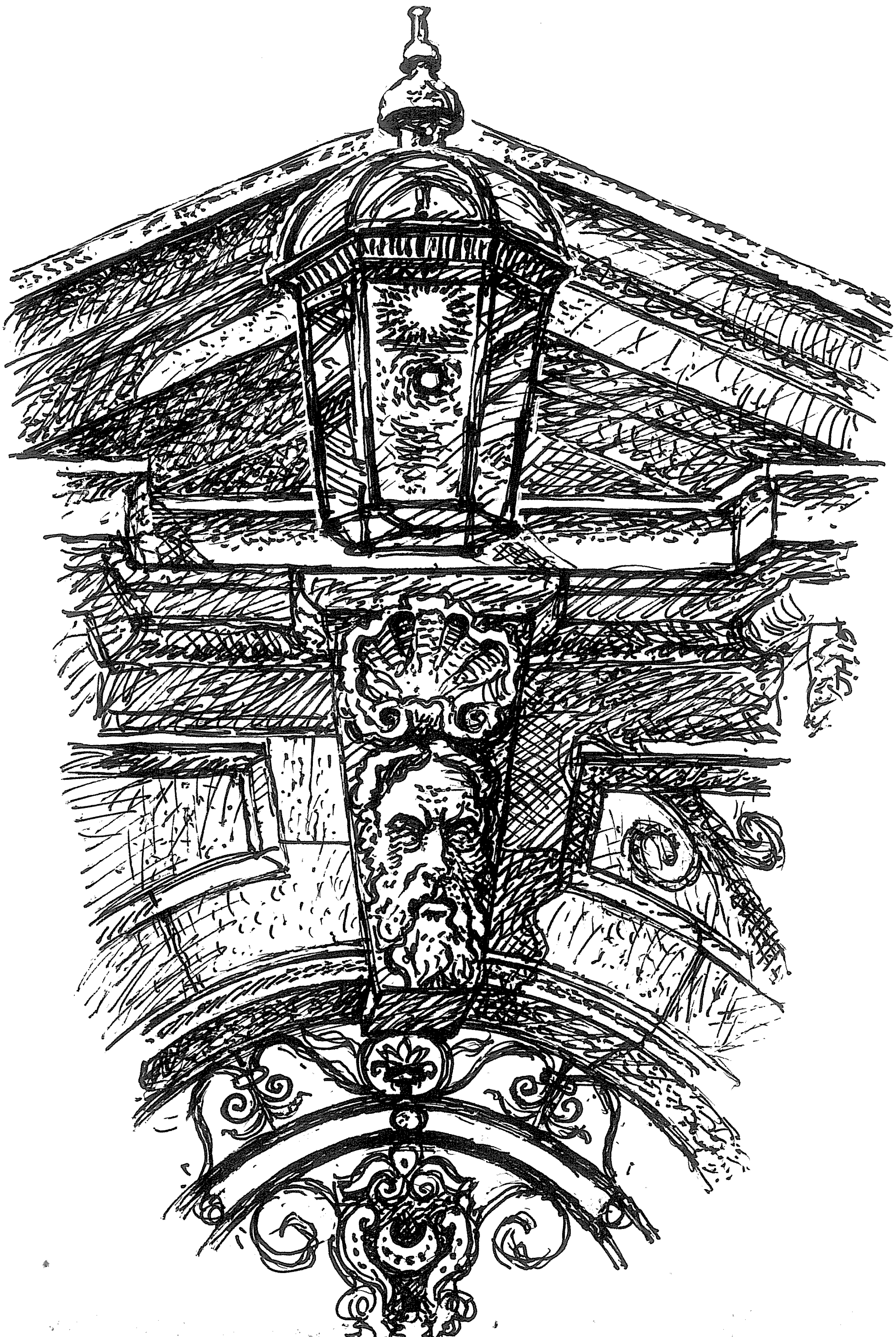
Keystone Investment Trust plc

Annual Financial Report

Year ended 30 September 2020



Investment Objective

Keystone Investment Trust plc's objective is to provide shareholders with long-term growth of capital, mainly from UK investments.

Nature of the Company

The Company is a public listed Investment Company whose shares are traded on the London Stock Exchange. The business of the Company consists of investing the pooled funds of its shareholders, according to a specified investment objective and policy (set out on page 6), with the aim of spreading investment risk and generating a return for shareholders. The Company has borrowings, the proceeds from which can also be invested with the aim of enhancing returns to shareholders. This additional investment increases the potential risk to shareholders should the value of the investments fall.

The Company has contracted with an external investment manager, Invesco Fund Managers Limited (the 'Manager'), to manage its investments and for the Company's general administration. Other administrative functions are contracted to external service providers. The Company has a Board of non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. The Company has no employees.

Cover Illustration

In traditional architecture, the keystone is an essential feature of arch construction. It locks the other stones of the arch into position, allowing the arch to bear weight, and its central visual position, at the apex of a semi-circle, makes it a natural focus for decoration. This elaboration emphasises its role in the arch's construction, showing that the arch is firmly locked, and also makes obvious the keystone's sense of weight, efficiency and reliability.

The historic colleges of Cambridge include many of the UK's finest stone buildings, and our illustrator, Jon Harris – artist, author and historic buildings expert – has drawn a handsomely carved keystone from one of these buildings, to form the centrepiece for the annual financial report cover. It depicts a keystone with the bearded face – reputedly a depiction of Father Cam, a river god mentioned in Milton's poetry – which presides over the entrance of Trinity Hall. It belongs to an eighteenth-century refacing of a fourteenth-century range but was repositioned here after a restoration in the 1850s – after a fire – by the architect Anthony Salvin (today best known for his restoration of Alnwick Castle).

Jeremy Musson, Cambridge 2015

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The Company's shares qualify to be considered as mainstream investment products suitable for promotion to retail investors.

If you have any queries about Keystone Investment Trust plc, or any of the other investment companies managed by Invesco, please contact Invesco's Client Services Team on

0800 085 8677

www.invesco.co.uk/keystone

The Company is a member of
aic
The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

Total Return[(1)(3)] (dividends reinvested)		
Change for the year	2020	2019
Net asset value (NAV)[(2)]	–15.0%	+1.1%
Share price	–14.5%	–4.1%
FTSE All-Share Index[(4)]	–16.6%	+2.7%

	AT 30 SEPTEMBER 2020	AT 30 SEPTEMBER 2019	% CHANGE
Capital Statistics			
Net assets (£'000)	190,325	257,606	–26.1
NAV[(2)(3)] per share	305.80p	372.48p[(5)]	–17.9
Share price[(1)]	253.00p	308.00p[(5)]	–17.9
FTSE All-Share Index[(1)(4)]	3,282.3	4,061.7	–19.2
Discount[(3)] of share price to NAV[(2)] per share	(17.3)%	(17.3)%	
Gearing from borrowings[(2)(3)] – gross	10.5%	15.1%	
– net	10.2%	6.1%	

	FOR THE YEAR TO 30 SEPTEMBER 2020	2019	% CHANGE
Revenue Statistics			
Net revenue available for ordinary shareholders (£'000)	4,815	7,516	
Revenue return per ordinary share	7.41p	11.12p[(5)]	–33.4
Dividends per ordinary share[(6)] – first interim	2.40p	—	
– second interim	2.40p	4.80p[(5)]	
– third interim	2.40p	2.40p[(5)]	
– fourth interim	4.00p	4.00p[(5)]	
	11.20p	11.20p[(5)]	—
– special	—	0.734p[(5)]	
– total	11.20p	11.934p[(5)]	–6.2
Ongoing charges[(3)]:			
Excluding performance fee	0.55%	0.54%	
Performance fee	0.00%	0.00%	

(1) Source: Refinitiv.
(2) Figures with debt at market value.
(3) Alternative Performance Measure (APM). See Glossary of Terms and Alternative Performance Measures on pages 72 to 74 of the financial report for full details of the explanation and reconciliations of APMs.
(4) The benchmark index of the Company.
(5) Comparative restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.
(6) The Company moved to a quarterly dividends model in 2019 and, as a consequence of the timing of this decision, the sum of the first and second interim dividends for 2020 compares to the second interim dividend for 2019.

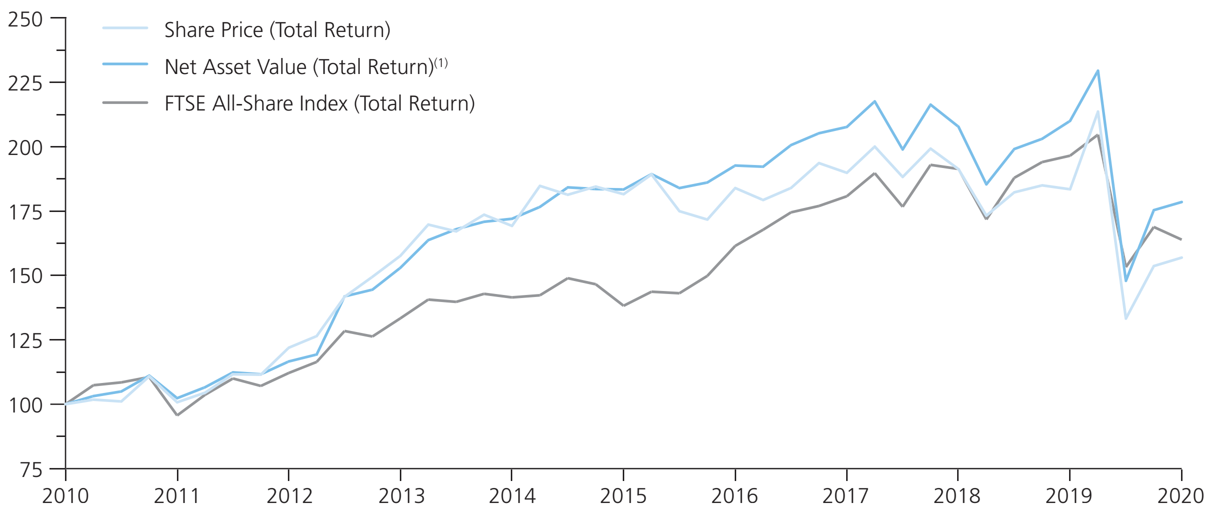
Ten Year Historical Record

		DIVIDENDS PER SHARE[1]			NET ASSET VALUE PER SHARE[1]			
YEAR ENDED 30 SEPTEMBER	REVENUE EARNINGS PER SHARE[1] P	ORDINARY P	SPECIAL P	TOTAL P	DEBT AT MARKET VALUE P	DEBT AT PAR P	SHARE PRICE[1] P	ONGOING CHARGES[2] %
2011	9.10	9.30	—	9.30	239.27	245.73	227.10	0.99
2012	9.82	9.70	—	9.70	262.07	273.48	263.60	0.95
2013	11.48	10.00	1.40	11.40	332.02	342.46	329.20	0.96
2014	11.85	10.10	1.60	11.70	361.23	370.25	341.80	0.87
2015	12.81	10.20	2.46	12.66	373.41	384.09	355.20	0.71
2016	12.41	10.60	1.06	11.66	378.98	391.97	347.10	0.69
2017	12.30	11.00	0.94	11.94	395.98	407.41	346.00	0.61
2018	11.17	11.20	0.35	11.55	384.34	393.74	337.00	0.54
2019	11.12	11.20	0.734	11.934	372.48	381.11	308.00	0.54
2020	**7.41**	**11.20**	**—**	**11.20**	**305.80**	**305.80**	**253.00**	**0.55**

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.
(2) All calculations exclude performance fees where applicable.

Ten Year Total Return Performance

Figures have been rebased to 100 at 30 September 2010



Source: Refinitiv.

Total Return per Ordinary Share to 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	THREE YEARS	FIVE YEARS	TEN YEARS
NAV %[1]	+2.3	+13.9	+31.2	+12.4	+6.6	+5.1	+7.8	0.0	+1.1	–15.0	–14.0	–2.7	+78.5
Share Price %	+0.8	+21.0	+29.3	+7.4	+7.3	+1.3	+3.2	+0.8	–4.1	–14.5	–17.3	–13.6	+56.9
FTSE All-Share Index %	–4.4	+17.2	+18.9	+6.1	–2.3	+16.8	+11.9	+5.9	+2.7	–16.6	–9.3	+18.6	+63.9

Source: Refinitiv.

[1] Figures with debt at market value.

CHAIRMAN'S STATEMENT

Performance

The share price total return to shareholders over the year to 30 September 2020 was –14.5% (2019: –4.1%), with total return on the underlying net asset value (NAV) per share of –15.0% (2019: +1.1%). The benchmark, the FTSE All-Share Index, posted a total return of –16.6% (2019: +2.7%). At the year end, the share price stood at a discount of 17.3% (2019: 17.3%) to the NAV.

Performance has been significantly impacted by the extreme market turmoil caused by the Covid-19 pandemic. Market sentiment has remained against UK domestic stocks and an investment process anchored in valuation. I wrote last year that the Manager's contrarian approach to seeking truly undervalued companies in the UK requires patience and he has remained true to his convictions. There are signs that this approach has begun to pay off. Your Company's NAV per share outperformed the benchmark by 13.7% in the second half of the year under review. The Manager's Report section of the Strategic Report provides a review of market and portfolio performance during the year and his view of the outlook.

The Board recognises the benefits of a closed-end fund structure in extremely volatile markets such as those experienced as a result of the Covid-19 pandemic. Unlike open-ended counterparts, closed-end funds are not obliged to sell down portfolio holdings at low valuations to meet liquidity requirements for redemptions. During times of elevated volatility and market stress, the ability of a closed-end fund structure to remain invested for the long term enables the Manager to adhere to disciplined fundamental analysis from a bottom-up perspective and be ready to respond to dislocations in the market as opportunities present themselves.

Discount and Buyback Authority

The weighted average discount of the investment companies in the UK All Companies sector widened further through the year. It was 12.6% at 30 September 2020 compared with 8.3% at 30 September 2019 (source: JP Morgan Cazenove). The average discount at which the Company's ordinary shares traded relative to their underlying NAV (with debt at market value) over the past year widened to 14.9%, from 12.9% last year.

The Board believes that share buy-backs offer the opportunity to purchase, at a discount, exposure to the Company's portfolio of quality investments that are themselves undervalued. During the period to the end of September 2020, the Company repurchased into treasury for an aggregate consideration of £16.9 million, the equivalent of 5.35 million ordinary shares of 10p each, representing 7.9% of the issued ordinary share capital at the beginning of the year. These shares were purchased at an average discount of 13.9% to NAV and the enhancement to NAV was approximately £2.7 million, or 1.4% of shareholders' funds at the year end. The Board continues to monitor the discount level closely, although investment performance is the key contributor in driving demand for shares and narrowing the discount.

Borrowings

The Company redeemed all of its outstanding debenture and bonds on 13 March 2020. The redemption was funded from a new flexible and cost efficient bank facility. The legacy debt securities were redeemed at prices that were close to the fair value of the liabilities, so substantial interest savings were secured at negligible cost to NAV.

The Board is responsible for the Company's gearing strategy and sets parameters within which the Manager operates. The Board revised these parameters in March 2020 so that no net purchases should be made that would take the level of net gearing above 15% of net assets and that sales be made if, as a result of market movements, net gearing rose higher than 20% (previously 15%) of net assets. This increased flexibility was given to the Manager at a time of extreme volatility in share prices as financial markets reacted to news of the pandemic and the Board did not want the Manager to be forced to sell assets at distressed prices. Net gearing stood at 10.2% at 30 September 2020 compared with 6.1% at 30 September 2019.

Sub-division of the Company's Share Capital

Following approval by shareholders at the AGM on 11 February 2020, the Company's shares were sub-divided on a 5 for 1 basis, effective on 13 February 2020. The intention of the share split was to improve market liquidity and to make the Company more attractive to retail investors.

Revenue and Dividends

The revenue return after tax for the year was 7.41p per ordinary share, significantly down from last year's equivalent of 11.12p(1) per share, reflecting a number of dividend cuts by companies held in the portfolio. Special dividends received from portfolio companies were negligible during the year.

(1) Comparative restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

Since May 2019, the Board has been paying quarterly dividends in order to provide shareholders with a more attractive flow of income. In light of the fall in revenues this year, the Board wishes to make full use of the investment trust structure by using the Company's reserves such that the total ordinary dividend for the year to 30 September 2020 will support the Company's record of either increasing or maintaining the level of ordinary dividends each year since 1976. The Board has declared a fourth interim dividend, in lieu of a final, of 4.00p per share, with a significant element funded from the revenue reserve, giving a total ordinary dividend for the year of 11.20p per share (2019: 11.20p, adjusted for the share split). This equates to a yield of 4.4% at 30 September 2020, which was ahead of the UK All Companies sector average of 3.3% (source: JP Morgan Cazenove). The dividend will be paid on 24 December 2020 to shareholders on the register on 4 December 2020.

Following payment of the fourth interim dividend for the year ended 30 September 2020 the Company's revenue reserve will be £2,369,000, which broadly equates to one third of a year's dividend payments. Beyond this, the Company has extensive capital reserves from which to fund future dividends if required.

Outlook

The Board has been encouraged by early signs since the year end that the Manager's differentiated investment approach anchored in value is continuing to pay off. From 1 October to 30 November 2020, the Company delivered a NAV total return of 8.9% compared with a return of 8.4% for the Company's benchmark, the FTSE All-Share Index, and a share price total return of 12.3%, well in excess of the Company's benchmark.

However, the longer term outlook for the UK remains uncertain, not least because of Brexit, and this is compounded by the relatively narrow opportunity set that the UK stock market offers. Moreover, many of our traditional shareholders are less inclined to use an investment trust to access listed UK equities and need to be able to deal in ever greater size. In September 2020, the Company appointed Stanhope Consulting to advise the Board on strategic options for the Company. Given a number of challenging structural trends, we concluded that a UK focused equities mandate did not represent the best longer term investment opportunity, nor did it make best use of the unique features of the investment trust structure. Based on our analysis, we believe the best long term opportunities are not geographically constrained and that secular developments in the industry – not least the growing desire among investors for a more responsible and sustainable approach to investment – also pose a threat to the Company's core position in shareholders' portfolios. We have concluded that moving to a Global All-Cap approach under new management, with a commitment to achieving positive impact as well as capital growth, would be in the best interests of our shareholders. Accordingly, we will be publishing proposals for shareholder approval in the new year.

AGM

The AGM will be held on 10 February 2021 at 43-45 Portman Square, London W1H 6LY at 12.30pm. At the time of publication, the current Government guidelines stipulate that large gatherings of people are prohibited. These restrictions are likely to remain in place for some time. Accordingly, we feel compelled to plan for the meeting to be held in a different format with attendance limited to the minimum quorum required by the Company's Articles.

For that reason, this year's AGM will be restricted to the formal business, set out in the Notice of Meeting on pages 66 to 69. It is recommended that shareholders exercise their votes by means of registering them with the Company's Registrar ahead of the meeting, online or by completing paper proxy forms, and appoint the Chairman of the meeting as their proxy.

Recognising the potential for shareholders to be unable to attend and ask questions, the Board invites anyone with questions on the business of the meeting, or otherwise, to address them to the Company Secretary in advance of the meeting, by email to investmenttrusts@invesco.com or, by letter, to 43-45 Portman Square, London W1H 6LY. Questions will be relayed to the Board and responses provided. The Board recommends that shareholders vote in favour of all resolutions, as each of the Directors who hold shares intends to do in respect of their own shares.

Karen Brade
Chairman

4 December 2020

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

BUSINESS REVIEW

Purpose, Strategy and Business Model

Keystone Investment Trust plc is an investment company holding investments with a market value in excess of £210 million and its investment objective is set out below. The Company's purpose is to generate sustainable long term returns for its shareholders through investing predominately in publicly listed companies in the UK.

The strategy the Board follows to achieve the objective is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below.

The business model the Company has adopted to achieve its investment objective has been to contract investment management and administration to appropriate external service providers. The Board has oversight of the Company's service providers and monitors them on a formal and regular basis. The Board has a collegiate culture and pursues its fiduciary responsibilities with independence, integrity and diligence, taking advice and outside views as appropriate and constructively challenging and interacting with service providers, including the Manager.

The principal service provider at present is Invesco Fund Managers Limited (IFML or the Manager). Invesco Asset Management Limited (IAML), an associate company of IFML, currently manages the Company's investments and acts as company secretary under delegated authority from IFML. References to the Manager in this annual financial report should consequently be considered to include both entities. The Manager provides company secretarial, marketing and general administration services, including accounting, and manages the portfolio in accordance with the Board's strategy. The portfolio manager responsible for the day-to-day management of the portfolio is James Goldstone.

