JPMorgan Smaller Companies Investment Trust plc

Annual Report & Financial Statements for the year ended 31st July 2020

J.P.Morgan
Asset Management

Your Company

Objective

Capital growth from UK listed smaller companies.

Investment Policies

- To provide capital appreciation for shareholders from a diversified portfolio of UK listed small companies, emphasising capital rather than income growth.
- Liquidity and borrowings are managed with the aim of increasing returns to shareholders.
- Further details on investment policy and risk management are contained in the Business Review on page 18.

Gearing

A flexible low cost £25 million borrowing facility is in place and available for the investment manager to utilise. At 31st July 2020, £21 million was drawn down on the facility with the gearing level being 8.6% at that date.

Benchmark

The Numis Smaller Companies plus AIM (excluding Investment Companies) Index. Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding investment trusts).

Capital Structure

- UK Domiciled.
- Premium listing on the London Stock Exchange.
- As at 31st July 2020, the Company's share capital comprised 79,611,410 ordinary shares of 5p each, including 1,559,741 shares held in Treasury.

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose an ordinary resolution that the Company shall continue in existence at the forthcoming AGM in 2020 and in every third year thereafter. For further information, please see page 6 of the Chairman's Statement and page 23 of the Business Review.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

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

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

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

Association of Investment Company's ('AIC')

The Company is a member of the AIC.

Website

The Company's website, which can be found at www.jpmsmallercompanies.co.uk, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

for the year ended 31st July

	2020	2019	3 Years Cumulative	5 Years Cumulative
Return to shareholders[1,A]	+3.7%	-3.4%	+32.1%	+52.8%
Return on net assets[2,A]	+3.8%	-5.2%	+17.8%	+44.5%
Benchmark return[3]	-8.7%	-4.4%	-10.9%	+12.3%
Net asset return performance compared to benchmark return[3]	+12.5%	-0.8%	+28.7%	+32.2%
Dividend per share[4]	5.5p	5.5p		

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for the comparative year are a composite of the two indices.

[4] Comparative figure at 31st July 2019 has been restated following the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 30th November 2018.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 77 and 78.

SUMMARY OF RESULTS

	2020	2019	% change
Total returns for the year ended 31st July			
Return to shareholders[1,A]	+3.7%	-3.4%	
Return on net assets[2,A]	+3.8%	-5.2%	
Benchmark return[3]	-8.7%	-4.4%	
Net asset value and share price at 31st July			
Shareholders' funds (£'000)	209,937	207,740	+1.1
Net asset value per ordinary share[A]	269.0p	264.4p	+1.7
Ordinary share price	232.0p	229.0p	+1.3
Shares in issue (excluding shares held in Treasury)	78,051,669	78,565,886	
Ordinary share price discount to net asset value per ordinary share[A]			
At 31st July	13.8%	13.4%	
Highest during the year	29.1%	18.5%	
Lowest during the year	0.6%	9.4%	
Average during the year	11.5%	14.7%	
Revenue for the year ended 31st July			
Net revenue available for shareholders (£'000)	2,965	5,038	-41.1
Revenue return per ordinary share	3.80p	6.33p	-40.0
Dividend per ordinary share	5.5p	5.5p	
Gearing at 31st July[A]	8.6%	8.7%	
Ongoing Charges at 31st July[A]	1.01%	1.11%	

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for the comparative year are a composite of the two indices.

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A glossary of terms and APMs is provided on pages 77 and 78.

Andrew Impey
Chairman

Investment Performance

Despite an extremely volatile year, I am delighted to report positive returns for the year for both the Company's net asset value ('NAV') and share price which more than compensate for the modest relative underperformance experienced in the previous year. During the year the Company's total return on net assets (with net dividends reinvested) rose by 3.8% which compares favourably to the return of -8.7% for the Company's benchmark, the Numis Smaller Companies plus AIM Index (excluding Investment Companies). The return to shareholders was +3.7% reflecting a steady discount level over the year as a whole. For context it is worth noting that the total return of the FTSE 100 Index over the same period was -19.2%.