The Manager has delegated portfolio valuation, fund accounting and administrative services to The Bank of New York Mellon, London Branch. In addition to the management and administrative functions of the Manager, the Company has contractual arrangements with Link Asset Services as registrar and The Bank of New York Mellon (International) Limited (BNYMIL) as depositary and custodian. BNYMIL is also the Company's bank.

Investment Objective and Policy

Investment Objective

The Company's objective is to provide shareholders with long-term growth of capital, mainly from UK investments.

Investment Policy and Risk

The portfolio is invested by the Manager so as to maximise exposure to the most attractive sectors and stocks within the UK stock market and, within the limits set out below, internationally. The Manager does not set out to manage the risk characteristics of the portfolio relative to the benchmark index and the investment process will result in potentially very significant over or underweight positions in individual sectors versus the benchmark.

The Manager controls stock-specific and sector risk by ensuring that the portfolio is always appropriately diversified. In depth, continual analysis of the fundamentals of investee companies allows the portfolio manager to assess the financial risks associated with any particular stock. The portfolio is typically made up of 50 to 80 stocks. If a stock is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the index.

Investment Limits

The Board has prescribed the following limits on the investment policy, all of which are at time of investment unless otherwise stated:

- no single equity investment in a UK listed company may exceed 12.5% of gross assets;
- the Company will not invest more than 15% of its assets in other listed investment companies;
- the Company will not invest more than £12 million in bonds, with a maximum of £1.5 million in any issue;
- the Company will not normally invest more than 5% of gross assets in unquoted investments;
- the Company will not normally invest more than 20% (previously 15%)* of its equity investments in companies that are not UK listed and incorporated; and
- borrowing may be used by the Company to create gearing within limits determined by the Board.

*In April 2020, as a result of strong performance of the Company's holdings in overseas-listed gold mining companies, the aggregate exposure to overseas securities exceeded the Board's imposed limit of 15% of net assets. These holdings represent the Portfolio Manager's highest conviction investments and the Directors approved additional headroom, of up to 20%.

Gearing Policy and Restructuring of Borrowings

The Board is responsible for the Company's gearing strategy and sets parameters within which the Manager operates. During March 2020 as markets and liquidity fell sharply, the Board revised these parameters so that no net purchases should be made that would take the level of net gearing above 15% of net assets and that sales be made if, as a result of market movements, net gearing rose higher than 20% (previously 15%) of net assets. Net gearing stood at 10.2% at 30 September 2020 compared with 6.1% at 30 September 2019.

To introduce more flexible and lower cost borrowings, the Board made the decision to redeem all of the Company's outstanding debenture and bonds on 13 March 2020. The redemption was funded from a new bank facility. The legacy debt securities were redeemed at prices that were close to the fair value of the liabilities, so substantial interest savings were secured at negligible cost to NAV with debt at fair value.

Foreign Exchange

The Company has some non-sterling denominated investments and is therefore subject to foreign exchange risk. The Board monitors foreign currency exposure and takes a view, from time to time, on whether foreign currency exposure should be hedged. For some time, the Board has prescribed that all currency exposure should be hedged other than US dollar, Canadian dollar and Swiss franc. Since November 2019, the Board has provided the Manager discretion as to whether to hedge currency exposure to US dollar and Canadian dollar.

Performance

Delivery of shareholder value is achieved through outperformance of the relevant benchmark.

The Board reviews performance by reference to a number of Key Performance Indicators that include the following (all of which, apart from dividends, are Alternative Performance Measures and are defined on pages 72 to 74):

- net asset value (NAV) and share price total return compared with benchmark and peer group performance;
- share price premium/discount relative to the net asset value;
- dividends; and
- ongoing charges.

The Company's **NAV** and **share price** total returns for the year to 30 September 2020 were –15.0% and –14.5% respectively, and although disappointing, both fared marginally better than the total return of the Company's benchmark, the FTSE All-Share Index, of –16.6%. The Manager's Report on pages 14 to 17 provides commentary on the reasons for the performance.

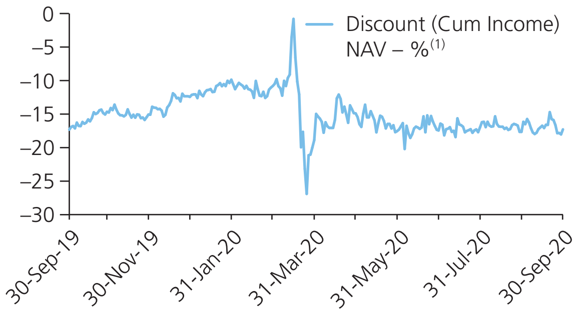
Although the total return NAV marginally exceeded the benchmark, the performance fee hurdle was not met and therefore, no performance fee has been earned for the year.

A table of the returns for the last ten years, together with a graph, can be found on page 3.

Peer group performance is monitored by comparing the Company with the 12 investment companies making up the UK All Companies sector. As at 30 September 2020, in NAV total return terms, the Company was ranked 9th in its sector over one and three years and 11th over five years (source: J.P. Morgan Cazenove). The Board also compares the Company to a bespoke list of investment companies which the Board considers to be its nearest peers.

The Board monitors the discount at which the Company's shares trade in relation to the value of the underlying assets and how this compares to other investment trusts in the AIC All Companies sector. During the year, the Company's shares traded at a **discount** relative to NAV (with debt at market value), as shown in the following graph. The discount at the year end was 17.3%. The Company's shares are likely to trade on a relatively wide discount until there is more certainty around the macro economic backdrop and in particular the UK's exit from the European Union.

STRATEGIC REPORT
BUSINESS REVIEW
continued



Source: Refinitiv.

With advice and guidance from the Company's corporate broker, Numis, the Board continues to consider and implement initiatives that could help to improve the demand for and liquidity of the shares, and hence the discount at which they trade.

Dividends form a key component of the total return to shareholders. The income from the portfolio and potential level of dividend payable is reviewed at every board meeting. The Board moved from semi-annual to quarterly dividends in May 2019 and makes full use of the investment trust structure by using the Company's reserves as required. The Board's dividend payment policy is for the Directors to declare four dividends in respect of each accounting year, with a payment in each calendar quarter. Additional special dividends may be declared, at the discretion of the Directors.

A first interim dividend of 2.4p (2019: N/A) per share was paid on 13 March 2020, a second interim dividend of 2.4p (2019: 4.8p adjusted for share split, which reflected payment of two quarters under the new quarterly model) per share was paid on 12 June 2020, a third interim dividend of 2.4p (2019: 2.4p adjusted for the share split) per share was paid on 25 September 2020, and a fourth interim dividend, in lieu of a final dividend, of 4.00p (2019: 4.00p adjusted for the share split) has been declared, which is payable on 24 December 2020 to shareholders on the register at 4 December 2020. These give a total ordinary dividend for the year of 11.20p, which maintains the same level as the previous year (2019: 11.20p, adjusted for the share split). As the Company received negligible special dividends this year, there is no special dividend (2019: 0.734p, adjusted for the share split). Due to lower dividend receipts following the effects of the Covid-19 pandemic, the fourth interim dividend of 4.00p has been mostly funded from revenue reserve. This illustrates the benefit of the investment trust structure in being able to maintain dividend payments in a difficult economic environment. The dividend history of the Company over the last ten years is shown in the table on page 3.

The ongoing charge is the industry measure of the Company's operating costs as a percentage of average net asset value[(1)] during the year. The expenses of the Company are reviewed at every board meeting, with the aim of managing costs incurred and their impact on performance. The ongoing charges figure for the past year was 0.55%, compared with 0.54% for the year to 30 September 2019. No performance fee was payable in respect of either year. The ten year record of ongoing charges is shown on page 3 and the calculation is shown in the Glossary of Terms and Alternative Performance Measures on page 73.

Financial Position

At 30 September 2020, the Company's net assets were valued at £190 million (2019: £258 million). These comprised a portfolio of mainly equity investments and net current assets.

During the year the Company redeemed its outstanding debenture and bonds on 30 March 2020. The redemption was funded by a new £40 million committed revolving credit facility provided by the Bank of New York Mellon, London Branch. The amount of the facility drawn down at the year end was £19.18 million (2019: £nil). The Company also had £0.25 million of 5% cumulative preference shares in issue.

Outlook and Future Trends

The main trends and factors likely to affect the future development, performance and position of the Company's business can be found in the Manager's Report section of this Strategic Report. Further details as to the risks affecting the Company are set out below under 'Principal Risks and Uncertainties'.

Principal Risks and Uncertainties

The Audit Committee regularly undertakes a robust assessment of the principal and emerging risks the Company faces, on behalf of the Board (see Audit Committee Report on pages 23 to 26).

(1) Figures with debt at market value.

The following are considered to be the most significant risks to the Company and to shareholders in relation to their investment in the Company and how they are being managed or mitigated. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 16 to the financial statements.

Investment Objective

There is no guarantee that the Company's strategy and business model will be successful in achieving its investment objective.

The Board monitors the performance of the Company and has established guidelines to ensure that the approved investment policy is pursued by the Manager.

Market Risk

The majority of the Company's investments are traded on the London Stock Exchange. The principal risk for investors in the Company is of a significant fall in stock markets and/or a prolonged period of decline in the markets relative to other forms of investment. The value of investments held within the portfolio is influenced by many factors including the general health of the economy, interest rates, inflation, government policies, industry conditions, political events, tax laws, environmental laws and investor sentiment. The portfolio manager has summarised in the Manager's Report section of this Strategic Report particular factors affecting the performance of markets in the year and his view of those most pertinent to the outlook for the portfolio. Such factors are out of the control of the Board and the Manager and may give rise to high levels of volatility in the prices of investments held by the Company, although the use or elimination of gearing may modify the impact on shareholder return The extreme volatility experienced in March 2020 from the market reaction to the Covid-19 virus exemplifies this risk, which has had a marked effect on both the valuation of the Company's portfolio of investments and the discount to net asset value at which the Company's shares trade.

Investment Risk

An inherent risk of investment is that the stocks selected for the portfolio do not perform well.

The investment process employed by the Manager combines top down assessment of economic and market conditions with stock selection. Fundamental analysis forms the basis of the Company's stock selection process, with an emphasis on sound balance sheets, good cash flows, the ability to pay and sustain dividends, good asset bases and market conditions. The process is complemented by constant assessment of market valuations. It is important to have a sense of a company's realistic valuation which, to some extent, will be independent of the price at which it trades in the market. Overall, the investment process aims to achieve absolute returns through a genuinely active stock selection approach. This can therefore result in a portfolio which looks substantially different from the benchmark index.

Risk management is an integral part of the investment management process. The Manager effectively controls risk by ensuring that the Company's portfolio is always appropriately diversified. Continual analysis of all holdings gives the Manager a thorough understanding of financial risks associated with them.

The portfolio of investments held at 30 September 2020 is set out on pages 18 and 19.

Past performance of the Company is not necessarily indicative of future performance.

Share Price and Dividend Risk

Shareholders are exposed to certain risks in addition to risks applying to the Company itself.

The ordinary shares of the Company may trade at a premium or discount to its NAV. The Board monitors the price of the Company's shares in relation to their NAV and the premium/discount at which they trade. The Company sub-divided each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020 in order to improve the market liquidity and make the Company more attractive to retail investors.

The value of an investment in the Company and the income derived from that investment may go down as well as up and an investor may not get back the amount invested.

While it is the intention of the Directors to pay dividends to ordinary shareholders four times a year, the ability to do so will depend upon the level of income received from securities and the timing of receipt of such income by the Company. Accordingly, the amount of the dividends paid to ordinary shareholders may fluctuate. Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also affect the level of dividend paid.

STRATEGIC REPORT
BUSINESS REVIEW
continued

The Directors seek powers to issue and buy back the Company's shares each year, which can be used to help manage the liquidity and enhance the NAV for existing shareholders. During the year, the Company repurchased into treasury for aggregate consideration of £16.9 million, including costs, the equivalent of 5.35 million ordinary shares of 10p each, representing 7.9% of the issued ordinary share capital at the beginning of the year. The enhancement to NAV was approximately £2.7 million or 1.4% of shareholders' funds at the year end. The Board also monitors the level of revenue available for distribution at each Board meeting.

Gearing

Gearing levels may change from time to time in accordance with the Manager's and the Board's assessment of risk and reward. Whilst the use of borrowings by the Company should enhance total return where the return on the Company's underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling. The Board and the Manager review gearing on a regular basis and will continue to monitor the level closely over the year ahead. The maximum gearing limit currently authorised by the Board is 15% of net assets, with additional headroom of up to 20% of net assets, due to market movements. During the year, the long term debenture stock and bonds were redeemed and this has been replaced with a revolving credit loan facility. As at 30 September 2020, net gearing from borrowings stood at 10.2% (2019: 6.1%) with debt at market value.

Reliance on the Manager and Other Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function. In particular, the Manager performs services that are integral to the operation of the Company and the custodian appointed by the depositary holds assets on its behalf. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to pursue its investment policy successfully.

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 this regard, through regular review of their control reports and business continuity plans, and is satisfied that the risk is given due priority. The Manager also provides an annual training day where a presentation on cyber risk is given. The Board is comfortable that the Manager and its service providers have adequate cyber procedures in place.

The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in potential counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to pursue its investment policy successfully. The Board receives regular updates from the Broker on market and shareholder feedback.

The Company's main service providers are listed on page 71. The Board monitors the services provided to the Company informally at every Board meeting and formally at least annually and by reference to third party independent audited control reports.

Pandemic Risk

The Directors, together with the Manager and third-party service providers, continue to monitor the Covid-19 situation closely. A range of actions have been enacted to ensure that the Company and its service providers are in a good position to continue to run their business even if there is prolonged disruption.

The Manager's business continuity plans are reviewed on an ongoing basis and the Directors are satisfied that the Manager has in place robust plans and infrastructure to minimise the impact on its operations so that the Company can continue to trade, meet regulatory obligations, report and meet shareholder requirements.

The Manager has mandated work from home arrangements and split team working will be implemented when business premises reopen. Any meetings are being held virtually or via conference calls.

The Company's other service providers have similar working arrangements in place.

Regulatory

The Company is subject to various laws and regulations by virtue of its status as a public limited company, as an investment trust and as an alternative investment fund. A loss of investment trust status, under section 1158 of the Corporation Tax Act 2010, could lead to the Company being subject to capital gains tax on the profits arising from the sale of its investments. A serious breach of other regulatory rules might lead to suspension from the Stock Exchange. Other control failures, either by the Manager or another of the Company's service providers, might result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with tax and other regulatory financial requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance Officer produces regular reports for review by the Company's Audit Committee.

In addition to these risks, the outcome and potential impact on the Company of the ongoing Brexit situation remains unclear at the time of writing. The majority of the Company's assets, liabilities and income are denominated in Sterling and the Company has the ability to hedge non-Sterling positions, should there be sharp movements in exchange rates to the pound. Separately, investor sentiment might lead to increased or reduced demand for the Company's shares, in the light of continued Brexit uncertainty, which would be reflected in a narrowing or widening of the discount at which the Company's shares trade relative to their net asset value. Overall, the Board does not expect the Company's business model, over the longer term, to be affected by Brexit.

Viability Statement

The Company is a collective investment vehicle rather than a commercial business venture and is designed and managed for long term investment. The Company's investment objective clearly sets this out. Long term for this purpose is considered by the Directors to be at least five years and accordingly they have assessed the Company's viability over that period. However, the life of the Company is not intended to be limited to that or any other period.

In their assessment of the Company's viability, the Directors have performed a robust assessment of the emerging and principal risks. The Directors considered the risks to which it is exposed, as set out on pages 9 to 11, together with mitigating factors. Their assessment considered these risks, as well as the Company's investment objective, investment policy and strategy, the investment capabilities of the manager and the business model of the Company. Their assessment also covered the current outlook for the global economy and equity markets, especially so during the Covid-19 disruption this year; demand for and buybacks of the Company's shares; the Company's borrowing structure; the liquidity of the portfolio; and the Company's future income and annual operating costs. In the short term, it appears that the availability of income continues to be sorely tested, with a large number of companies suspending or substantially reducing dividends. However, the Company's operating costs are modest. Consideration was given to the borrowing structure, including the amount the NAV could fall without breaching the covenants of the revolving credit facility and the amount of debt cover. The Company was able to renegotiate the credit facility to insure against potential pressure on those covenants. The low point in the Company's net asset value during the worst of the Covid-19 market disruption was on 19 March 2020 and at that point there was some £19.9 million of headroom above the credit facility total asset value covenant which was then £150 million. At the year end the amount drawn down on the credit facility was £19.2 million and there was £91.4 million headroom over the amended credit facility total asset value covenant of £120 million.

Based on the above, and assuming there is no significant adverse change to the regulatory environment and tax treatment of UK investment trusts, the Directors confirm they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

Board's Duty to Promote the Success of the Company

The Directors have a fiduciary duty to act, in good faith, for the benefit of shareholders taken as a whole. Section 172 of the Companies Act 2006 codifies this duty and also widens the responsibility to incorporate the consideration of wider relationships that are necessary for the Company's sustainability. Using the terminology of the Act, the Directors have a duty to promote the success of the Company, whilst also having regard to certain broader matters, including the need to engage with

STRATEGIC REPORT
BUSINESS REVIEW
continued

employees, suppliers, customers and others, and to have regard to their interests. This is reflected in ESG matters on page 13 and in the summary of the Board's responsibilities on pages 58 and 59.

In fulfilling these duties, and in accordance with the Company's nature as an investment company with no employees and no customers in the traditional sense, the Board's principal concern has been, and continues to be, the interests of the Company's shareholders taken as a whole. Notwithstanding this, the Board has a responsible governance culture and also has due regard for broader matters so far as they apply. In particular, the Board engages with the Manager at every Board meeting and reviews the Company's relationships with the other service providers, such as the registrar, depositary and custodian, at least annually. The Board continues to be content with the services provided by the Manager and other service providers.

Some of the key decisions taken by the Board during the year were:

- to put a vote to shareholders on the subdivision of the Company's shares in order to improve the market liquidity and make the Company more attractive to retail investors;
- to commence share buybacks allowing the Company to purchase, at a discount, exposure to the Company's portfolio of quality investments that were themselves undervalued;
- to redeem the outstanding debenture stock and bonds early and replace them with a more flexible and cost efficient bank facility;
- to promote differentiation by encouraging a more enhanced approach to corporate governance at portfolio construction level.

Shareholder relations are given a high priority by the Board. The prime medium by which the Company communicates with shareholders is through the annual and half-yearly financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the publication of monthly factsheets and the NAV of the Company's ordinary shares, which is published daily via the London Stock Exchange and on the Company's section of the current Manager's website at www.invesco.co.uk/keystone. Other information available on the web page includes pre-investment information, key information document (KID), schedule of matters reserved for the Board, terms of reference of Board Committees, Directors' letters of appointment and proxy voting results.

There is a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all such communication, other than junk mail, is redirected to the Chairman.

There is a regular dialogue with individual major shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to develop a balanced understanding of their issues and concerns. The Manager also engages in a series of regional meetings throughout the year to promote the Company to institutional shareholders, analysts and potential investors.

In normal circumstances, shareholders are invited to attend the AGM but this year, as explained in the Chairman's Statement, it will be in a different format and shareholders should lodge their questions to the Company Secretary as set out below. The Company Secretary will ensure that questions received will be replied to by the appropriate person after the AGM and be made available on the Company's web page on the Invesco website.

It is the intention of the Board that the annual financial report and the notice of the AGM be issued to shareholders so as to provide twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card, via the current Manager's website (www.invesco.co.uk/keystone) or in writing to the Company Secretary at investmenttrusts@invesco.com or, in hard copy, to 43-45 Portman Square, London W1H 6LY. At other times the Company responds to queries from shareholders on a range of issues.

Board Diversity

The Company's policy on diversity is set out on page 57. The Nomination Committee considers diversity, including the balance of skills, knowledge, gender and background, amongst other factors, when reviewing the composition of the Board and appointing new directors. Although the Board has not set a specific target or quota in this regard, it has aspired to meet the Hampton Alexander return target of 33% female board representation and has achieved this. At the date of this report, the Board comprises five non-executive directors of whom two, including the Chairman, are women thereby constituting 40% female board representation. Summary biographical details of the Directors are set out on page 20. The Company has no employees.

Environment, Social and Governance (ESG) Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited direct application. A greenhouse gas emissions statement is included in the Directors' Report on page 61. In relation to the portfolio, the Company has, for the time being, delegated the management of the Company's investments to the Manager, who has an ESG Guiding Framework which sets out a number of principles that are intended to be considered in the context of its responsibility to manage investments in the financial interests of shareholders.

The Henley based UK Equities investment team is fully integrated into the Manager's proprietary approach to ESG, whereby ESG considerations form part of the evaluation of ideas, company dialogue and portfolio monitoring. ESG flags may arise from the team's proprietary research or from an external ESG rating provider. These flags highlight issues for further analysis and engagement with company management by members of the team independently, or in partnership with the ESG team. Additionally, the Manager's ESG team provides formalised ESG portfolio monitoring. This is a rigorous semi-annual process where the portfolio is reviewed from an ESG perspective. This ensures a circular process for identifying flags and monitoring of improvements over time.

The Manager is committed to being a responsible investor and became a signatory of the United Nations Principles of Responsible Investment (PRI) in 2013, which demonstrates its extensive efforts in terms of ESG integration, active ownership, investor collaboration and transparency. In addition, the Manager achieved a global 'A+' rating for the third consecutive year from the PRI for Strategy and Governance. In 2019, the MSCI upgraded the Manager's ESG rating from BBB to A and under its membership of the Carbon Disclosure Project it reports annually on its carbon footprint. The Manager is also a signatory to the FRC UK Stewardship Code 2012 and has achieved a Tier 1 Status for its approach to stewardship. Invesco is committed to maintaining its strong approach towards investment stewardship under the revised 2020 UK Stewardship Code which it intends to adhere to and report against going forward.

During the year to 30 September 2020, the Manager engaged with a number of companies in the portfolio to discuss their own sustainable practices. The Manager believes that proxy voting is the hallmark of active ownership and serves as a powerful mechanism to drive responsible investment, engagement and investment stewardship. Reports on proxy voting for the Company's portfolio, the Manager's Stewardship Code and the Manager's Global ESG Stewardship Report can be obtained via the Manager's website at www.invesco.co.uk.

Modern Slavery Act 2015

The Company is an investment vehicle and does not provide goods or services in the normal course of its business or have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

MANAGER'S REPORT

Market Review

It has been a volatile 12 months for the UK equity market, dominated by concerns around the outlook for global economic growth, the protracted Brexit negotiations and the UK General Election in December 2019, but these issues have been surpassed for most of 2020 by the impact of Covid-19. The three months to the end of March saw the biggest quarterly fall in equity markets for more than three decades. The social and economic impact has been devastating and will take years to recover from. Additional ongoing issues such as US-China trade relations, Brexit, domestic politics and the US Presidential Election have also added to the background noise in recent months.

The disruption to business activity caused by Covid-19 in the first quarter of 2020 has been extraordinary and the consequent precipitous fall in financial markets was unsurprising as many businesses either stopped trading entirely as a result of the country being locked down, or activity fell to such low levels that they were effectively closed. As a result, many companies announced the suspension or deferral of dividends and others sought to refinance in order to ensure that they had sufficient liquidity to see them through the crisis.

At the end of March, the UK's biggest banks were instructed by the Prudential Regulation Authority (PRA) to cancel their dividends which, in a number of cases had already been declared, in order to further strengthen their balance sheets. While this was seen as a bold move by the PRA it should be understood in the context of the extensive support they have been given by the authorities around the recognition of impairments as well as the underwriting of so much credit risk by government schemes. The banks had their role to play in supporting lending to households and businesses to help the economy withstand the impact of Covid-19.

The fiscal and monetary stimulus deployed by global governments was on a scale not seen before but was necessary to avert an economic and social catastrophe. As the number of cases of the virus abated throughout the summer and the lockdown eased, we witnessed a recovery in the UK market which delivered its biggest quarterly rise in a decade from the market lows of March. This was encouraging but market commentators were quick to point to the risks of a second wave in the autumn.

The UK equity market traded broadly sideways for most of the summer although it remained volatile. As investor concern grew about a second wave of the virus, the FTSE All-Share Index declined in the third quarter of 2020 as fears of further lockdowns grew and share prices came under pressure. The UK government, meanwhile, made further pledges to spend more money on the post-pandemic recovery. Additional measures including a successor to the furlough scheme were announced in September. This should provide further support to the recovery in the economy which, whilst still heavily burdened, has started to emerge in recent weeks. The challenge for governments is to provide a level of effective support, while at the same time recognising the need to control levels of borrowing. The new measures announced by the Chancellor of the Exchequer will add to government debt, but they were less generous than the previous package. UK government borrowing continued to reach new highs in August.

Towards the end of the twelve month period the FTSE All-Share Index continued to trade below the pre Covid-19 levels of February but above the market low that was witnessed in March. Uncertainty around a national lockdown as a result of a steep rise in Covid-19 infections weighed on share prices into the Autumn, along with concerns around progress in Brexit negotiations. Since the end of the period however, the FTSE All-Share Index has performed strongly as a result of positive news around the successful development of a vaccine. This news has been received extremely positively and expectations are that vaccination programmes will start in the coming weeks. This news bodes well for getting the economy back on track in 2021. At the same time Brexit negotiations continue and, while there remains uncertainty on some key issues, there is room for cautious optimism that a negotiated settlement will be reached with the EU before the end of the year.

Portfolio Review

The prevailing uncertainty in markets as a result of Covid-19 and Brexit make it a difficult task to position the portfolio as not knowing the length of the impact of the virus, or the outcome of the Brexit negotiations, means that it is impossible to have a definitive view on what the future holds. As such I have positioned the portfolio as optimally as I can for the various possible scenarios. Over the twelve month period I sought to reduce exposure to the worst affected sectors of the economy instead favouring those that would prove more resilient while retaining exposure to those companies that I believe would recover strongly on more encouraging news. I have tried to keep a balance in the portfolio of companies I would categorise as more defensive and those that appear more risk exposed.

Considering the market volatility experienced as a result of the impact of Covid-19 it is perhaps no surprise that the Company's holdings in the gold mining sector have been the best performers in the portfolio. Having modestly outperformed the gold price leading up to the Covid-19 crisis, they briefly mirrored the mid-March weakness in gold before starting to perform very strongly. Since peaking at the beginning of August the gold price and the share prices of the gold mining holdings have edged back slightly but the thesis underpinning their position in the portfolio remains valid.

Media group Future, which specialises in the publication of consumer magazines and websites, was a strong performer over the twelve-month period despite being impacted by the market weakness mid-March. The company released a strong trading statement in July indicating that the business had continued to grow despite the crisis and a further trading statement at the beginning of September has prompted analysts to increase estimates.

CVS, which is involved in veterinary services, updated the market on trading in July. As a resilient business the company had coped relatively well with the crisis and trading began to return to normal in the summer as lockdown eased. The share prices of Next and JD Sports Fashion gained on the strength of their differentiated distribution models coming to the fore as consumption picked up. Next benefitted from an upgrade to annual profit expectations as second quarter results beat analyst estimates. Further news that Next's online business had returned to full capacity was greeted favourably by the market. Overall, Next's online business including 'click and collect' did particularly well. JD Sports Fashion had resilient sales during the pandemic due to very strong growth in its own online revenues. This switch to online came with additional costs but the share price rose strongly on the news of reinstated guidance for strong full-year profits which, whilst below last year's, were impressive under the circumstances.

Meanwhile beverages company Fevertree Drinks recently released half year results and announced an increase to its dividend. The company cited strength and confidence in the business together with strong cash generation but did caution that it was not immune to the Covid-19 crisis. Revenues had been impacted by the closure of pubs and restaurants but strength in shops and supermarkets had been encouraging.

A new position in Compass Group was initiated in late May. The company engages in the provision and distribution of food and support services globally, catering for a variety of sectors including industry, healthcare and education. Following the market lows of March, the share price had been weak as lockdowns around the globe impacted the business and a position was purchased in the portfolio. The company has taken measures to cut costs and strengthen its balance sheet by cutting its dividend, putting staff on furlough and reducing boardroom pay. The company is well placed to benefit from the easing of lockdowns. However, third quarter revenues were weaker than expected and the company is predicting a slow recovery. The position contributed positively to relative performance, but has now been sold due to expectations of more muted activity for the time being.

Tesco is a significant overweight in the portfolio and contributed positively on a relative basis despite the share price falling slightly over the period. Tesco is well capitalised with around £2 billion of cash on the balance sheet. The company had to employ a large number of extra staff during lockdown, which added to the £725 million of Covid-19 costs, but these were in part made up for by increased sales. Online orders have more than doubled with customers utilising 'click and collect' as well as delivery. The business believes that the current crisis has accelerated the shift to online. Successful application of picking technology and efficient use of urban fulfilment centres will be a key part of Tesco's success in this area.

Being underweight banks (particularly HSBC which accounts for over half of the UK banking sector) and oil & gas producers was helpful for the portfolio as both sectors came under pressure. Bank share prices are beleaguered as their dividends were halted by the PRA and as a result of falling bond yields. Impairments caused by Covid-19 have yet to be fully quantified and are of concern to the market but the international financial reporting standard - IFRS 9, has forced the front-loading of provisions in advance of borrowers defaulting; actual defaults are yet to be incurred and the adequacy of provisions to date will be key to share prices in the next 6 to 12 months. Oil majors BP and Royal Dutch Shell both cut their dividends early in the crisis and the share prices of both fell on market pessimism that oil demand, and prices, could take a long time to recover.

Weaker performances over the twelve-month period were seen from aerospace and defence company Babcock International. The company cancelled its March and June dividends in order to preserve cash until it had greater certainty around the impact of the pandemic. Revenues and underlying operating profit were impacted and the company attributed much of the loss in profits to a reduction in productivity

STRATEGIC REPORT
MANAGER'S REPORT
continued

as working practices were forced to change in light of the virus and to the loss of a large nuclear decommissioning contract. The company has stated that it intends to prioritise strengthening the balance sheet and reducing net debt. A newly appointed CEO has recently joined the business who brings relevant experience from Cobham, which had suffered with its own problems in recent years and where his strategies were successful.

Johnson Service, which provides textile rental services, has been heavily impacted by the crisis as restaurants and hotels closed during the lockdown. Many hotels and restaurants have now reopened but trading will take some time to normalise. The company raised money over the summer and is therefore in a stronger financial position as a result.

Travel and leisure sector businesses easyJet, On The Beach and Hollywood Bowl, have been severely impacted by travel restrictions and the closure of leisure and entertainment establishments. easyJet has recently stated that it will only fly approximately 25% of its schedule through to the end of the year which is a reduction from the 38% figure over the summer months. There is currently no plan for the dividend to be reinstated. The company is focusing on its most profitable routes and is well placed to reopen operations to meet demand should the environment for travel improve. Intermediary holiday company On The Beach is also well placed to benefit from any pick up in travel. It is less asset intensive than other holiday businesses and has been better able to endure the trading conditions caused by the pandemic.

Construction has also been weaker in the last twelve months. Housebuilder Barratt Developments saw its profits halve after construction and home sales were significantly impacted by the pandemic and the business was forced to temporarily shut its building sites in order to protect staff. Despite the profit impact the company stated that it had a resilient balance sheet and would weather the disruption. The company had already communicated earlier in the year that it would not be paying a dividend to shareholders in order to conserve cash and it has also now said that a special dividend due to be paid next year will be cancelled. Going forward however, the outlook appears more promising, sales and completion rates are up more than 20% year on year, the order book remains healthy and the net cash position has improved.

Over the period there were a handful of stocks in the FTSE All-Share Index that performed particularly well but that the portfolio did not hold. These were Unilever, AstraZeneca and Reckitt Benckiser which are in the consumer staples and healthcare sectors. The share prices of these stocks have all performed well for some time as they are considered to be more resilient in volatile market conditions and have been favoured by investors during the pandemic. These companies were already trading on high valuations prior to the pandemic and this trend has continued.

Environmental, Social & Governance (ESG)

ESG factors are increasingly important in assessing the value of a company. Poor ESG credentials for a company can have a significant negative impact on the value of the business and its share price whilst improvements can have a positive effect. ESG considerations and sustainability are therefore central to my investment process and any prospective investment is scrutinised on each of the three factors. This helps me to identify areas of potential risk, but also areas where improvement can be made through engagement and thus real opportunities to create value can be discovered.

I have paid particular attention to the governance factor for some time believing that strong governance can significantly reduce risk to a business. I have examined the code on corporate governance in great detail and have developed a number of good governance criteria to develop a framework where I can judge the qualities, risks and improvement of these criteria for any of the companies I own or might own in the future. This framework draws on multiple third-party sources, significant in-house resource, and also factors in my own engagement with the companies and allows me discretion in determining what is poor, improving, good and sector leading. I am seeking potential for improvement rather than perfection.

Outlook

While recent news of the successful development of a vaccine for Covid-19 is very welcome the UK continues to face some significant headwinds until this is manufactured and distributed at scale. As part of its ongoing efforts to mitigate the impact of the Covid-19 outbreak, the UK government has put in place a series of substantial monetary and fiscal measures to support corporate and household cash flow. Bank of England interest rates remain at historic lows of 0.1%, and are further supported by large scale asset purchases. The strength and depth of the UK's economic policy response offers us some reassurance. However, I expect markets to be volatile as the pandemic continues to evolve as the vaccine is distributed and as other factors such as Brexit negotiations and a new US President in January will have an effect on global markets.

The after effects of Covid-19 will have significant economic consequences that will extend beyond the short term. The restrictions put in place to limit the further spread of Covid-19 while the vaccine is distributed will naturally have a large impact on a wide range of economic indicators. With significant areas of private sector output currently subject to severe disruption and the exit path from lockdown yet to be determined, the range of possible outcomes for economic activity over the remainder of 2020 and into 2021 is much wider than normal.

Company earnings estimates have been revised down significantly since the start of the pandemic but visibility remains very low and guidance by companies has been in large part withdrawn. As the effects of the virus start to fade, the measures implemented by the government and the Bank of England will, in my view, encourage some degree of stabilisation of economic activity and the resumption of economic growth as we move through 2021.

The environment for gold remains supportive despite the gold price having fallen slightly from its recent high in the summer. The portfolio's holdings in four North American gold mining companies have performed their protective role admirably during the market volatility and now represent c.15% of the portfolio (end September 2020). At the current gold price their valuations remain extremely attractive and if things develop as I anticipate, gold has further gains to make. I believe that these four companies are best in class and have good sustainability credentials which are increasingly being recognised. Barrick Gold recently won the Capital Finance International award for Best Sustainable Mining Strategy (Africa) as a result of its collaborative local partnerships and shared stakeholder benefits. These stocks continue to play a critical role in the portfolio, and I intend to maintain the position at or around its current weighting for the foreseeable future.

When I took over the management of the Company in April 2017 the portfolio contained a number of legacy holdings where there was either no liquidity in the market to dispose of them, or they were unlisted. This tail of small positions meant that the number of holdings in the portfolio that were being actively managed looked greater than was the reality. Except for a small number of unlisted holdings with negligible value, I have substantially completed the process of disposing of the other illiquid holdings over the 12 month period to the end of September. Having redeployed these proceeds, I now have a more concentrated portfolio that reflects my convictions.

Gearing at the end of September was around 10%. It was slightly lower going into the crisis at around 8% but as the market fell this pushed the gearing higher. The Board also took the decision in February to redeem the Company's two outstanding debentures that had relatively high interest costs compared to other available sources of borrowing. These debentures were replaced with a more flexible, lower cost, bank facility. At the present time I am comfortable with the level of gearing but remain ready to adjust should the environment change.

James Goldstone, Portfolio Manager

The Strategic Report was approved by the Board of Directors on 4 December 2020.

Invesco Asset Management Limited
Company Secretary

STRATEGIC REPORT
INVESTMENTS IN ORDER OF VALUATION

AT 30 SEPTEMBER 2020

UK listed ordinary shares unless stated otherwise

Investments

COMPANY	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
Barrick Gold – *Canadian Listed*	Mining	12,031	5.7
British American Tobacco	Tobacco	8,868	4.2
Newmont – *US Listed*	Mining	7,871	3.7
Tesco	Food & Drug Retailers	7,687	3.6
SSE	Electricity	7,227	3.4
Agnico Eagle Mines – *Canadian Listed*	Mining	7,116	3.4
Barclays	Banks	7,018	3.3
JD Sports Fashion	General Retailers	7,003	3.3
BP	Oil & Gas Producers	6,802	3.2
Next	General Retailers	6,362	3.0
Top Ten Investments		**77,985**	**36.8**
Future	Media	5,952	2.8
Ultra Electronics	Aerospace & Defence	5,618	2.7
Coats	General Industrials	5,182	2.5
Wheaton Precious Metals – *Canadian Listed*	Mining	5,161	2.5
Fevertree Drinks[AIM]	Beverages	4,833	2.3
CVS[AIM]	General Retailers	4,804	2.3
PureTech Health	Pharmaceuticals & Biotechnology	4,545	2.2
RELX	Media	4,498	2.1
Sigma Capital[AIM]	Financial Services	4,208	2.0
Babcock International	Aerospace & Defence	4,125	2.0
Top Twenty Investments		**126,911**	**60.2**
Pearson	Media	3,989	1.9
Phoenix Spree Deutschland	Real Estate Investment & Services	3,811	1.8
Vodafone	Mobile Telecommunications	3,781	1.8
Ashtead	Support Services	3,586	1.7
HomeServe	General Retailers	3,350	1.6
National Grid	Gas, Water & Multiutilities	3,032	1.5
PRS REIT	Real Estate Investment Trusts	2,994	1.4
Victoria[AIM]	Household Goods & Home Construction	2,992	1.4
XPS Pensions	Financial Services	2,986	1.4
Burford Capital[AIM]	Financial Services	2,984	1.4
Top Thirty Investments		**160,416**	**76.1**
Urban Logistics REIT[AIM]	Real Estate Investment Trusts	2,585	1.2
– *Rights*		–	
Chesnara	Life Insurance	2,542	1.2
Johnson Service[AIM]	Support Services	2,528	1.2
MJ Gleeson	Household Goods & Home Construction	2,505	1.2
Hays	Support Services	2,480	1.2
DS Smith	General Industrials	2,452	1.2
Sirius Real Estate	Real Estate Investment & Services	2,353	1.1
Essentra	Support Services	2,308	1.1
Pennon	Gas, Water & Multiutilities	2,294	1.1
Countryside	Household Goods & Home Construction	2,281	1.1
Top Forty Investments		**184,744**	**87.7**
Barratt Developments	Household Goods & Home Construction	2,195	1.0
Bushveld Minerals[AIM]	Mining	2,015	1.0
Harworth	Real Estate Investment & Services	1,981	0.9
United Utilities	Gas, Water & Multiutilities	1,934	0.9
Secure Trust Bank	Banks	1,849	0.9
Lancashire	Non-life Insurance	1,681	0.8
McBride	Household Goods & Home Construction	1,658	0.8
DFS Furniture	General Retailers	1,594	0.8
On the Beach	Travel & Leisure	1,349	0.6
Elementis	Chemicals	1,296	0.6
Top Fifty Investments		**202,296**	**96.0**

COMPANY	SECTOR	MARKET VALUE £'000	% OF PORTFOLIO
easyJet	Travel & Leisure	1,237	0.6
IAG	Travel & Leisure	1,233	0.6
Marwyn Value Investors	Equity Investment Instruments	1,227	0.6
Ceres Power Holdings[AIM]	Alternative Energy	1,174	0.6
Safestyle UK[AIM]	General Retailers	1,097	0.5
Tungsten[AIM]	Financial Services	889	0.4
Distribution Finance Capital[AIM]	Financial Services	792	0.4
Sherborne Investors Guernsey C	Financial Services	768	0.3
Nexeon[UQ]	Electronic & Electrical Equipment	16	–
Eurovestech[UQ]	Financial Services	9	–
Top Sixty Investments		**210,738**	**100.0**
Jaguar Health	Pharmaceuticals & Biotechnology		
– *US indemnity shares*[UQ]		–	–
Motif Bio	Pharmaceuticals & Biotechnology		
– *ADR warrants 9 Nov 2021*[UQ]		–	–
Total Investments 62 (2019: 73)		**210,738**	**100.0**

AIM: Investments quoted on AIM.

UQ: Unquoted investment.

ADR: American Depositary Receipts – are certificates that represent shares in the relevant stock and are issued by a US bank. They are denominated and pay dividends in US dollars.

DIRECTORS

Karen Brade†
Mrs Brade was appointed to the Board on 18 January 2018 and became Chairman of the Board and the Nomination Committee on 22 January 2019. She began her career at Citibank working on multi-national project finance transactions. She was a director at the Commonwealth Development Corporation and Actis, a leading emerging markets private equity firm, where she worked with the investment and portfolio management teams, and subsequently on fund raising and investor development in South Asia and China. Since 2005 she has been an adviser to hedge funds, family offices and private equity houses. Mrs Brade is currently chairman of Aberdeen Japan Investment Trust plc, and non-executive director of Augmentum Fintech plc. She is also an external member of Albion Capital's Investment Committee.

John Wood†
Mr Wood was appointed to the Board on 8 March 2011. He was a fund manager at Artemis Investment Management until August 2009, where he primarily managed institutional and hedge fund portfolios invested in UK and Continental European securities. Prior to this he was Head of UK Equities at Deutsche Asset Management.