It is most pleasing that your Investment Managers have achieved such good returns in an unusually challenging environment. The Board believes that this is a reflection of the Managers' skill and experience and demonstrates the attraction of a well diversified, actively managed portfolio of smaller companies. We feel that the change of benchmark, to enhance the available investment universe, and greater commitment by the managers to their best ideas has also played its part. I am happy to report that since the year end performance has continued to be strong. Over the two months to 30th September 2020 the total return on net assets rose by 9.8% which was comfortably ahead of the Company's benchmark which rose by 5.2%.

In their report, the Investment Managers provide further detail on portfolio performance and attribution, together with a commentary on markets.

COVID-19 and the Company's Key Service Providers

Since the on-set of the pandemic, the Board has been closely monitoring the Manager and the Company's other service providers and is pleased to report that these providers have been able to adjust their business models to accommodate the working from home requirements with limited disruption. The Board has received assurances that the Company's operations, to include the management of the portfolio and the maintenance of a strong controls environment, have continued as normal with no issues being identified.

Revenue and Dividends

Shareholders will be aware that the Company's investment policy does not prioritise income growth. However, after eight years of consecutive dividend growth, the revenue return per share, calculated on the average number of shares in issue, decreased this year to 3.80p (2019: 6.33p). This reflected the significant reduction in stock market dividends overall as a result of COVID-19 and means that the company has not produced enough income, after costs, to cover a maintained dividend. However, despite this reduction in net revenue, the Directors are recommending a maintained final dividend of 5.50p per share. This is possible due to the Company's undistributed income retained from previous years, known as a Revenue Reserve, which is an advantage of the investment trust structure. In arriving at this recommendation, the Directors considered the Manager's revenue projections and, as far as it is possible, the possible path of economic growth. Clearly this revenue reserve will only support dividends for a finite period of time and, if the hoped for economic recovery does not occur, the Board may need to re-assess the dividend level in future years. If approved, the dividend will be paid on 7th December 2020 to shareholders on the register at close of business on 30th October 2020.

Gearing

The Board believes that a moderate level of gearing is an efficient way to enhance long-term shareholder returns, particularly in the current low interest rate environment, albeit at the cost of a small increase in short-term volatility. The level of gearing is regularly discussed with the Manager and is adjusted by them to reflect short-term considerations.

On 2nd October 2020, following the financial year end, the borrowing facility of £25 million with Scotiabank was renewed for a further 12 months. The current facility will expire in October 2021. There is a further option to increase borrowings to £35 million subject to certain conditions. At the year end, £21 million (2019: £24 million) was drawn on the loan facility with the gearing level of 8.6% (2019: 8.7%) of net assets.

Share Repurchases and Issuance

At last year's Annual General Meeting ('AGM'), shareholders granted the Directors authority to repurchase the Company's Shares for cancellation or to be held in Treasury for possible re-sale. During the financial year the Company repurchased 514,217 Ordinary Shares into Treasury, for a total consideration of £1,140,000. This amount represented 0.6% of the issued Ordinary Share capital at the beginning of the year. Treasury Shares will only be sold at a premium to net asset value thus enhancing shareholder value.

As in previous years, the Board's objective is to use the repurchase authority to manage imbalances between the supply and demand of the Company's shares, with the intention of reducing the volatility of the discount. To date the Board believes this mechanism has been helpful and therefore proposes and recommends that powers to repurchase up to 14.99% of the Company's Shares (less shares held in Treasury) be renewed as at the date of the AGM.

Board of Directors and Succession Planning

As previously announced, Andrew Robson will retire from the Board immediately after the forthcoming AGM. Accordingly, he will not stand for reappointment at that meeting. Andrew has served as a non-executive Director of the Company since 2007 and as Chairman of the Audit Committee since 2013. The Board is very grateful to him for his valuable contribution during his tenure and we wish him all the best for the future.

As part of its succession planning, the Board, through the Nomination Committee, carried out a search process during the year using an independent recruitment consultancy. This led to the appointment of Gordon Humphries as an independent non-executive Director with effect from 1st July 2020. Gordon is a Chartered Accountant and has more than 30 years of investment trust experience, including responsibilities in the areas of risk management and controls processes, company secretarial and corporate finance. The Board is looking forward to working with Gordon and is already benefiting from his contribution. Upon the retirement of Andrew following the next AGM, Gordon will be appointed as Chairman of the Audit Committee.