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

Ian Armfield†
Mr Armfield was appointed to the Board on 1 November 2012 and became the Chairman of the Audit Committee on 22 January 2013. He is a director of Managed Pension Funds Limited. He is also a Board member of the National Employment Savings Trust Corporation and chairman of the Audit and Risk Committee for The Pearson Pension Plan. He was previously an audit and risk assurance partner at PricewaterhouseCoopers LLP for 20 years, where he specialised in the asset management and pensions sectors.

William Kendall
Mr Kendall was appointed to the Board in April 2002. He is a trustee of the Grosvenor Estate and a director of Wheatsheaf Group Limited which is owned by the Grosvenor Estate. He is also a Trustee of the Gascoyne Cecil Estate, a director of Samworth Brothers, a founder director of Nemadi Advisors Limited, which advises on investments in the smaller companies sector and Chairman of Cawston Press, a premium soft drink manufacturer. He was previously chief executive of Green & Black's Limited, a premium organic chocolate brand in the UK, and chief executive of The New Covent Garden Soup Company Limited.

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

THE COMPANY'S GOVERNANCE FRAMEWORK

The Board and Committees

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management to the Manager and administration to the Manager and other external service providers.

The Board

Five non-executive directors (NEDs)

Chairman: Karen Brade

Key responsibilities:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed; and
- to constructively challenge and scrutinise performance of all outsourced activities.

Management Engagement Committee Function

The Board as a whole performs this function

Key responsibility:

- to review the performance of the Manager.

Audit Committee

All NEDs except William Kendall

Chairman
Ian Armfield

Key responsibilities:

- to oversee financial reporting, risk assessment and the control environment;
- to manage the relationship with the external auditor, including fees and any non audit services; and
- to review other service providers.

Nomination Committee

All NEDs

Chairman
Karen Brade

Key responsibilities:

- to review the Board's structure and composition; and
- to make recommendations for any new appointments and on succession planning.

Remuneration Committee Function

The Board as a whole performs this function

Key responsibility:

- to set the remuneration policy of the Company.

The Portfolio Manager

James Goldstone

James is the sole manager of the Keystone Investment Trust plc portfolio (appointed in April 2017) and the UK equity pension and pan-European equity mandates. He also manages the UK equities portfolio of Invesco Perpetual Select Trust plc (appointed in October 2016).

He was appointed co-manager of the Invesco High Income Fund (UK) and the Invesco Income Fund (UK) in May 2020, alongside Ciaran Mallon.

Prior to joining Invesco in August 2012, James was co-head of pan-European sales at Banco Espirito Santo in London.

James began his career in pan-European equity sales at Credit Lyonnais in 2001 and went on, via HSBC and Dresdner Kleinwort, to specialise in UK equity sales.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Board is committed to maintaining high standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

The Directors have considered the principles and recommendations of the latest AIC Code of Corporate Governance (AIC Code). The AIC Code addresses all the principles set out in the UK Corporate Governance Code (UK Code), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The AIC Code is available from the Association of Investment Companies website (www.theaic.co.uk). The UK Code is available from the Financial Reporting Council website (www.frc.org.uk).

The Company has complied with the recommendations of the AIC Code and provisions of the UK Code, except the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director (explained further on page 56).

For the reasons set out in the AIC Code, the Board considers these provisions are not relevant to the position of Keystone Investment Trust plc, being an externally managed investment company with no executive employees and, in relation to the third, in view of the Manager having an internal audit function.

Information on how the Company has applied the principles of the AIC Code, and consequently the UK Code, follows:

- the composition and operation of the Board and its committees are summarised on page 21, pages 57 to 59, and pages 23 to 26 in respect of the Audit Committee;
- the Board's diversity policy is set out on page 57;
- the Company's approach to internal control and risk management is summarised on pages 25 and 26;
- the contractual arrangements with, and assessment of, the Manager are summarised on pages 60 and 61;
- the Company's capital structure and voting rights are summarised on pages 61 and 62;
- the most substantial shareholders in the Company are listed on page 62;
- the rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are discussed on page 56. There are no agreements between the Company and its directors concerning compensation for loss of office; and
- powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require appropriate resolutions to be passed by shareholders.

By order of the Board

Invesco Asset Management Limited
Company Secretary

4 December 2020

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Audit Committee reviews and reports to the Board on the Company's financial reporting, risk management and internal control systems and the independence and effectiveness of the external auditors. It is chaired by Ian Armfield and the other members during the year under review were John Wood, Karen Brade and Katrina Hart. At the discretion of the Audit Committee Chairman, Mr Kendall may be invited to attend Audit Committee meetings as a guest.

The Audit Committee's Activities

The Audit Committee's activities are governed by detailed terms of reference which are reviewed on an annual basis, the last review being in May 2020. A copy of the terms of reference can be found on the Company's section of the Manager's website at www.invesco.co.uk/keystone.

The Committee is responsible for a range of matters including:

- consideration of the half-year and annual financial statements prepared by the Manager, the appropriateness of the accounting policies applied and any financial reporting judgements and key assumptions therein;
- monitoring developments in accounting and reporting requirements that impact on the Company's compliance with relevant statutory and listing requirements;
- consideration of the narrative elements of the annual financial report, including (on behalf of the Board) whether the annual financial report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders;
- evaluation of reports received from the auditors with respect to the annual financial statements and reports received from the Manager's internal audit and compliance departments with respect to internal controls and risk;
- management of the relationship with the external auditors, including their appointment, remuneration and evaluation of the scope, effectiveness, independence and objectivity of the audit; and
- evaluation of the effectiveness of the internal control and risk management systems including reports received on the operational controls of the Company's service providers.

The Committee met three times during the year to review the half-year and annual financial reports and the internal financial and non-financial controls and risk management framework.

Two of the meetings were attended by representatives of the external auditors, PricewaterhouseCoopers LLP. They presented their audit plan at a meeting in July 2020, during which items of audit focus were discussed and agreed. Subsequently, prior to approval of the annual financial report, they presented a report to the Committee on the nature, scope and results of their audit and discussed, amongst other things, the items for audit focus that had been identified in the audit plan. The representatives of the auditors were also given the opportunity to speak to the Committee without the presence of the Manager.

Representatives of the Manager's company secretarial and administration teams attended all meetings. Representatives of the Manager's internal audit and compliance departments also attended the Committee meetings at which the half-year and annual financial reports were considered in order to suitably inform the Committee on internal control, risk and regulatory matters that might have a bearing on the Company's business.

The Committee considered the effectiveness of the company secretarial and administration services provided by the Manager in connection with the production of the half-year and annual financial reports and the year end audit process. With respect to the latter this included the drafting of the financial statements, timely identification and resolution of areas of accounting judgement, the implementation of new regulatory requirements and the timely provision of drafts of the annual financial report for review by the auditors and the Committee. In this regard the Committee assessed the Manager's services to be good.

AUDIT COMMITTEE REPORT

continued

Accounting Matters and Significant Areas

The Audit Committee considered the appropriateness of its accounting policies at the meeting when it reviewed the half-year results and agreed with the auditors when discussing the audit plan the more significant accounting matters in relation to the Company's annual financial statements. For the year end the accounting matters that were subject to specific consideration by the Committee and consultation with the auditors where necessary were as follows:

SIGNIFICANT AREA	HOW ADDRESSED
Accuracy of the portfolio valuation	Actively traded listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments that are unlisted or not actively traded now form an insignificant part of the portfolio.
The allocation of management fees and finance costs between revenue and capital	The allocation is reviewed by the Committee annually taking into account the long-term split of returns from the portfolio, both historic and projected; the objective of the Company; yields; and the latest market practice of peers.
Risk that global economic disruption cause by Covid-19 will affect the Company's ability to continue as a going concern and the operational resilience of the key service providers.	The Board has reviewed the impact of market volatility related to the Covid-19 pandemic on the Company's portfolio holdings and has received regular updates on portfolio performance from the Portfolio Manager, including portfolio liquidity and revenue forecasts. The Audit Committee has received updates from key service providers in respect of their business continuity plans to address the issues posed by Covid-19 and are confident that they will be able to continue to provide a good level of service for the foreseeable future. The Audit Committee concluded that the Company's business model remains viable and that the Company has sufficient resources to continue in operation and to meet all liabilities as they fall due.

All the above were satisfactorily addressed through consideration of reports provided by, and discussed with, the Manager and the auditors. Following a thorough review process, the Audit Committee advised the Board that the 2020 annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In normal circumstances, shareholders are invited to attend the AGM but this year, as explained in the Chairman's Statement, shareholders should lodge any questions related to the financial statements to the Company Secretary at investmenttrusts@invesco.com or, in hard copy, to 43-45 Portman Square, London W1H 6LY. The Company Secretary will ensure that questions received will be replied to by the appropriate person after the AGM and be made available on the Company's web page on the Invesco website.

The External Audit, Review of its Effectiveness and Auditors' Reappointment

The Audit Committee advises the Board on the appointment of the external auditors, sets their remuneration for audit and non-audit work and assesses their effectiveness, independence and objectivity.

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

At the completion of the audit the Committee undertook a review of the quality and effectiveness of the audit process. A formal evaluation process incorporating views from the members of the Committee and relevant personnel at the Manager was followed and feedback was provided to the auditors. Areas covered by this review included:

– the calibre of the audit firm, including reputation and industry presence;

– the extent of quality controls including review processes, partner oversight, and annual reports from their regulator;

– the performance of the audit team including skills of individuals, specialist knowledge, partner involvement, team member continuity, and quality and timeliness of audit planning and execution;

– audit communication including planning, relevant accounting and regulatory developments, approach to significant accounting risks, communication of audit results and recommendations on corporate reporting;

– ethical standards including independence and integrity of the audit team, lines of communication to the Committee and partner rotation; and

– reasonableness of the audit fees.

No other services are provided by the auditors and it is the Company's policy not to seek substantial non-audit services from its auditors. Were the provision of significant non-audit services being considered, the Committee would assess whether the particular skills of the audit firm made them a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit.

For the 2020 financial year, the Committee was satisfied with the auditors' effectiveness, independence and the objectivity of the audit process. Accordingly, the Committee is satisfied that PricewaterhouseCoopers LLP has fulfilled its obligations to shareholders and as independent auditors to the Company.

A resolution proposing the reappointment of PricewaterhouseCoopers LLP as the Company's auditors for the year to 30 September 2021 and authorising the Audit Committee to determine their remuneration will be put to shareholders at the forthcoming AGM.

Internal Controls and Risk Management

The Company's risk assessment and the way in which significant risks are managed is a key area of focus for the Committee. The Committee has undertaken a robust assessment of the risks to the Company, both in respect of its operations and longer term viability. The Committee's assessment took into account the controls exercised by the Board and its delegates, the Manager and other service providers, utilising a risk matrix. This matrix continues to serve as an effective tool to highlight and monitor the principal risks to the Company, which are summarised in the Strategic Report.

For the year under review, the Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Most of these risks are market related and are similar to those of other investment trusts investing primarily in listed markets. The Audit Committee reviews the Company's risk control summary at each meeting, and as part of this process, gives consideration to identifying emerging risks. Any emerging risks that are considered to be of significance are recorded on the Company's Risk Control Summary with any mitigations. In carrying out this assessment, consideration is being given to the market and possible regulatory uncertainty arising from Brexit and the impact from the Coronavirus (Covid-19) outbreak.

The Committee, on behalf of the Board, is responsible for ensuring that the Company maintains a sound system of internal control to mitigate risk and safeguard shareholders' investments and the Company's assets. The effectiveness of the Company's system of internal controls, including financial, operational and compliance and risk management systems is reviewed at least annually. The Company's system of internal control is designed to manage rather than eliminate risk, including that of failure to adhere to the Company's Investment Policy. Appropriate action is taken to remedy any significant failings or weaknesses identified from these reviews. No significant items were identified in the year.

AUDIT COMMITTEE REPORT
continued

The Manager and custodian maintain their own systems of internal controls. The Committee received and considered, together with representatives of the Manager, reports in relation to the operational controls of the investment manager, accounting administrator, custodian and share registrar. The Committee also receives regular reports from the Manager's internal audit and compliance departments and has direct access to the depositary, which reports to the Committee at least annually.

The Committee has reviewed and accepted the Manager's 'Whistleblowing' policy under which staff of Invesco Fund Managers Limited can, in confidence, raise concerns about possible improprieties or irregularities in matters affecting the Company.

Internal Audit

Due to the nature of the Company, being an externally managed investment company with no employees, and in view of the Manager having an internal audit function, the Company does not have its own internal audit function.

Committee Evaluation

The Committee's activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found under 'Board, Committee and Directors' Performance Appraisal' on pages 57 and 58.

Ian Armfield
Chairman of the Audit Committee

4 December 2020

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Board presents this Remuneration Report which has been prepared under the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and in accordance with the Listing Rules of the Financial Conduct Authority. An advisory resolution for the approval of the Annual Statement and Report on Remuneration will be put to shareholders at the Annual General Meeting (AGM).

The Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The independent auditors' opinion is included on pages 31 to 36.

Remuneration Responsibilities

The Board has resolved that a remuneration committee is not appropriate for a company of this size and nature. Remuneration is therefore regarded as part of the Board's responsibilities to be addressed regularly. All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered.

Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the AGM on 11 February 2020 and became effective on that date.

The Board's policy is that the remuneration of Directors should be fair and reasonable in relation to that of other comparable investment companies and be sufficient to retain and motivate appointees, as well as ensure that candidates of a high calibre are recruited to the Board. Remuneration levels should properly reflect time incurred and responsibility undertaken. Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum currently dictated by the Company's Articles of Association is £150,000 in aggregate per annum. Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company. Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at board and general meetings and committees. Also, the Directors may, in the furtherance of their duties, take legal advice at the Company's expense up to an initial cost of £10,000, having first consulted with the Chairman. Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no agreements between the Company and its Directors concerning compensation for loss of office. The same principles will apply to any new appointments.

The Directors' fees are subject to regular review by the Board having regard to the above factors. The Company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director.

The Company has no employees and consequently has no policy on the remuneration of employees.

The Board will consider, where raised, shareholders' views on Directors' remuneration.

Annual Statement on Directors' Remuneration

As disclosed in the last annual financial report, the Directors decided last year to increase their fees with effect from 1 February 2019.

Fees from 1 February 2019 were as follows: Chairman £30,000; Audit Committee Chairman £25,000; other Directors £21,000.

When the Board undertook its regular remuneration review during the year under review it decided that fees should increase to the following from 1 July 2020: Chairman £33,000; Audit Committee Chairman £27,500; other Directors £23,000. No additional discretionary payments were made in the year, or in the previous year, and no Director took legal advice at the Company's expense.

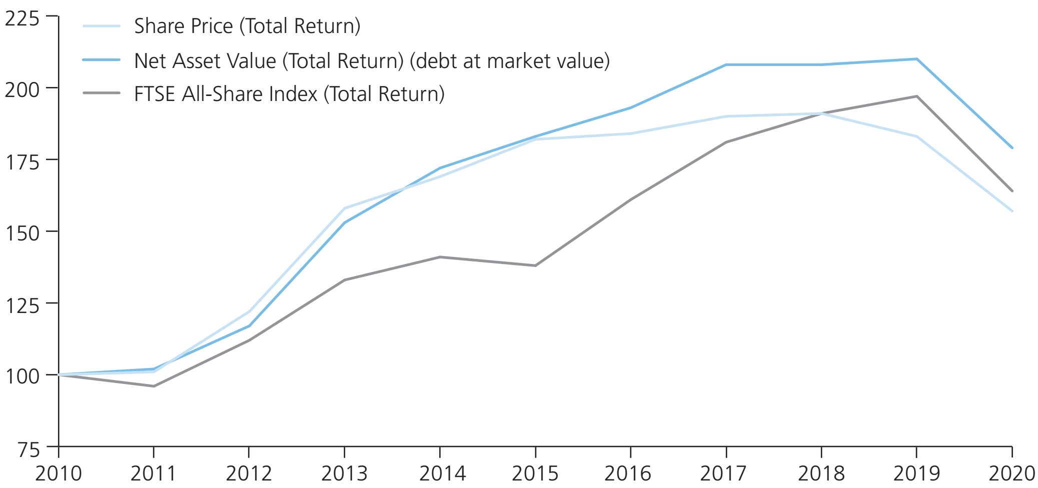
DIRECTORS' REMUNERATION REPORT
continued

Report on Remuneration for the Year Ended 30 September 2020

The Company's Performance

The graph below plots, in annual increments, the net asset value total return and share price total return to ordinary shareholders compared to the total return of the FTSE All-Share Index over the ten years to 30 September 2020. This index is the benchmark adopted by the Company for comparison purposes.

Figures have been rebased to 100 at 30 September 2010. A graph showing the performance over the last ten years plotted daily is shown on page 3.



Source: Refinitiv.

Single Total Figure of Remuneration for the year (Audited)

The single total figure of remuneration for each Director is detailed below, together with the prior year comparative.

	2020 £	2019 £
Karen Brade (Chairman)	30,750	26,890
Ian Armfield (Audit Committee Chairman)	25,625	24,667
William Kendall	21,500	20,667
John Wood	21,500	20,667
Katrina Hart	21,500	20,667
Beatrice Hollond (retired 22 January 2019)	—	8,377
Total	120,875	121,935

Annual Percentage Change in Directors Remuneration

The following table sets out the annual percentage change in Directors' fees for the year to 30 September 2020.

Karen Brade (Chairman)	14.4%[1]
Ian Armfield (Audit Committee Chairman)	3.9%
William Kendall	4.0%
John Wood	4.0%
Katrina Hart	4.0%

(1) Mrs Brade became Chairman of the Board on 22 January 2019 and her fee up to that date was at the base Director fee. Since 22 January 2019, her fee was increased to the Chairman's fee, on a pro-rata basis, for the remaining financial year to 30 September 2019.

Directors' Shareholdings and Share Interests (Audited)

The beneficial interests of the Directors in the ordinary share capital of the Company at the year end are set out below:

	2020	2019[(1)]
Ian Armfield	—	—
William Kendall	31,250	31,250
John Wood	5,000	5,000
Karen Brade	2,708	2,610
Katrina Hart	9,131	5,455

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the ordinary shares, preference shares or debenture stock of the Company during the year. Since the year end, following a dividend re-investment, Mrs Brade's holding has increased to 2,732 ordinary shares. No connected person interests have been notified.

Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set.

Relative Importance of Spend on Pay

The following table compares the remuneration paid to the Directors with aggregate distributions to shareholders in the year to 30 September 2020 and the prior year. This disclosure is a statutory requirement, however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment trust with an objective of providing shareholders with long-term capital growth.

	2020 £'000	2019 £'000	CHANGE £'000
Aggregate Directors' Remuneration	121	122	–1
Aggregate Shareholder Distributions	7,104	8,067	–963

Voting at Last Annual General Meeting

At the Annual General Meeting of the Company held on 11 February 2020 an advisory resolution was put to shareholders to approve the Annual Statement and Report on Remuneration. This was passed on a poll vote. The proxy votes registered in respect of this resolution were as follows:

	VOTES FOR	%	VOTES AGAINST	%	VOTES WITHHELD
Annual Statement and Report on Remuneration	3,804,959	99.8	3,854	0.2	3,171

The Directors' Remuneration Policy was passed at the Annual General Meeting held on 11 February 2020. The proxy votes registered in respect of the resolution were as follows:

	VOTES FOR	%	VOTES AGAINST	%	VOTES WITHHELD
Directors' Remuneration Policy	3,804,889	99.9	2,934	0.1	4,160

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 4 December 2020.

Karen Brade
Chairman

Signed on behalf of the Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for ensuring that the annual financial report is prepared in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in UK and Republic of Ireland'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which 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 which enable them to ensure that the financial statements comply with company law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors confirm that:

- in so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The Directors of the Company, whose names are shown on page 20 of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with United Kingdom accounting standards on a going concern basis, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the annual financial report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Karen Brade
Chairman

Signed on behalf of the Board of Directors

4 December 2020

Electronic Publication

The annual financial report is published on *www.invesco.co.uk/keystone* which is the Company's section of the Manager's website. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KEYSTONE INVESTMENT TRUST PLC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Financial Report (the "Annual Report"), which comprise: the Balance Sheet as at 30 September 2020; the Income Statement, the Statement of Changes in Equity, and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the Company in the period from 1 October 2019 to 30 September 2020.

Our audit approach

Overview

- Overall materiality: £1.9 million (2019: £2.6 million), based on 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Invesco Fund Managers Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from The Bank of New York Mellon, London Branch (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using information obtained from the Administrator.

- Valuation and existence of investments.
- Accuracy, occurrence and completeness of dividend income.
- Consideration of the impact of COVID-19.

The scope of our audit

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KEYSTONE INVESTMENT TRUST PLC

continued

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 11 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase net asset value. Audit procedures performed by the engagement team included:

- discussions with the Manager and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- understanding the operating effectiveness of the Administrator's and Management's internal controls designed to prevent and detect irregularities;
- assessment of the Company's compliance with the requirements of s1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- identifying and testing journal entries, in particular year end journal entries posted by the Administrator during the preparation of the financial statements;
- reviewing financial statement disclosures to underlying supporting documentation;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing for example, targeting transactions that otherwise would be immaterial; and
- reviewing relevant meeting minutes, including those of the Audit Committee.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments *Refer to the Audit Committee Report (page 24), the Accounting Policies (page 40) and the Notes to the Financial Statements (page 45).* Listed investments comprise 99.99% of the investments portfolio at the year-end and are valued at £210.7 million. We focused on the valuation and existence of listed investments because listed investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the Financial Statements.	We tested the valuation of all the listed investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of all listed investments by agreeing the holdings of all investments to an independent confirmation from the Custodian as at 30 September 2020. No material misstatements were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Accuracy, occurrence and completeness of dividend income *Refer to the Accounting Policies (page 41) and the Notes to the Financial Statements (page 42).* ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). As the Company has a capital objective, there might be an incentive to overstate income in that category if capital is particularly underperforming. As such, we focussed this risk on the existence/occurrence of gains/losses on investments and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the 'AIC SORP')."	We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see above), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses No material misstatements were identified from this testing.
Consideration of the impact of COVID-19 *Refer to the Chairman's Statement (page 4), Principal and Emerging Risks (page 8), Viability Statement (page 11) and the Going Concern Statement (page 61), which disclose the impact of the COVID-19 coronavirus pandemic.* From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date. The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company had adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third-party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.	We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Company by: • Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19. • Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report. • We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third-party service providers. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by: • Reading the other information, including Principal Risks and Uncertainties, Viability Statement set out in the Strategic Report and the Going Concern Statement, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KEYSTONE INVESTMENT TRUST PLC

continued

How we tailored the audit scope

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

Materiality

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

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

Overall materiality	£1.9 million (2019: £2.6 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £95,000 (2019: £128,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 25 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 11 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 30, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 23 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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. *(CA06)*

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KEYSTONE INVESTMENT TRUST PLC

continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 2 June 2014 to audit the financial statements for the year ended 30 September 2014 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 30 September 2014 to 30 September 2020.

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

4 December 2020

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2020 REVENUE £'000	2020 CAPITAL £'000	2020 TOTAL £'000	2019 REVENUE £'000	2019 CAPITAL £'000	2019 TOTAL £'000
Losses on investments held at fair value	9	—	(40,377)	(40,377)	—	(3,796)	(3,796)
(Losses)/gains on foreign exchange		—	(473)	(473)	—	68	68
Income	2	5,848	—	5,848	8,732	279	9,011
Investment management fee and performance related fees	3	(192)	(576)	(768)	(235)	(704)	(939)
Other expenses	4	(453)	(133)	(586)	(392)	—	(392)
Net return before finance costs and taxation		5,203	(41,559)	(36,356)	8,105	(4,153)	3,952
Finance costs	5	(321)	(5,795)	(6,116)	(567)	(1,662)	(2,229)
Return before taxation		4,882	(47,354)	(42,472)	7,538	(5,815)	1,723
Taxation	6	(67)	—	(67)	(22)	—	(22)
Return after taxation for the financial year		4,815	(47,354)	(42,539)	7,516	(5,815)	1,701
Return per ordinary share							
Basic	7	7.41p	(72.87)p	(65.46)p	11.12p[1]	(8.60)p[1]	2.52p[1]

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return after taxation is the total comprehensive income/(expense) and therefore no additional statement of other comprehensive income/(expense) is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	CALLED UP SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
At 30 September 2018		6,760	3,449	466	244,888	10,583	266,146
Return after taxation		—	—	—	(5,815)	7,516	1,701
Dividends paid	8	—	—	—	—	(10,241)	(10,241)
At 30 September 2019		6,760	3,449	466	239,073	7,858	257,606
Return after taxation		—	—	—	(47,354)	4,815	(42,539)
Dividends paid	8	—	—	—	—	(7,831)	(7,831)
Shares bought back and held in treasury	13	—	—	—	(16,911)	—	(16,911)
At 30 September 2020		6,760	3,449	466	174,808	4,842	190,325

The accompanying notes are an integral part of these statements.

BALANCE SHEET

AT 30 SEPTEMBER

	NOTES	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	210,738	267,380
Current assets			
Debtors	10	54	782
Cash and cash equivalents		620	22,557
		674	23,339
Creditors: amounts falling due within one year	11	(20,837)	(1,042)
Net current (liabilities)/assets		(20,163)	22,297
Total assets less current liabilities		190,575	289,677
Creditors: amounts falling due after more than one year	12	(250)	(32,071)
Net assets		190,325	257,606
Capital and reserves			
Share capital	13	6,760	6,760
Share premium account	14	3,449	3,449
Capital redemption reserve	14	466	466
Capital reserve	14	174,808	239,073
Revenue reserve	14	4,842	7,858
Total shareholders' funds		190,325	257,606
Net asset value per ordinary share – basic			
– debt at par	15	305.80p	381.11p(1)
– debt at market value	15	305.80p	372.48p(1)

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

The financial statements on pages 37 to 55 were approved and authorised for issue by the Board of Directors on 4 December 2020.

Signed on behalf of the Board of Directors

Karen Brade
Chairman

The accompanying notes are an integral part of these statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	NOTES	2020 £'000	2019 £'000
Cash flow from operating activities			
Net return before finance costs and taxation		(36,356)	3,952
Tax on overseas income	6	(67)	(22)
Adjustments for:			
Purchase of investments		(84,580)	(57,894)
Sale of investments		101,538	84,268
		16,958	26,374
Scrip dividends		(217)	(211)
Losses on investments held at fair value		40,377	3,796
Net cash movement from derivative instruments – currency hedges		377	(28)
Decrease in debtors		484	30
Increase/(decrease) in creditors		46	(13)
Net cash inflow from operating activities		21,602	33,878
Cash flow from financing activities			
Interest and facility fee paid on bank facility and overdraft		(111)	(18)
Interest paid on debenture and bonds		(1,668)	(2,165)
Preference dividends paid		(12)	(12)
Bank facility drawdown		19,180	—
Redemption of debenture and bonds		(36,836)	—
Shares bought back and held in treasury		(16,911)	—
Net equity dividends paid	8	(7,831)	(10,241)
Return of unclaimed dividends from previous years		—	37
Net cash outflow from financing activities		(44,189)	(12,399)
Net (decrease)/increase in cash and cash equivalents		(22,587)	21,479
Cash and cash equivalents at start of the year		22,557	1,078
Cash and cash equivalents at the end of the year		(30)	22,557
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:			
Cash held at custodian		620	107
Invesco Liquidity Funds plc – Sterling (formerly Short Term Investment Companies (Global Series) plc)		—	22,450
Bank overdraft		(650)	—
Cash and cash equivalents		(30)	22,557
Cash flow from operating activities includes:			
Dividends received		5,723	8,615
Interest received		1	172

Analysis of changes in net debt	At 1 October 2019 £'000	Cash flows £'000	Other changes £'000	At 30 September 2020 £'000
Cash and cash equivalents	22,557	(21,937)	—	620
Bank overdraft	—	(650)	—	(650)
Bank facility	—	(19,180)	—	(19,180)
7.75% debenture redeemable 1 October 2020	(7,000)	7,271	(271)	—
6.5% bonds redeemable 27 April 2023	(24,821)	29,565	(4,744)	—
5% Cumulative preference shares	(250)	—	—	(250)
Total	(9,514)	(4,931)	(5,015)	(19,460)

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

A summary of the principal accounting policies adopted by the Company is set out below. These policies have been consistently applied during the year and the preceding year.

(a) Basis of Preparation

(i) *Accounting Standards applied*

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investments and derivatives, in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Companies Act 2006 and with the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in October 2019 (SORP).

(ii) *Going Concern*

The Directors performed an assessment of the Company's ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration the uncertain economic outlook in the wake of the Covid-19 pandemic including:

- the level of borrowings, cash balances and the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the net current liability position of the Company, driven by the drawn-down borrowings;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including a fall in the valuation of the investment portfolio or levels of investment income.

Based on this assessment, the Directors are satisfied that the Company has adequate resources to continue in operational existence for at least twelve months after signing the balance sheet and the financial statements have therefore been prepared on a going concern basis.

(iii) *Functional and presentation currency*

The financial statements are presented in Sterling, which is the Company's functional and presentation currency and the currency in which the Company's share capital and expenses, as well as a majority of its assets and liabilities, are denominated.

(iv) *Significant Accounting Estimates and Judgements*

The preparation of the financial statements may require the Directors to make estimations where uncertainty exists. It also requires the Directors to make judgements, estimates and assumptions, in the process of applying the accounting policies. There have been no significant judgements, estimates or assumptions for the current or preceding year.

(b) Financial Instruments

The Company has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full in respect of financial instruments.

(i) *Recognition of financial assets and financial liabilities*

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(ii) *Derecognition of financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as an asset.

(iii) *Derecognition of financial liabilities*

The Company derecognises financial liabilities when its obligations are discharged, cancelled or expired.

(iv) *Trade date accounting*

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

(v) *Classification and measurement of financial assets and financial liabilities*

Financial assets

The Company's investments are classified as held at fair value through profit or loss as the investments are managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy, and this is also the basis on which investment information is provided internally to the Board.

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, with transaction costs expensed as part of gains and losses on investments in the income statement, and are subsequently valued at fair value.

Fair value for investments that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. For investments that are not actively traded or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Where there is no active market, unlisted/illiquid investments are valued by the Directors at fair value based on recommendations from Invesco's European Unquoted Pricing Committee, which in turn is guided by the International Private Equity and Venture Capital Valuation Guidelines issued in 2018, using valuation techniques such as earnings multiples, recent arm's length transactions, net assets and milestones attained.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

(c) Amounts recognised in Capital Reserves

The following are included in the income statement and recognised in capital: realised gains or losses on sales of investments; realised gains or losses on foreign currency and any forward currency contracts; management fees, finance costs and other charges allocated to capital; and unrealised increases or decreases in the valuation of investments at the year end (including the related foreign exchange gains and losses).

(d) Cash and cash equivalents

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value.

(e) Income

Dividend income arises from equity investments held and is recognised on the date investments are marked 'ex-dividend'. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent to the cash dividend is recognised as income in the revenue account and any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserve. Special dividends are taken to income unless they arise from a return of capital, when they are allocated to capital in the income statement. Interest income arising from fixed income securities and cash is recognised in the income statement using the effective interest method. Deposit interest and underwriting commission receivable are taken into account on an accruals basis.

(f) Management and Performance-related fees

Investment management fees are recognised on an accruals basis and are charged 75% to capital and 25% to revenue. This is in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

Performance-related fees are calculated as detailed in the Directors' Report and are charged wholly to capital as they arise mainly from capital returns on the investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS
continued

1. Accounting Policies (continued)

(g) Expenses and Finance costs

Expenses are recognised on an accruals basis and finance costs are recognised using the effective interest method, with the debentures being held at amortised cost. The finance costs of debt are allocated 75% to capital and 25% to revenue for the reasons outlined in (f) above. The 5% cumulative preference shares are classified as a liability and therefore the dividends payable on these shares are classified as finance costs and charged to revenue in the income statement.

(h) Hedging

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are included in capital.

(i) Foreign Currency Translation

Transactions in foreign currency, whether of a revenue or capital nature, are translated to Sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to Sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses, whether realised or unrealised, are taken to capital or to revenue, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(j) Taxation

Foreign dividends that suffer withholding tax at source are shown gross, with the corresponding tax charge in the income statement.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the Directors, it is more likely than not that these amounts will be realised in future periods.

A deferred tax asset has not been recognised in respect of surplus management expenses and losses on loan relationships, as the Company is unlikely to have sufficient future taxable revenue to offset against these.

(k) Dividends Payable

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

2. Income

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

	2020 £'000	2019 £'000
Income from investments		
UK dividends	4,807	7,224
UK special dividends	78	497
Income from interest distributions	—	171
Overseas dividends	714	593
Scrip dividends	217	211
	5,816	8,696
Other income		
Deposit interest	1	1
Other	31	35
	32	36
Total income	5,848	8,732

No special dividends were recognised in capital during the year (2019: £279,000).

3. Investment Management and Performance-related Fees

This note shows the fees paid to the Manager. These are made up of the management fee payable quarterly and a performance-related fee calculated annually. The latter is only payable when the portfolio outperforms the benchmark index plus its hurdle, which is +1.25% per annum, over a three year time frame.

	2020 REVENUE £'000	2020 CAPITAL £'000	2020 TOTAL £'000	2019 REVENUE £'000	2019 CAPITAL £'000	2019 TOTAL £'000
Investment management fee	192	576	768	235	704	939
Performance-related fee	—	—	—	—	—	—
	192	576	768	235	704	939

Details of the investment management agreement are given on pages 60 and 61 in the Directors' Report.

At 30 September 2020, £177,000 (2019: £236,000) was accrued in respect of the investment management fee. There was no performance-related fee provision for the year (2019: £nil).

4. Other Expenses

The other expenses of the Company are presented below.

	2020 REVENUE £'000	2020 CAPITAL £'000	2020 TOTAL £'000	2019 REVENUE £'000	2019 CAPITAL £'000	2019 TOTAL £'000
Directors' remuneration(i)	121	—	121	122	—	122
Auditors' fees(ii):						
– for audit of the Company's annual financial statements	39	—	39	26	—	26
Other expenses(iii)	293	133	426	244	—	244
	453	133	586	392	—	392

(i) The Directors' Remuneration Report provides further information on Directors' remuneration.
(ii) Auditor's fees include expenses but excludes VAT. The VAT is included in other expenses.
(iii) Other expenses include:-

- £8,800 (2019: £9,400) of employer's National Insurance payable on Directors' remuneration. As at 30 September 2020, the amounts outstanding on payroll tax due and employer's National Insurance was £11,100 (2019: £9,800); and
- costs charged to capital include legal and professional fees of £133,000 incurred in relation to the early redemption of the debenture stock and bonds, share sub-division and obtaining a new revolving credit facility.

5. Finance Costs

Finance costs arise on any borrowing that the Company has, with the main borrowing being a revolving credit facility (see note 11). During the year, the Company redeemed the debenture stock and bonds.

	2020 REVENUE £'000	2020 CAPITAL £'000	2020 TOTAL £'000	2019 REVENUE £'000	2019 CAPITAL £'000	2019 TOTAL £'000
Interest payable on borrowings repayable not by instalment:						
Commitment fees due on borrowing facility	6	18	24	3	7	10
Interest on loan facility	24	72	96	—	—	—
Interest on overdraft facility	1	3	4	2	6	8
Debenture stock and bonds repayable in 1 to 3 years	278	834	1,112	136	407	543
Debenture stock and bonds repayable after 3 years	—	—	—	414	1,242	1,656
Premium on redemption of debenture stock and bonds	—	4,868	4,868	—	—	—
	309	5,795	6,104	555	1,662	2,217
Dividends on 5% cumulative preference shares	12	—	12	12	—	12
	321	5,795	6,116	567	1,662	2,229

NOTES TO THE FINANCIAL STATEMENTS
continued

5. Finance Costs (continued)
On 13 March 2020, the Company redeemed all of the outstanding 7.75% Debenture Stock 2020 and all of the outstanding 6.5% Bonds 2023.

The early redemption premium, in accordance with the terms of the trust deed, was £4,868,000 which was charged to capital in the year.

In addition, the Company agreed a £45 million (subsequently reduced to £40 million) committed revolving credit facility, with Bank of New York Mellon, London Branch. Under the terms of this facility, interest is charged at LIBOR plus a margin with a commitment fee of 0.15% on undrawn amounts.

6. Taxation
As an investment trust, the Company pays no tax on capital gains and as the Company principally invests in UK assets, it has little overseas tax. This note shows details of the tax charge and why no deferred tax is required to provide for tax that is expected to arise in the future due to differences in accounting and tax bases.

(a) Current Tax Charge

	2020 REVENUE £'000	2019 REVENUE £'000
Overseas tax	67	22

(b) Reconciliation of Total Tax Charge

	2020 £'000	2019 £'000
Total return before taxation	(42,472)	1,723
Theoretical tax at the current UK Corporation Tax rate of 19% (2019: 19%)	(8,070)	327
Effects of:		
– Non-taxable UK dividends	(925)	(1,492)
– Non taxable scrip dividends	(41)	(40)
– Non-taxable overseas dividends	(127)	(110)
– Non-taxable losses on investments	7,672	721
– Non-taxable losses/(gains) on foreign exchange	90	(13)
– Excess of allowable expenses over taxable income	1,401	607
– Overseas taxation	67	22
Total tax charge for the year	67	22

(c) Factors that may Affect Future Tax Changes
The Company has cumulative excess management expenses of £85,830,000 (2019: £78,482,000) that are available to offset future taxable revenue.

A deferred tax asset of £16,308,000 based on a tax rate of 19% (2019: £13,342,000 based on a tax rate of 17%) has not been recognised in respect of these expenses since tax is recoverable only to the extent that the Company has sufficient future taxable revenue. On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020.

7. Return per Ordinary Share
Basic return per share is the amount of gain (or loss) generated for the financial year divided by the number of ordinary shares in issue. The calculation is based on the weighted average number of shares in issue during the year. During the year, each existing 50p ordinary share was sub-divided into five 10p ordinary shares.

The basic revenue, capital and total return per ordinary share is based on each of the returns after taxation and on 64,983,327 (2019: 67,593,995[(1)]) ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

8. Dividends

Dividends represent the return of income less expenses to shareholders. Dividends are paid as an amount per ordinary share held. During the year, each existing 50p ordinary share was sub-divided into five 10p ordinary shares.

	2020 PENCE	2020 £'000	2019 PENCE[(1)]	2019 £'000
Dividends paid and recognised in the year:				
Third/Second interim dividend in lieu of a final dividend (prior year)	4.00[(1)]	2,704	7.60	5,137
Special dividend (prior year)	0.734[(1)]	496	0.35	237
First interim dividend	2.40	1,592	—	—
Second interim dividend	2.40	1,537	4.80	3,245
Third interim dividend	2.40	1,502	2.40	1,622
	11.934	7,831	15.15	10,241

	2020 PENCE	2020 £'000	2019 PENCE[(1)]	2019 £'000
Dividends payable in respect of the year:				
First interim dividend	2.40	1,592	—	—
Second interim dividend (2019: First interim)	2.40	1,537	4.80	3,245
Third interim dividend (2019: Second interim)	2.40	1,502	2.40	1,622
Fourth interim dividend (2019: Third interim)	4.00	2,473	4.00	2,704
	11.20	7,104	11.20	7,571
Special dividend	—	—	0.734	496
	11.20	7,104	11.934	8,067

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

The Company has moved to a quarterly dividends model and will pay four interim dividends this year: March, June, September and December, the fourth interim being in lieu of a final dividend. For the year ended 30 September 2019, the Company paid three interim dividends: June, September and December, the third interim being in lieu of a final dividend.

9. Investments

The portfolio is made up primarily of investments which are listed, i.e. traded on a recognised stock exchange (including AIM), and some unlisted investments. Gains and losses are either:

- **realised, usually arising when investments are sold; or**
- **unrealised, being the difference from cost on those investments still held at the year end.**

(a) Analysis of Investments by Listing Status

	2020 £'000	2019 £'000
Investments listed on a recognised stock exchange	210,713	267,258
Unlisted investments	25	122
	210,738	267,380

NOTES TO THE FINANCIAL STATEMENTS
continued

9. Investments (continued)

(b) Analysis of Investment Gains and Losses

	2020 LISTED £'000	2020 UNLISTED £'000	2020 TOTAL £'000	2019 TOTAL £'000
Opening book cost	267,543	4,155	271,698	303,534
Opening investment holding losses	(285)	(4,033)	(4,318)	(6,842)
Opening valuation	267,258	122	267,380	296,692
Movements in year:				
Purchases at cost	85,127	—	85,127	57,910
Sales proceeds received	(101,323)	(69)	(101,392)	(83,426)
Losses on investments in the year	(40,349)	(28)	(40,377)	(3,796)
Closing valuation	210,713	25	210,738	267,380
Closing book cost	230,251	3,177	233,428	271,698
Closing investment holding losses	(19,538)	(3,152)	(22,690)	(4,318)
Closing valuation	210,713	25	210,738	267,380

The Company received £101,392,000 (2019: £83,426,000) from investments sold in the year. The book cost of these investments when they were purchased was £123,397,000 (2019: £89,778,000) realising a loss of £22,005,000 (2019: a loss of £6,352,000). These investments have been revalued over time and, until they were sold, any unrealised profits/losses were included in the fair value of the investments.

(c) Transaction Costs

Transaction costs on purchases of £323,000 (2019: £198,000) and on sales of £56,000 (2019: £227,000) are included within gains and losses on investments in the income statement.

10. Debtors

Debtors are amounts which are due to the Company, such as income which has been earned (accrued) but not yet received and monies receivable from brokers for investments sold.

	2020 £'000	2019 £'000
Amounts due from brokers	—	146
Overseas withholding tax recoverable	4	286
Prepayments and accrued income	50	252
Unrealised profit on forward currency contracts	—	98
	54	782

11. Creditors: amounts falling due within one year

Creditors are amounts which must be paid by the Company, and include any amounts due to brokers for the purchase of investments or amounts owed to suppliers, such as the Manager and auditors, and bank overdraft.

	2020 £'000	2019 £'000
Bank overdraft	650	—
Bank facility	19,180	—
Amounts due to brokers	330	—
Unrealised loss on forward currency contracts	279	—
Accruals	398	1,042
	20,837	1,042

As part of a restructuring of borrowings, the Company entered into a new £45 million (subsequently reduced to £40 million) committed revolving credit facility provided by The Bank Of New York Mellon, London Branch ('the facility'). Under the facility covenants, the Company's financial indebtedness will not exceed 25% of its net assets and that its total assets will exceed £120 million. The next renewal date of the facility is 5 February 2021.

The Company also cancelled its uncommitted overdraft facility prior to its renewal date on 18 September 2020. The overdrawn balance shown above is due to short-term timing difference on the settlement of trades, as permitted under the custodian's settlement arrangement.

12. Creditors: amounts falling due after more than one year

Long term creditors consist of a small issue of preference shares. The debenture stock and bonds of £32 million, were fully redeemed during the year.

	2020 £'000	2019 £'000
Debenture and Bonds:		
7.75% Debenture redeemable 1 October 2020	—	7,000
6.5% Bonds redeemable 27 April 2023	—	24,968
	—	31,968
Discount and issue expenses on bonds	—	(147)
	—	31,821
5% cumulative preference shares of £1 each	250	250
	250	32,071

The debenture and bonds were redeemed during the year.

The preference shares dividend is paid bi-annually in March and September.

13. Called up share capital

Ordinary share capital represents the total number of shares in issue, for which dividends accrue. During the year, each existing 50p ordinary share was sub-divided into five 10p ordinary shares.

(a) Allotted, called-up and fully paid

	2020 £'000	2019 £'000
Share capital:		
Ordinary shares of 10p each	6,224	6,760
Ordinary shares held in treasury of 10p each	536	—
	6,760	6,760

NOTES TO THE FINANCIAL STATEMENTS
continued

13. Called up share capital (continued)

(b) Share movements

	2020 ORDINARY NUMBER	2020 TREASURY NUMBER	2019 ORDINARY NUMBER	2019 TREASURY NUMBER
Number at start of year	67,593,995	—	67,593,995[1]	—
Ordinary shares bought back and held in treasury	(5,354,628)	5,354,628	—	—
	62,239,367	5,354,628	67,593,995[1]	—

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

The Company is limited by shares. The ordinary shares are fully participating and on a poll carry one vote per £1 nominal held.

During the year the Company bought back, into treasury, 5,354,628 ordinary shares at an average price of 313.77p, excluding costs. Since the year end and to the date of this annual financial report, 423,735 shares have been bought back into treasury.

14. Reserves

This note explains the different reserves that have arisen over the years. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

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

The capital reserve includes the investment holding gains/(losses), being the difference between cost and market value at the balance sheet date and cumulative realised gains/(losses) on the disposal of investments. Capital investment gains and losses are shown in note 9(b) and form part of the capital reserve. Share buy backs can be funded from the capital reserve and during the year £16,911,000 (2019: none) of share buy backs were funded from capital reserves.

The revenue reserve shows the net revenue retained after payment of dividends. The revenue and capital reserves are distributable by way of dividend.

15. Net Asset Value

The Company's total net assets (total assets less total liabilities) are often termed shareholders' funds and are converted into net asset value per ordinary share by dividing by the number of shares in issue.

The following shows the shareholders' funds and net asset value (NAV) in pence per share, together with a reconciliation of NAV with debt at par to NAV with debt at market value. The difference in the NAVs arises from the valuation of the preference shares (2019: debenture, bonds and preference shares). The number of shares in issue at the year end is shown in note 13.

	2020 SHAREHOLDERS' FUNDS £'000	2020 NAV PER SHARE PENCE	2019 SHAREHOLDERS' FUNDS £'000	2019 NAV PER SHARE PENCE RESTATED[1]
NAV – debt at par	190,325	305.80	257,606	381.11
Add back: debt at par, after amortised costs (note 12)	250	0.40	32,071	47.45
Deduct: debt at market value (note 17)	(246)	(0.40)	(37,905)	(56.08)
NAV – debt at market value	190,329	305.80	251,772	372.48

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

Only the basic NAV is shown. There is no dilution in this or the previous year.

16. Financial Instruments

Financial instruments comprise the Company's investment portfolio, derivative instruments as well as its cash, and any borrowings, debtors and creditors. This note sets out the Company's financial instruments and the risks related to them.

The Company's financial instruments comprise its investment portfolio (as shown on pages 18 and 19), derivatives, cash, borrowings, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured. The Company did not have any exposure to other derivatives during the year apart from the use of forward currency contracts to hedge the Euro, Canadian Dollar and US Dollar exposure (2019: Euro).

The principal risks that an investment company faces in its portfolio management activities are set out below:

Market risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

Currency risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;

Interest rate risk – arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and

Other price risk – arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates.

Liquidity risk – arising from any difficulty in meeting obligations associated with financial liabilities.

Credit risk – arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

Risk Management Policies and Procedures

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities of the Company as more fully described in the Directors' Report.

An investment company invests in equities and other investments for the long term so as to meet its investment objective and policies. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for distribution by way of dividends.

The risks applicable to the Company and the policies the Company used to manage these risks for the two years under review follow.

Market risk

The Company's Manager assesses the Company's exposure when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance, as disclosed under Board Responsibilities on page 58. No derivatives or hedging instruments are utilised to manage market risk. Borrowings are used to enhance returns, however, this increases the Company's exposure to market risk and volatility.

Currency risk

The majority of the Company's assets, liabilities and income are denominated in Sterling. There is some exposure to US dollars, Swiss francs, Canadian dollars and the Euro. The US dollar, Canadian dollar and the Euro have been hedged during the year by the use of forward currency contracts.

Management of the currency risk

The Manager monitors the Company's exposure to foreign currencies daily and reports to the Board on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS
continued

16. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Market risk (continued)

Forward currency contracts can be used to limit the Company's exposure to anticipated future changes in exchange rates which are also used to achieve the portfolio characteristics that assist the Company in meeting its investment objective and policies. All contracts are limited to currencies and amounts commensurate with asset exposure to those currencies.

Income denominated in foreign currencies is converted to Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Currency exposure

The fair values of the Company's monetary items that had currency exposure at 30 September are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	30 SEPTEMBER 2020			
	CANADIAN DOLLAR £'000	EURO £'000	SWISS FRANC £'000	US DOLLAR £'000
Forward currency contracts	(10,587)	—	—	(16,812)
Debtors (due from brokers and dividends)	—	3	—	1
Bank overdraft	—	(650)	—	—
Foreign Currency Exposure on net monetary items	(10,587)	(647)	—	(16,811)
Investments at fair value through profit or loss	12,031	—	—	20,149
Total net foreign currency	1,444	(647)	—	3,338

	30 SEPTEMBER 2019			
	CANADIAN DOLLAR £'000	EURO £'000	SWISS FRANC £'000	US DOLLAR £'000
Forward currency contracts	—	(5,799)	—	—
Debtors (due from brokers and dividends)	—	44	282	1
Foreign currency exposure on net monetary items	—	(5,755)	282	1
Investments at fair value through profit or loss	8,843	5,785	—	10,084
Total net foreign currency exposure	8,843	30	282	10,085

The above amounts may not be representative of the exposure to risk during the year, because the levels of foreign currency exposure may change significantly throughout each year.

Currency sensitivity

The table below illustrates the sensitivity of net assets and of net return after taxation for the year using the exchange rates shown below. It is based on the Company's foreign currency financial instruments held at each balance sheet date and takes account of forward foreign exchange contracts that offset the effects of changes in currency exchange rate.

	2020	2019
£/Canadian dollar	±1.5%	±2.7%
£/Euro	±2.9%	±2.0%
£/Swiss franc	±3.5%	±3.2%
£/US dollar	±2.7%	±2.5%

The above percentages have been determined based on the market volatility in the year, using the standard deviation of Sterling's daily fluctuation to the relevant foreign currencies against the mean during the year.

If Sterling were to weaken against the Canadian dollar, Euro, Swiss franc or US dollar to this extent, this would have the following effect:

	30 SEPTEMBER 2020			
	CANADIAN DOLLAR £'000	EURO £'000	SWISS FRANC £'000	US DOLLAR £'000
Income statement – return after taxation				
Revenue return	—	6	—	17
Capital return	22	(19)	—	90
Total return after taxation for the year	22	(13)	—	107
Effect on net asset value	0.0%	0.0%	—	0.1%

	30 SEPTEMBER 2019			
	CANADIAN DOLLAR £'000	EURO £'000	SWISS FRANC £'000	US DOLLAR £'000
Income statement – return after taxation				
Revenue return	—	1	9	5
Capital return	239	—	—	252
Total return after taxation for the year	239	1	9	257
Effect on net asset value	0.1%	0.0%	0.0%	0.1%

If sterling were to strengthen by the same amounts, the effect would be the converse.

In the opinion of the Directors, the above sensitivity analysis is not representative of the year as a whole, since the level of exposure may change frequently as part of the currency risk management process of the Company.

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the variable rate borrowings. When the Company has cash balances, they are held on variable rate bank accounts yielding rates of interest dependent on the base rate of the custodian. During the year, the Company cancelled its £15 million uncommitted overdraft facility and replaced this with a revolving credit facility as detailed in note 11 and noted below.

At the balance sheet date the Company had structural debt comprising £250,000 of 5% cumulative preference shares. The interest rate on the preference shares is fixed and details are shown in notes 5 and 12.

The Company uses the facility when required at levels approved and monitored by the Board. At the maximum possible draw down of £40 million, the effect of a 1% increase/decrease in the interest rate would result in a decrease/increase to the Company's total income of £400,000. At the year end, £19,180,000 of the loan facility was drawn down (2019: N/A).

The Company also has available a short term overdraft arrangement with the custodian for settlement purposes only. At the year end the Euro bank account was £650,000 overdrawn (2019: £nil). Interest on the bank overdraft is payable at the custodian's variable rate.

The Company's portfolio is substantially invested in equities which are not directly exposed to interest rate risk.

Other price risk

Other price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, and it is the business of the Manager to manage the portfolio to achieve the best returns.

Management of other price risk

The Directors manage the market price risks inherent in the investment portfolio by meeting regularly to monitor on a formal basis the Manager's compliance with the Company's stated objectives and policies and to review investment performance.

NOTES TO THE FINANCIAL STATEMENTS
continued

16. Financial Instruments (continued)

Risk Management Policies and Procedures (continued)

Other price risk (continued)

The Company's portfolio is the result of the Manager's investment process and as a result is not correlated with the Company's benchmark or the market in which the Company invests. The value of the portfolio will not move in line with the market but will move as a result of the performance of the equity shares held within the portfolio.

Based on the equity portfolio value of £210,738,000 (2019: £267,380,000), if the value of the portfolio rose or fell by 10% at the balance sheet date, the net return after tax for the year and net assets would increase or decrease by £21.1 million (2019: £26.7 million) respectively; in calculating these amounts no adjustment has been made for other variables including management fees.

Liquidity risk

Liquidity risk is minimised as the majority of the Company's investments are readily realisable securities which can be sold to meet funding commitments if necessary. In addition, revolving credit facility provides for additional funding flexibility, see note 11 for further details. No special arrangements have been made in connection with the liquidity of any of the Company's assets.

Liquidity risk exposure

The contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

	2020				2019			
	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	MORE THAN ONE YEAR £'000	TOTAL £'000	LESS THAN THREE MONTHS £'000	THREE TO TWELVE MONTHS £'000	MORE THAN ONE YEAR £'000	TOTAL £'000
Overdraft	650	—	—	650	—	—	—	—
Bank loan	—	19,180	—	19,180	—	—	—	—
Debenture stocks	—	—	—	—	—	—	31,968	31,968
Interest on debenture stocks	—	—	—	—	811	1,354	4,870	7,035
Amounts due to brokers	330	—	—	330	—	—	—	—
Other creditors and accruals	398	—	—	398	337	—	—	337
Unrealised loss on forward currency contracts	279	—	—	279	—	—	—	—
	1,657	19,180	—	20,837	1,148	1,354	36,838	39,340

The 5% cumulative preference shares do not have a fixed repayment date and are, as a result, not shown in the above table. Details are shown in note 12 of the financial statements.

Credit risk

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered, and cash balances. Counterparty risk is minimised by using only approved and appropriately regulated counterparties. During the year cash balances were limited to a maximum of 6% of gross assets with any one deposit taker and 12.5% of gross assets for holdings in the Invesco Liquidity Funds plc, a triple A rated money market fund which invests in high quality sterling denominated money market investments such as commercial paper, certificates of deposit, time deposits and asset-backed commercial paper. Only deposit takers approved by the Board are used.

The portfolio may be adversely affected if the custodian of the Company's assets suffers insolvency or other financial difficulties. The risk associated with failure of the custodian is mitigated by the appointment of a depositary. The depositary is ultimately responsible for safekeeping of the Company's assets and is strictly liable for the recovery of financial instruments in the event of loss. As part of the Board's risk management and control monitoring, the Board reviews the custodian's annual control report and the Manager's management of the relationship with the custodian.

17. Fair Value

The fair values of the financial assets and financial liabilities, other than preference shares, are either carried in the balance sheet at their fair value (investments), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals, cash at bank and overdraft).

Fair Value Hierarchy Disclosures

Nearly all of the Company's portfolio of investments are in the Level 1 category as defined in FRS 102 as amended for fair value hierarchy disclosures. The three levels set out in FRS 102 follow:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability. The valuation techniques used by the Company are explained in the accounting policies note.

	2020				2019			
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 3 £'000	TOTAL £'000
Financial assets designated at fair value through profit or loss:								
Quoted investments:								
Equities	210,713	—	—	210,713	267,252	—	—	267,252
Other securities	—	—	—	—	—	6	—	6
Unquoted investments:								
Equities	—	—	25	25	—	—	122	122
Derivative financial instruments:								
Currency hedges	—	—	—	—	—	98	—	98
Total for financial assets	210,713	—	25	210,738	267,252	104	122	267,478
Financial liabilities designated at fair value through profit or loss:								
Derivative financial instruments:								
Currency hedges	—	(279)	—	(279)	—	—	—	—
Total for financial liabilities	—	(279)	—	(279)	—	—	—	—

During the year two of the level 3 investments, Nexeon (2020: £16,000; 2019: £83,000) and Eurovestech (2020: £9,000; 2019: £39,000), decreased in fair value by £97,000. The Motif Bio - ADR warrants 9 Nov 2021 were voluntarily delisted from the NASDAQ Capital Market in December 2019, transferring from level 2 to level 3, their fair value is negligible (2019: £6,000).

With regard to unobservable inputs used in the valuation of unquoted investments, there are no reasonably possible alternative assumptions which would produce a material change to the Company's net asset value.

NOTES TO THE FINANCIAL STATEMENTS
continued

17. Fair Value (continued)

Fair Value Hierarchy Disclosures (continued)

The book cost and fair value of the debentures and the preference shares based on the offer value at the balance sheet date follow.

	BOOK COST 2020 £'000	FAIR VALUE 2020 £'000	BOOK COST 2019 £'000	FAIR VALUE 2019 £'000
Debentures payable in less than 5 years:				
7.75% Debenture Stock 2020	—	—	7,000	7,491
6.5% Bonds 2023	—	—	24,968	30,168
Discount on issue of debentures	—	—	(147)	—
	—	—	31,821	37,659
5% Cumulative preference shares of £1 each	250	246	250	246
	250	246	32,071	37,905

As detailed in an announcement on 16 March 2020, the Company has redeemed all of its outstanding 7.75% Debenture Stock 2020 and all of the outstanding 6.5% Bonds 2023.

18. Capital Management

The Company's capital, or equity, is represented by its net assets which are managed to achieve the Company's investment objective set out on page 6.

The Company's total capital employed at 30 September 2020 was £209,755,000 (2019: £289,677,000) comprising borrowings of £19,430,000 (2019: £32,071,000) and equity share capital and other reserves of £190,325,000 (2019: £257,606,000).

The Company's total capital employed is managed to achieve the Company's investment objective and policy as set out on page 6, including that borrowings may be used to provide gearing of the portfolio. At the balance sheet date, net gearing, with debt at fair value was 10.2% (2019: 6.1%). The Company's policies and processes for managing capital are unchanged from the preceding year.

The main risks to the Company's investments are shown in the Strategic Report under the 'Principal Risks and Uncertainties' section on pages 8 to 11. These also explain that the Company is able to gear and that gearing will amplify the effect on changes in the value of the portfolio.

The Board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy back shares and it also determines dividend payments.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by section 1158 Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the custodian. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year.

Borrowings comprise preference shares and a revolving credit facility, details of which are contained in notes 11 and 12.

19. Contingencies, Guarantees and Financial Commitments

Contingencies or guarantees that the Company will or has given would be disclosed in this note if any existed. Likewise any commitments, being those amounts that the Company is contractually required to pay in the future as long as the other party meets their obligations.

There were no contingencies, guarantees or other financial commitments of the Company at the year end (2019: £nil).

20. Related Party Transactions and Transactions with the Manager

A related party is a company or individual who has direct or indirect control or influence over the Company. Under accounting standards, the Manager is not a related party.

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 28 and 29 with additional disclosure in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on pages 60 and 61 and in note 3.

21. Post Balance Sheet Events

Any significant events that occurred after the Company's financial year end but before the signing of the Balance Sheet will be shown here.

There are no significant events after the end of the reporting period requiring disclosure.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Business and Status

The Company was incorporated and registered in England and Wales on 17 September 1954 as a public limited company, registered number 538179.

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust within the meaning of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. HM Revenue & Customs have approved the Company's status as an investment trust and, in the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain such approval.

The Board

The Company has a Board of five non-executive directors who oversee and monitor the activities of the Manager and other service providers on behalf of shareholders and ensure that the investment policy is adhered to. Details of the Board's responsibilities and the number of meetings it holds are set out on the following pages. The Board is supported by an Audit Committee and a Nomination Committee, which deal with specific aspects of the Company's affairs as summarised on pages 23 to 26 and on page 57.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Portfolio Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other matters. During the year, the Board also considered and approved the redemption of the debenture stock and bonds, the sub-division of the Company's ordinary shares and share buybacks.

Chairman

The Chairman of the Company is Karen Brade, a non-executive and independent Director who has no conflicting relationships. Mrs Brade joined the Board as a director in 2018, became Chairman on 22 January 2019 and is subject to an annual performance appraisal. Following this year's appraisal, the Board has confirmed that Mrs Brade's performance continues to be effective. Accordingly, the Board recommends her re-election.

Senior Independent Director/Deputy Chairman

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

Appointment, Re-election and Tenure of Directors

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

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term in office on industry and regulatory matters. The Manager and the Board have formulated a programme of induction training for newly appointed Directors. In addition, briefings are provided from key members of the Manager's staff which ensure that Directors can keep up to date with new legislation, best practice and the changing risk environment.

The Articles of Association require that a Director shall retire and be subject to election by shareholders at the first AGM after appointment and to re-election at least every three years thereafter. However, for many years, in compliance with the new AIC Code, the Board has resolved that all Directors shall stand for annual re-election at the AGM.

The Articles of Association do not limit Directors' tenure. However, they provide that the Directors may, by notice in writing, remove any Director from the Board. In accordance with the UK Code of Corporate Governance, the Board has resolved that the Chairman's tenure is limited to nine years from their first appointment to the Board. The Board considers that this policy encourages its regular refreshment.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company.

Board Balance and Independence

The Board keeps under review the balance of its members' skills and length of service.

The Board believes that this balance, both as currently constituted and in its prospective form following the AGM, is appropriate for the effective direction of the Company. The current Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the members of the Board are shown on page 20.

The Board has noted the inference of provisions in the UK Corporate Governance Code that non executive directors who have served for more than nine years should be presumed not to be independent. However, the AIC does not believe that this presumption is appropriate for investment companies and therefore does not recommend that long-serving directors be prevented from forming part of the independent majority of an investment trust board.

The Board considers that all of the current Directors are independent of the Company's Manager. The Board considers that Mr Kendall and Mr Wood who have served on the Board for more than nine years, remain independent in character and judgement from the Company's Manager, a view which has been demonstrated by their actions on behalf of the Company.

The Audit Committee

The composition and activities of the Audit Committee are summarised in the Audit Committee Report on pages 23 to 26, which is included in this Directors' Report by reference.

Nomination Committee

As the Company is considered small for the purposes of the AIC Code, the Directors feel it is appropriate for the entire Board to be members of the Nomination Committee. The main responsibilities of the Nomination Committee are to review the size, structure, diversity, and skills of the Board and to make recommendations to the Board with regard to any changes considered necessary or new appointments.

The Nomination Committee has written terms of reference which are reviewed regularly and clearly define its responsibilities and duties. They can be inspected at the Registered Office of the Company as well as on the Company's section of the Manager's website.

The Board has due regard for the benefits of diversity in its membership and seeks to ensure that its structure, size and composition, including the skills, knowledge, gender and experience of the Directors, is sufficient for the effective direction and control of the Company. In particular, the Board believes that the Company benefits from a balance of Board members with different tenures. The Board has not set any measurable objectives in respect of this policy. The Board is mindful of the importance of having a suitable mapped board succession and renewal process in line with corporate governance best practice and the Nomination Committee keeps succession planning under review.

Board, Committees and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee and individual Directors.

A review of the Board, its Committees and individual Directors was undertaken during the year. The review was conducted through questionnaires and the following areas were assessed:

- Board and Committee processes, including composition, attendance at meetings, preparedness and contributions to decisions;
- effective use of communication and the level of interaction across the Board;
- the range of business, financial and asset management skills balanced with relevant experience to enable the Board and its Committees to perform satisfactorily; and
- the independence of individual directors and their ability to independently challenge the Manager across a range of issues and set out the future strategy of the Company.

DIRECTORS' REPORT
continued

The review concluded that the Board was functioning well, with members having complementary skillsets and backgrounds.

The Board recommends to shareholders the approval of resolutions 6 to 9 in the notice of meeting for the AGM relating to the re-election of Directors other than the Chairman.

Attendance at Board and Committee Meetings

The Board meets on a regular basis at least five times each year. The following table sets out the number of scheduled Board, Audit Committee and Nomination Committee meetings held during the year to 30 September 2020 and the number of meetings attended by each Director.

	BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	NOMINATION COMMITTEE MEETINGS
Meetings Held			
Meetings Attended:			
Karen Brade	5	3	1
Ian Armfield	5	3	1
Katrina Hart	5	3	1
William Kendall(1)	5	3	1
John Wood	5	3	1

(1) Mr Kendall is not a member of the Audit Committee, but attended the meetings by invitation.

Regular contact is maintained between the Manager, the Chairman and the other Directors between formal meetings. In light of Covid-19, there were a number of additional ad hoc Board meetings during the year to receive updates on the Manager's response to extreme market volatility and how the Manager and other service providers adjusted their business models to accommodate the working from home requirements.

Board Responsibilities

The Directors have a statutory duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Company. This is reported on in the Strategic Report on pages 11 and 12.

In order to promote the success of the Company, the Board directs and supervises the Company's affairs within a framework of effective controls, which enable risk to be assessed and managed. A formal schedule of matters reserved for decision by the Board and detailing its responsibilities has been established. This schedule is reviewed annually to ensure compliance with latest best practice and the AIC Code and is available for inspection at the registered office of the Company and on the Company's section of the Manager's website at www.invesco.co.uk/keystone.

The main responsibilities of the Board include: setting the Company's objectives, policies and standards, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting and dividend policies, managing the capital structure, setting long-term objectives and strategy, assessing and managing risk, reviewing investment performance and the Company's financial position, reviewing Directors' remuneration, undertaking nomination responsibilities and assessing the Manager on an ongoing basis.

At its regular meetings the Board reviews financial reports and performance against approved forecasts, relevant stock market criteria and the Company's peer group, monitors the net borrowing position and approves recommendations made by the Audit Committee, to whom it has delegated the responsibility of monitoring the effectiveness of the Company's system of internal controls, amongst other things.

The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the information given in the annual and half-year financial reports, factsheets and daily net asset value disclosures.

The Board is committed to the prevention of corruption in the conduct of the Company's affairs and, taking account of the nature of the Company's business and operations, has ensured that procedures are in place to prevent persons associated with it from engaging in bribery for and on behalf of the Company. The Board has a zero tolerance approach towards the facilitation of tax evasion.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by committees for management engagement and remuneration:

- *Management Engagement*
  The Board as a whole operates as the Management Engagement Committee by reviewing all supplier services, and in particular the Investment Management and Administration Agreement, annually. The performance of the Manager in respect of investment performance and administration is reviewed formally to agreed standards and reported on in the Directors' Report under 'Assessment of the Investment Manager' on page 61.
- *Remuneration*
  The Board as a whole operates as a Remuneration Committee by determining the Company's remuneration policy, taking into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation. The remuneration of Directors is reviewed periodically and reported on in more detail in the Directors' Remuneration Report on pages 27 to 29.

Corporate Governance

The Corporate Governance Statement set out on page 22 is included in this Directors' Report by reference.

Audit Information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Invesco Asset Management Limited (acting under delegated authority from Invesco Fund Managers Limited), which is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules and regulations are complied with and for advising the Board through the Chairman on all governance matters. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports, that the statutory obligations of the Company are met and acts as a contact for shareholders. The Company Secretary ensures that all non-spam correspondence addressed to the Company is reported to the Board and dealt with in a timely manner. The appointment and ongoing assessment and review of the Company Secretary are matters for the Board as a whole.

Directors

Directors' Interests in Shares

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 29.

Disclosable Interests

No Director was a party to, or had any interests in, any contract or arrangement with the Company at any time during the year or at the year end. The Company has entered into a Deed of Indemnity with each Director, as expanded upon under Directors' Indemnities and Insurance.

Conflicts of Interest

A Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests.

DIRECTORS' REPORT
continued

The Articles of Association of the Company provide that Directors can authorise potential conflicts of interest and there are safeguards that apply when Directors decide to do so. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, is most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors have declared any potential conflicts of interest to the Company. Potential conflicts of interest are entered into the Company's Register of Potential Conflicts, which is reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for any legal action brought against its Directors. In addition, Deeds of Indemnity have been executed on behalf of the Company for each of the Directors under the Company's Articles of Association, and they continue to apply. Subject to the provisions of UK legislation, these deeds provide that the Directors may be indemnified out of the assets of the Company in respect of liabilities they may sustain or incur in connection with their appointment.

The Manager

Invesco Fund Managers Limited (the Manager) is contractually responsible for providing the Company with investment management, administration and company secretarial services. In practice, most of these services are provided by the Manager's affiliate, Invesco Asset Management Limited, under delegated authority.

The Manager's Responsibilities

In addition to being responsible for day-to-day investment management decisions, the Manager is also responsible for maintaining complete and accurate records of the Company's investment transactions and portfolio and all monetary transactions from which the half-year and annual financial statements are prepared. The company secretarial services provided ensure that the Company complies with all legal, regulatory and corporate governance requirements. Representatives of the Company Secretary attend and officiate at Board meetings and shareholders' meetings. To enable the Directors of the Board to fulfil their roles, the Manager also ensures that all Directors have timely access to all relevant management, financial and regulatory information.

Investment Management Agreement

The terms of the agreement with the Manager include a basic management fee for investment management and company secretarial work in respect of each of the quarterly periods ending on 31 March, 30 June, 30 September and 31 December each year of 0.1125% calculated on the average value of the market capitalisation of the Company's shares for the ten business days ending on the relevant quarter end date. The market capitalisation is calculated using middle market quotations derived from the Stock Exchange Daily Official List and the weighted average number of shares in issue during the quarter.

The Manager is also entitled to a performance-related fee based on the previous three years' performance of the net asset value (including dividends reinvested) and the FTSE All-Share (Total Return) Index, both annualised and calculated per annum each year. A performance-related fee is due if the Company's resultant return is greater than the equivalent return of the FTSE All-Share (Total Return) Index plus a percentage hurdle, and amounts to 15% of the value of any outperformance of this combination. The hurdle added to the Index is 1.25%.

The amount of any payment of performance-related fee in respect of any financial year is a maximum of 1% of the Company's gross assets less the basic management fees. In addition, the amount of any payment of performance-related fee in respect of any financial year is limited to an amount which, if added to the basic management fees paid in respect of that year, does not exceed 1.5% of gross assets less basic management fees.

The amount of any payment of performance-related fee in excess of these limits is carried forward and will become payable in any subsequent year in which the total fees payable are less than the maximum levels for that year.

The Investment Management Agreement can be terminated by either the Company or the Manager upon the expiry of not less than three months' written notice given to the other.

Assessment of the Investment Manager

The Board continually reviews the policies and performance of the Manager. The Board's philosophy and the Manager's approach are that the portfolio should consist of shares that are considered to be attractive investments irrespective of their index weightings. The portfolio's composition and performance are likely, therefore, to be very different from those of the benchmark index. Whilst there may be periods of underperformance compared with the benchmark, over the long term the Board expects the combination of the Company's and Manager's approach will result in a significant degree of outperformance compared with the benchmark.

As described in the Manager's Report, the recent market backdrop has been difficult for value style investors. The Board understands this but given the number of challenging structural trends, the Board has been considering and questioning whether a UK focused mandate enables investors to capture the most compelling investment opportunities or makes best use of the Company's investment trust structure. The Board has therefore investigated a fundamental change of approach for the Company whereby it would move to a Global All-Cap strategy and adopt a comprehensive commitment to achieving positive impact as well as long term growth. The Board believes that this change is in the best interests of the Company and its shareholders. Invesco does not currently have the capability and track record to support this new strategy and, accordingly, the Board has decided that a change of manager is necessary to achieve the Board's objectives.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as twelve months after the signing of the balance sheet. This conclusion is consistent with the longer term viability statement on page 11. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. The Directors also considered the revenue forecasts for the forthcoming year and future dividend payments, including the impact of Covid-19, in concluding that the going concern basis is appropriate, further details are shown in note 1(a)(ii) to the financial statements on page 40.

Greenhouse Gas Emissions

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons, the Company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose energy and carbon information.

Capital Structure

During the year, each existing 50p ordinary share was sub-divided to five 10p ordinary shares. The Company also repurchased into treasury for aggregate consideration of £16.9 million, including costs, the equivalent of 5.35 million ordinary shares of 10p each, representing 7.9% of the issued ordinary share capital at the beginning of the year. The enhancement to NAV was approximately £2.7 million or 1.4% of shareholders' funds at the year end.

As at 30 September 2020, the Company's share capital consisted of 67,593,995 ordinary shares of 10p each, of which 5,354,628 were held in treasury and 62,239,367 were in circulation. Movements in share capital over the course of the year are set out in note 13 to the financial statements on pages 47 and 48. The Company also has 250,000 5% cumulative preference shares of £1 each in issue.

The Board has resolved that should the opportunity arise to issue ordinary shares, the fair value measure of NAV is the appropriate reference to use when agreeing the issuance price. The Directors will be seeking to renew their powers to issue new shares at the forthcoming Annual General Meeting.

DIRECTORS' REPORT
continued

Rights Attaching to the Ordinary Shares

The profits of the Company available for distribution and resolved to be distributed, subject to the provisions of UK law, shall be distributed by way of dividends to the holders of the ordinary shares. On a return of capital on liquidation, the assets of the Company shall be applied in repaying a sum equal to the nominal capital paid up or credited as paid up on the ordinary shares. The remaining balance shall be distributed rateably among the holders of the ordinary shares according to the number of shares held by them.

At a general meeting of the Company every ordinary shareholder present in person or by proxy has one vote on a show of hands and on a poll one vote per £1 nominal held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or in person in relation to resolutions to be passed at a general meeting, except that the Directors can restrict voting powers (and dividends) where shareholders fail to provide information in respect of interests in voting rights when so requested.

Rights Attaching to the 5% Cumulative Preference Shares

Twice annually, on the last business days in March and September, the Company pays a fixed dividend of 2.5% in respect of the preference shares, a total of 5%. The holders of preference shares receive their fixed dividend before any dividends are paid to the holders of ordinary shares. Should the Company not be able make timely dividend payments, the dividends of cumulative preference shares will accrue. In the event of liquidation, the preference shares take precedence over ordinary shares, so that preferred shareholders have the first claim on the Company's assets and are paid off before the ordinary shareholders, receiving the nominal value of their preference shares and any outstanding dividends. Like ordinary shares, preference shares represent partial ownership in the Company, but holders of preference shares do not enjoy any of the voting rights of ordinary shareholders.

Restrictions on the Transfer of Ordinary or Preference Shares

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. As at 30 September 2020, the Company's issued share capital did not include any ordinary or preference shares that were not fully paid.

The Directors may refuse to register any transfer of a share in favour of more than four persons jointly. The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example insider trading laws). The Company is also not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Substantial Holdings in the Company

The Company was aware of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

Substantial Shareholders:

	AS AT 30 NOVEMBER 2020		AS AT 30 SEPTEMBER 2020	
	HOLDING	%	HOLDING	%
1607 Capital Partners	8,123,181	13.1	8,342,484	13.4
Wells Capital	7,693,741	12.4	7,573,741	12.2
Rathbones	5,660,863	9.2	6,136,613	9.9
Investec Wealth & Investment	3,681,797	6.0	3,760,647	6.0
Fidelity International	2,830,731	4.6	484,035	0.8
Brewin Dolphin	2,803,235	4.5	2,790,485	4.5
Close Brothers	2,275,355	3.7	2,321,080	3.7
Charles Stanley	2,147,280	3.5	2,138,748	3.4
Interactive Investor	1,895,342	3.1	1,914,467	3.1
JP Morgan Securities plc	—	—	3,200,000	5.1

Disclosures Required by 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 financial report. None of the prescribed information is applicable to the Company for the year under review.

Shareholder Relations

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the half-year and annual financial reports, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by the daily calculation and publication of the net asset value of the Company's ordinary shares, *ad hoc* regulatory announcements, fact sheets produced by the Manager and information about the Company available on the website. At each AGM, a presentation is made by the Portfolio Manager following the business of the Meeting and shareholders have the opportunity to communicate directly with the whole Board. All shareholders are normally encouraged to attend the AGM although this will not be possible this year with the Covid-19 situation. There is a regular dialogue between the Manager and institutional shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop an understanding of their issues and concerns. The Chairman and the Company's corporate broker, Numis Securities Limited, have also engaged with major shareholders during the year. All meetings between the Manager and institutional and other shareholders are reported to the Board.

It is the intention of the Board that the Annual Financial Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so in writing, to the Company Secretary at the correspondence address given on page 71. At other times, the Company responds to any letters from shareholders. Shareholders can also visit the Company's section of the Manager's investment trust website: *www.invesco.co.uk/keystone* in order to access copies of half-year and annual financial reports; shareholder circulars; Company factsheets; and regulatory announcements. Shareholders are also able to access copies of the schedule of matters reserved for the Board and the terms of reference of Board Committees, Directors' letters of appointment and any proxy voting results.

Individual Savings Account (ISA)

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

Business of the Annual General Meeting

The following summarises the business of the forthcoming AGM of the Company, which is to be held on 10 February 2021 at 12.30 pm. The notice of the AGM and related notes can be found on pages 66 to 69. All resolutions are ordinary resolutions unless otherwise identified.

Resolution 1 is for members to receive this Annual Financial Report, including the financial statements and auditors' report.

Resolution 2 is to approve the Annual Statement and Report on Remuneration. It is mandatory for listed companies to put their Annual Statement and Report on Remuneration to an advisory shareholder vote. The Annual Statement and Report on Remuneration is set out on pages 27 to 29 of this Annual Financial Report.

Resolution 3 is for members to approve the Company's Dividend Payment Policy which is set out on page 8. This is an advisory vote.

Resolution 4 is to re-appoint the Auditors and to authorise the Audit Committee to determine the Auditors' remuneration. PricewaterhouseCoopers LLP have expressed their willingness to continue to hold office until the conclusion of the next annual general meeting of the Company.

DIRECTORS' REPORT
continued

Resolution 5 is to re-elect Karen Brade a Director of the Company. Mrs Brade has over 25 years of investment experience across a range of sectors and markets. She has served as a non-executive director of listed venture capital and investment trusts. She has a deep understanding of investment performance, market risk and corporate governance requirements. Her experience and independence from the Manager allow her leadership of the Board to be effective.

Resolution 6 is to re-elect Ian Armfield a Director of the Company. Mr Armfield has many years of experience in the asset management and wider financial services industry. His deep expertise in auditing, risks and internal controls provides relevant, constructive oversight and challenge to the delivery of the Company's strategic goals.

Resolution 7 is to re-elect Katrina Hart a Director of the Company. Mrs Hart has extensive knowledge of the UK retail investment market and serves on boards of an asset management operating company and several investment trust companies. This, along with her long standing and varied experience of engaging with fund managers, brokers and shareholders, benefits the activities of the Company.

Resolution 8 is to re-elect William Kendall a Director of the Company. Mr Kendall brings extensive experience of business, governance and consumer related matters outside of the financial services industry, which together with his length of service, broadens and complements the other Directors in their oversight of investment and marketing activities of the Company.

Resolution 9 is to re-elect John Wood a Director of the Company. Mr Wood contributes to the Company's long-term sustainable success by drawing on his considerable experience of the investment management industry and asset markets.

Biographical details of all the Directors are set out on page 20.

Special Business

Resolution 10 is to renew the Directors' authority to allot shares, which expires at this AGM. Your Directors are asking for authority to allot new ordinary shares up to an aggregate nominal value of £2,083,052 (one third of the Company's issued share capital at 2 December 2020). This will allow Directors to issue shares within the prescribed limits should opportunities to do so arise that they consider would be in shareholders' interests. This authority will expire at the AGM in 2022.

Special Resolution 11 is to renew the authority to disapply pre-emption rights. Your Directors are asking for authority to issue new ordinary shares for cash up to an aggregate nominal value of £618,156 (10% of the Company's issued share capital as at 2 December 2020), disapplying pre-emption rights. This will allow shares to be issued to new shareholders without them first having to be offered to existing shareholders, thus broadening the shareholder base of the Company. This authority will not be exercised at a price below NAV (with debt at market value) and will expire at the AGM in 2022.

Special Resolution 12 is to renew the authority for the Company to purchase its own shares up to 14.99% of the Company's issued share capital excluding shares held in treasury as at the date of the AGM, subject to the restrictions referred to in the notice of the AGM (equivalent to 9,266,163 shares at 3 December 2020), either to be cancelled or, alternatively, to be held as ordinary shares in treasury with a view to their resale, if appropriate, or later cancellation. Any resale of ordinary shares held in treasury will be on terms that are in the best interests of shareholders. This authority will expire at the AGM in 2022.

Special Resolution 13 is to permit the Company to hold general meetings (other than annual general meetings) on 14 days notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the Company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is intended that this flexibility will be used only where the Board believes it is in the interests of shareholders as a whole.

The Directors have carefully considered all the resolutions proposed in the Notice of AGM and, in their opinion, consider them all to be in the best interests of shareholders as a whole. The Directors therefore recommend that shareholders vote in favour of each resolution.

By order of the Board

Invesco Asset Management Limited
Company Secretary

4 December 2020

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Keystone Investment Trust plc, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

Please note that access to this meeting will be restricted.
Please refer to note 1 to this Notice of Annual General Meeting.

NOTICE IS GIVEN that the Annual General Meeting of Keystone Investment Trust plc will be held at the offices of Invesco at 43-45 Portman Square, London W1H 6LY at 12.30pm on 10 February 2021 for the following purposes:

Ordinary Business

1. To receive the Annual Financial Report for the year ended 30 September 2020.
2. To approve the Annual Statement and Report on Remuneration.
3. To approve the Company's Dividend Payment Policy to declare four dividends in respect of each accounting year, with one payment in respect of each calendar quarter.
4. To reappoint PricewaterhouseCoopers LLP as auditors to the Company and authorise the Audit Committee to determine their remuneration.
5. To re-elect Mrs Karen Brade a Director of the Company.
6. To re-elect Mr Ian Armfield a Director of the Company.
7. To re-elect Mrs Katrina Hart a Director of the Company.
8. To re-elect Mr William Kendall a Director of the Company.
9. To re-elect Mr John Wood a Director of the Company.

Special Business

To consider and, if thought fit, pass the following resolutions of which Resolution 10 will be proposed as an Ordinary Resolution and Resolutions 11, 12 and 13 will be proposed as Special Resolutions.

10. THAT:

    the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this Resolution (the 'Act') to exercise all powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount (within the meaning of Sections 551(3) and (6) of the Act) of £2,083,052, such authority to expire at the conclusion of the next AGM of the Company or the date fifteen months after the passing of this Resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this Resolution had not expired.

11. THAT:

    the Directors be and they are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 as amended from time to time prior to the date of the passing of this Resolution (the 'Act') to allot equity securities for cash or (if such allotment constitutes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) otherwise, pursuant to the authority given by Resolution 10 set out above, as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise);

(b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £618,156; and

(c) to the allotment of equity securities at a price not less than the net asset value per share calculated with debt at market value

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this Resolution, whichever is the earlier, but so that this power shall allow the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry as if the power conferred by this Resolution had not expired; and so that words and expressions defined in or for the purposes of Part 17 of the Act shall bear the same meanings in this Resolution.

12. THAT:

the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ('the Act') to make market purchases (within the meaning of Section 693(4) of the Act) of its issued ordinary shares ('Shares').

PROVIDED ALWAYS THAT:

(a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's issued ordinary shares on 10 February 2021, being the date of the Annual General Meeting (equivalent to 9,266,163 shares at 3 December 2020);

(b) the minimum price which may be paid for a Share shall be its nominal value;

(c) the maximum price which may be paid for a Share must not be more than the higher of: (a) 5% above the average of the mid-market values of the Shares for the five business days before the purchase is made; and (b) the higher of the price of the last independent trade in the Shares and the highest then current independent bid for the Shares on the London Stock Exchange;

(d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share;

(e) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or, if earlier, on the expiry of fifteen months from the passing of this Resolution unless the authority is renewed at any other general meeting prior to such time; and

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

(g) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of Sections 724 to 731 of the Act and any applicable regulations of the United Kingdom Listing Authority, be held (or otherwise dealt with in accordance with Section 727 or 729 of the Act) as treasury shares.

13. THAT:

the period of notice required for general meetings of the Company (other than AGMs) shall be not less than fourteen clear days.

Please refer to the Directors' Report on pages 63 to 65 for further explanations of all the Resolutions.

Dated this 4th December 2020

By order of the Board

Invesco Asset Management Limited
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING
continued

As mentioned in the Chairman's Statement, in view of the risks and restrictions on public gatherings in the light of the Covid-19 situation, it is expected that this AGM will be held in a restricted format and shareholders and their proxies are advised not to seek to attend.

Accordingly, it is recommended that shareholders exercise their votes by means of registering them with the Company's Registrars ahead of the meeting and appoint the Chairman of the meeting as their proxy.

The notes below should be read subject to this.

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:

   - via Link Asset Services' website *www.signalshares.com*; or
   - in hard copy form by post, by courier or by hand to the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or
   - In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

   and in each case to be received by the Company not less than 48 hours before the time of the meeting.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

3. A form of appointment of proxy is enclosed. Appointment of a proxy (whether by completion of a form of appointment of proxy, or other instrument appointing a proxy or any CREST proxy instruction) does not prevent a member from attending and voting at this meeting.

   To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by not later than 12.30pm on 8 February 2021.

4. A person entered on the Register of Members at close of business on 8 February 2021 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.

5. The Register of Directors' Interests, the Schedule of Matters Reserved for the Board, the Terms of Reference of the Audit Committee and the Nomination Committee and the Letters of Appointment for Directors are available for inspection on the Company's web page.

6. A copy of the Articles of Association is available for inspection upon request to the Company Secretary.

7. Any person to whom this Notice is sent who is a person nominated under Section 146 under the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the shareholder as to the exercise of voting rights.

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

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

11. As at 3 December 2020 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 61,815,632 ordinary shares of 10p each carrying one vote for every £1 nominal held; and 250,000 5% Cumulative Preference Shares of £1 each carrying no voting rights.

12. This notice is sent for information only to the holders of the 5% Cumulative Preference Shares, who are not entitled to attend and vote at the meeting.

13. A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at *www.invesco.co.uk/keystone*

14. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006 (the '2006 Act'), the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting for the financial year beginning on 1 October 2019; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 October 2019 ceasing to hold office since the previous meeting at which annual financial reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant Annual General Meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

SHAREHOLDER INFORMATION

History of the Keystone Investment Trust plc (the 'Company')

On 13 January 2003, the investment trust changed its name from Merrill Lynch UK Investment Trust plc to Keystone Investment Trust plc, the name by which the investment trust was formerly known.

Website

Information relating to the Company can be found on the Company's page of the Manager's website, www.invesco.co.uk/keystone.

The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated into nor do they form part of, this financial report.

How to invest in the Company

The Company's shares are listed and traded on the London Stock Exchange. There are a variety of ways by which investors can buy the shares, including through the following: independent professional financial advisers, brokers and platforms. The Manager's website contains a list of some of the larger dealing platforms as well as a link to unbiased.co.uk, for those seeking financial advice, and to the AIC's website for detailed information on investment companies.

Share Price Listings

The price of your shares can be found in the Financial Times, Daily Telegraph and The Times.

In addition, share price information can be found using the KIT.L ticker code and on the Company's section of the Manager's website, www.invesco.co.uk/keystone

General Data Protection Regulation (GDPR)

The Company's privacy notice, which sets out what personal data is collected, and how and why it is used, can be found at www.invesco.co.uk/keystone in the 'Literature' section, or a copy can be obtained from the company secretary whose correspondence address is shown on page 71.

Net Asset Value (NAV) Publication

The NAV of the Company's ordinary shares is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. Estimated NAVs are published daily in the newspapers detailed under Share Price Listings.

Financial Calendar

The timing of the announcement and publication of the Company's results and dividends may normally be expected in the months shown below:

November
Annual results and fourth interim dividend for year announced.
Annual Financial Report published.

December
Fourth interim dividend paid.

February
Annual General Meeting and first interim dividend announced.

March
First interim dividend paid.

May
Half-year figures and second interim dividend announced, half-year financial report published.

June
Second interim dividend paid.

August
Third interim dividend announced.

September
Third interim dividend paid.

Kepler Partners LLP

Kepler Partners LLP (Kepler) are an independent research boutique, appointed by the Board of Keystone Investment Trust plc to produce biannual research coverage of the Company.

You can find the latest version of this report on the Invesco Website: www.invesco.co.uk/keystone

Alternatively, type "Kepler Keystone" into your search engine.

This website is aimed only at providing information to private investors. No information or opinions contained in this site constitute a solicitation or inducement by Kepler to buy, sell or subscribe for any securities mentioned herein or to provide any investment advice or service.

ADVISERS AND PRINCIPAL EXTERNAL SERVICE PROVIDERS

Registered Office and Company Number

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH.

Registered in England and Wales.
Number: 538179.

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited

Company Secretary

Invesco Asset Management Limited
Company Secretarial Contact: Shilla Pindoria.

Correspondence Address

43-45 Portman Square
London W1H 6LY.
☎ 020 3753 1000.
Email: investmenttrusts@invesco.com

The Association of Investment Companies

The Company is a member of the Association of Investment Companies.

Contact details are:
☎ 020 7282 5555
Email: enquiries@theaic.co.uk
Website: www.theaic.co.uk

Depositary, Custodian & Banker

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL.

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT.

Invesco Client Services

Invesco has a Client Services Team, available to assist you from 8.30am to 6.00pm Monday to Friday (excluding Bank Holidays). Please note no investment advice can be given.
☎ 0800 085 8677
www.invesco.co.uk/investmenttrusts

Corporate Broker

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT.

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU.

If you hold your shares directly and not through a savings scheme or ISA and have a query relating to your shareholding, you should contact the Registrar on:
☎ 0371 664 0300.
Calls are charged at the standard geographic rate and will vary by provider.

Shareholders can also access their holding details via Link's website: www.signalshares.com.

Link Asset Services provides an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.linksharedeal.com or ☎ 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider.

Lines are open from 9.00am to 5.30pm Monday to Friday (excluding Bank Holidays).

Link Asset Services is the business name of Link Market Services Limited.

Investor Warning

The Company, Invesco and the Registrar would never contact members of the public to offer services, or require any type of upfront payment. If you suspect you have been approached by fraudsters, please contact the FCA Consumer Helpline on 0800 111 6768 and Action Fraud on 0300 123 2040. Further details for reporting frauds, or attempted frauds, can be found on page 70 of the 2020 annual report.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The calculations shown in the corresponding tables are for the years ended 30 September 2020 and 2019. The APMs listed here are widely used in reporting within the investment company sector and consequently aid comparability.

Benchmark (or Benchmark Index)

A standard against which performance can be measured, usually an index that averages the performance of companies in a stock market or a segment of the market. The benchmark used in these accounts is the FTSE All-Share Index.

Premium/(Discount) (APM)

Discount is a measure of the amount by which the mid-market price of an investment company share is lower than the underlying net asset value (NAV) of that share. Conversely, premium is a measure of the amount by which the mid-market price of an investment company share is higher than the underlying net asset value of that share. In this annual financial report the discount is expressed as a percentage of the net asset value per share, with debt at market value, and is calculated according to the formula set out below. If the shares are trading at a premium the result of the below calculation will be positive and if they are trading at a discount it will be negative.

	PAGE		2020	2019
Share price	2	a	253.00p	308.00p[1]
Net asset value per share				
– debt at market value (note 15)	48	b	305.80p	372.48p[1]
Discount		c = (a-b)/b	(17.3)%	(17.3)%

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

Gearing

The gearing percentage reflects the amount of borrowings that a company has invested. This figure indicates the extra amount by which net assets, or shareholders' funds, would move if the value of a company's investments were to rise or fall. A positive percentage indicates the extent to which net assets are geared; a nil gearing percentage, or 'nil', shows a company is ungeared. A negative percentage indicates that a company is not fully invested and is holding net cash as described below.

There are several methods of calculating gearing and the following has been used in this report:

Gross Gearing (APM)

This reflects the amount of gross borrowings in use by a company and takes no account of any cash balances. It is based on gross borrowings as a percentage of net assets.

	PAGE		2020 DEBT AT MARKET VALUE £'000	2019 DEBT AT MARKET VALUE £'000
Bank overdraft	47		650	—
Bank facility	47		19,180	—
Debenture and bonds	54		—	37,659
5% cumulative preference shares				
of £1 each	54		246	246
Gross borrowings		a	20,076	37,905
Net asset value	48	b	190,329	251,772
Gross gearing		c = a/b	10.5%	15.1%

Net Gearing or Net Cash (APM)

Net gearing reflects the amount of net borrowings invested, i.e. borrowings less cash and cash equivalents (incl. investments in money market funds). It is based on net borrowings as a percentage of net assets. Net cash reflects the net exposure to cash and cash equivalents, as a percentage of net assets, after any offset against total borrowings

	PAGE		2020 DEBT AT MARKET VALUE £'000	2019 DEBT AT MARKET VALUE £'000
Bank overdraft	47		650	—
Bank facility	47		19,180	—
Debenture and bonds	54		—	37,659
5% cumulative preference shares of £1 each	54		246	246
Less: cash and cash equivalents	38		(620)	(22,557)
Net borrowings		a	19,456	15,348
Net asset value	48	b	190,329	251,772
Net gearing		c = a/b	10.2%	6.1%

Leverage

Leverage, for the purposes of the Alternative Investment Fund Managers Directive (AIFMD), is not synonymous with gearing as defined above. In addition to borrowings, it encompasses anything that increases the Company's exposure, including foreign currency and exposure gained through derivatives. Leverage expresses the Company's exposure as a ratio of the Company's net asset value. Accordingly, if a Company's exposure was equal to its net assets it would have leverage of 100%. Two methods of calculating such exposure are set out in the AIFMD, gross and commitment. Under the gross method, exposure represents the aggregate of all the Company's exposures other than cash balances held in base currency and without any offsetting. The commitment method takes into account hedging and other netting arrangements designed to limit risk, offsetting them against the underlying exposure.

Net Asset Value (NAV)

Also described as shareholders' funds, the NAV is a value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per share is calculated by dividing the net asset value by the number of ordinary shares in issue. For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at par (their repayment – often nominal – value). An alternative, NAV with debt at market value, values long term liabilities at their market (fair) value and is shown in note 15.

Ongoing Charges Ratio (APM)

The ongoing administrative costs of operating the Company are encapsulated in the ongoing charges ratio, which is calculated in accordance with guidance issued by the AIC. The calculation incorporates charges allocated to capital in the financial statements as well as those allocated to revenue, but excludes non-recurring costs, transaction costs of investments, finance costs, taxation, and the costs of buying back or issuing shares. The ongoing charges ratio is the aggregate of these costs expressed as a percentage of the daily average net asset value (debt at market value) reported in the year.

	PAGE		2020 £'000	2019 £'000
Investment management fee	43		768	939
Other expenses	43		586	392
Less: costs in relation to custody dealing charges and one off legal costs in relation to the redemption of the debenture and bonds and share sub-division			(169)	(4)
Total recurring expenses		a	1,185	1,327
Average daily net assets		b	217,052	244,207
Ongoing charges ratio %		c = a/b	0.55%	0.54%

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES continued

Return

The return generated in a period from the investments.

Capital Return

Reflects the return on NAV, excluding any dividends reinvested.

Total Return

Total return is the theoretical return to shareholders that measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. In this annual financial report these return figures have been sourced from Refinitiv who calculate returns on an industry comparative basis.

Net Asset Value Total Return (APM)

Total return on net asset value per share, with debt at market value, assuming dividends paid by the Company were reinvested into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Share Price Total Return (APM)

Total return to shareholders, on a mid-market price basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

	PAGE		NET ASSET VALUE	SHARE PRICE
As at 30 September 2020	48 (note 15) and 2		305.80p	253.00p
As at 30 September 2019[1]	48 (note 15) and 2		372.48p	308.00p
Change in year		a	–17.9%	–17.9%
Impact of dividend reinvestments[2]		b	2.9%	3.4%
Total return for the year		c = a+b	–15.0%	–14.5%

	PAGE		NET ASSET VALUE	SHARE PRICE
As at 30 September 2019[1]	48 (note 15) and 2		372.48p	308.00p
As at 30 September 2018[1]	3		384.34p	337.00p
Change in year		a	–3.1%	–8.6%
Impact of dividend reinvestments[2]		b	4.2%	4.5%
Total return for the year		c = a+b	1.1%	–4.1%

(1) Restated following the sub-division of each existing ordinary share of 50p into five ordinary shares of 10p each on 13 February 2020.

(2) Total dividends paid during the year of 11.934p (2019: 15.15p), adjusted for the 5 for 1 subdivision of the ordinary shares, reinvested at the NAV or share price on the ex-dividend date. NAV or share price falls subsequent to the reinvestment date consequently further reduce the returns, vice versa if the NAV or share price rises.

Benchmark

Total return on the benchmark is on a mid-market value basis, assuming all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE DISCLOSURE

Alternative Investment Fund Manager (AIFM) and the Alternative Investment Fund Managers Directive (the 'AIFMD', the Directive)

The Company falls with the definition of an Alternative Investment Fund (AIF) under the Directive and, as such, is required to have (or be) an authorised AIFM. Invesco Fund Managers Limited (IFML) was authorised as an AIFM, and appointed by the Company as such, with effect from 22 July 2014.

Amongst other things, the AIFMD requires certain information to be provided to prospective investors. This information can be found in the Company's section of the Manager's website (www.invesco.co.uk/keystone) in a downloadable document entitled 'AIFMD Investor Information'. There have been three material changes to this document in the year: the Company sub-divided its existing ordinary shares on a 5 for 1 basis on 13 February 2020; the Company redeemed its debenture and bonds on 13 March 2020; and the Company increased the limit on the portfolio's exposure to overseas securities to 20% (from 15%) in April 2020. Any information requiring immediate disclosure pursuant to the Directive will be disclosed through a primary information provider.

In addition, the Directive requires information in relation to the remuneration of the Company's AIFM, IFML, and the Company's leverage (both 'gross' and 'commitment' – see Glossary on page 73) to be made available to investors.

Accordingly:

— the leverage calculated for the Company at its year end was 125% for gross and 111% for commitment (2019: 106% for gross and 104% for commitment). The limits the AIFM has set for the Company remain unchanged at 250% and 200%, respectively;

— the AIFM summary remuneration policy is available from the corporate policies section of the Manager's website (www.invesco.co.uk) and from the Company's company secretary, on request (see contact details on page 71); and

— the AIFM remuneration paid for the year to 31 December 2019 is set out below.

AIFM Remuneration

The AIFM remuneration paid is based on the financial year of the AIFM, which is 31 December 2019.

The aggregate total remuneration of Invesco staff involved in AIF related activities of the Manager in respect of performance year (1 January 2019 to 31 December 2019) is £7.73 million of which £4.57 million is fixed remuneration and £3.16 million is variable remuneration. The number of beneficiaries is 36.

The Manager has identified individuals considered to have a material impact on the risk profile of the Manager or the AIF it manages ('Identified Staff'), who include board members of the Manager, senior management, heads of control functions, other risk takers and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. Identified Staff of the Manager are employed by Invesco.

The aggregate total remuneration paid to the Identified Staff of the Manager for AIF related activities for the performance year (1 January 2019 to 31 December 2019) is £0.97 million of which £0.22 million is paid to Senior Management and £0.75 million is paid to other Identified Staff. Please note that remuneration for AIFMD Identified Staff includes remuneration for staff employed by delegates (all delegates are employed by various entities of the Invesco Ltd. Group).

Invesco's summary remuneration policy is available from the corporate policies section of its website (www.invesco.co.uk). Paper copies of the full remuneration policy can be obtained for free from the registered office of the Manager, Invesco Fund Managers Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, UK upon request.

The Manager of Keystone Investment Trust plc is Invesco Fund Managers Limited.

Invesco Fund Managers Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Conduct Authority.

Invesco is one of the largest independent global investment management firms, with funds under management of $1,207 billion.*

Invesco aims to provide the highest returns available from markets, through active management, but in a controlled manner, conscious of the risks involved and within our clients' objectives.

* *Funds under Management as at 31 October 2020*

INVESTMENT COMPANIES MANAGED BY INVESCO

Investing for Income, Income Growth and Capital Growth (from equities and fixed interest securities)

City Merchants High Yield Trust Limited

A Jersey-incorporated closed-ended Company that aims to generate a high level of income from a variety of fixed income instruments. The Company may use repo financing to enhance returns.

Invesco Income Growth Trust plc

Aims to produce income and capital growth superior to that of the UK stock market and dividends paid quarterly that, over time, grow at above the rate of inflation. The Company may use bank borrowings.

Invesco Enhanced Income Limited

A Jersey-incorporated closed-ended Company that aims to provide a high level of income, paid gross to UK investors, whilst seeking to maximise total return through investing, primarily in a diversified portfolio of high-yielding corporate and government bonds. The Company seeks to balance the attraction of high-yield securities with the need for protection of capital and to manage volatility. The Company uses repo financing to enhance returns.

Invesco Perpetual Select Trust plc – Managed Liquidity Portfolio

Aims to produce an appropriate level of income return combined with a high degree of security. The portfolio invests in a range of sterling based or related high quality debt securities and similar assets either directly or indirectly through authorised funds.

Invesco Perpetual Select Trust plc – UK Equity Portfolio

Aims to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities. The portfolio may use bank borrowings.

Keystone Investment Trust plc

Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Company may use bank borrowings.

Investing in Smaller Companies

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders primarily by investment in a broad cross-section of small to medium sized UK-quoted companies. The Company may use bank borrowings.

Investing Internationally

Invesco Asia Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the MSCI AC Asia Ex Japan Index, total return, in sterling terms. The Company may use bank borrowings.

Invesco Perpetual Select Trust plc – Global Equity Income Portfolio

Aims to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide. The portfolio may use bank borrowings.

Investing for Total Returns

Invesco Perpetual Select Trust plc – Balanced Risk Allocation Portfolio

Aims to provide shareholders with an attractive total return in differing economic and inflationary environments and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

The portfolio is constructed so as to balance risk, is long-only, using mainly transparently-priced exchange-traded futures contracts and other derivative instruments to gain such exposure and to provide leverage.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Portfolio
- Global Equity Income Portfolio
- Managed Liquidity Portfolio
- Balanced Risk Allocation Portfolio

A choice of four investment policies and objectives, each intended to generate attractive risk-adjusted returns from segregated portfolios, with the ability to switch between them, four times a year, free from capital gains tax liability. Dividends are paid quarterly, apart from Balanced Risk Allocation which will not normally pay dividends.

Please contact Invesco's Client Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specialist funds listed above. Further details are also available on the following website: www.invesco.co.uk/investmenttrusts.