Continuation of the Company

In accordance with the Company's Articles of Association, an ordinary resolution will be put to shareholders at the forthcoming AGM that the Company continues in existence as an investment trust for a further three year period.

The Board believes that long-term investment in UK smaller companies remains favourable, despite some near term challenges, and the Company provides access to investments in a controlled risk environment that individual investors would find difficult to replicate on their own. Over the last three and ten years to 31st July 2020, the total return from the Company's net assets has been +17.8% and +233.3% respectively, significantly outperforming its benchmark which returned –10.9% and +141.4% over the same periods.

During the last 12 months, the Board, via the Management Engagement Committee, has undertaken a detailed review of the Manager and their investment approach. Whilst all investment styles will deliver returns that vary over time, the Board believes that the Manager's approach continues to be appropriate for the Company and that JPMorgan Asset Management has the appropriate resources to continue to successfully manage your Company.

Accordingly, the Board believes that the continuation of the Company is in the best interests of all shareholders and strongly recommends that shareholders vote in favour of the resolution at the AGM on 24th November 2020, as the Directors intend to do so in respect of their own holdings.

Annual General Meeting

The Company's thirtieth AGM will be held on Tuesday 24th November 2020 at 3.00 p.m. at 60 Victoria Embankment, London EC4Y 0JP. Despite the easing of lockdown measures which were put in place due to

COVID-19, restrictions remain, and given ongoing uncertainty about the course of this pathogen and due to the ongoing public health concerns, the Board has most reluctantly decided to proceed with this year's AGM by limiting attendance in person to only Directors or their proxies and representatives from JPMorgan. With a quorum in place the formal business will be able to proceed.

The Board is aware that many shareholders look forward to hearing the views of the Investment Managers and perhaps particularly this year, given the uncertainties that lie ahead for the UK economy and markets. Accordingly a presentation with the Investment Managers, which would have been delivered at the AGM, will be available for shareholders to watch on the Company's website.

In light of the changed format, the Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms. This will ensure that the votes are registered. Shareholders are also invited to address any questions they have for the Investment Managers or the Board by writing to the Company Secretary at the address on page 81 or via email to invtrusts.cosec@jpmorgan.com.

Outlook

After an initial sharp bounce, the recovery in the UK stock market has stalled as investors wait to see how the nascent economic recovery develops. This is further complicated by the fact that economic growth is harder than ever to predict given the possible imposition of further partial or 'restart' restrictions and also the tremendous reliance on government and central bank largesse. Additionally, the UK economy still faces the uncertainty of how we will leave the European Union. However, we believe these issues are to some extent already reflected in UK share prices which have underperformed their international counterparts, partially due to a greater reliance on the service economy and consumer behaviour.

Clearly the future remains uncertain and careful stewardship of investments will be required. However, your Company is invested in a good spread of well positioned, soundly financed companies, with both UK and international exposure, which also have strong medium term growth prospects. Your Board remains confident that the Manager has an appropriate approach to UK smaller company investment and the long term returns for the Company are testament to this sound approach.

Andrew Impey
Chairman 14th October 2020

Georgina Brittain
Investment Manager

Katen Patel
Investment Manager

Performance & Market Background

The financial year to July 2020 was definitively a year of two halves. The first half of the year, to January 2020, was dominated in the UK by Brexit (again) and by the General Election. It was our belief that the decisive Conservative victory in December bode well for the UK economy and for finality on our departure from the European Union, and the UK stockmarket, and in particular the Small Cap market, reacted strongly.

All of this rapidly became irrelevant as COVID-19 spread across the world, causing misery, death and global economic turmoil. February and March 2020 witnessed precipitous declines in global stockmarkets, but the rebound was swift, as is now customary for stockmarkets, very much pre-empting the cessation of the COVID-19 impact on the world. The peak to trough fall in the FTSE 100 during the first half of 2020 was -34.9, while for the Numis Smaller Companies plus AIM Index (excluding Investment Companies) it was -41.8%. For our financial year as a whole, our index fell -8.7%, having been up 8.9% at the end of January. Your Company strongly outperformed this decline, producing a positive return on net assets of 3.8%. The average discount remained fairly static, year on year, leading to a share price return of +3.7%.

Portfolio

The key contributors to performance in the year were a number of our largest high conviction holdings. These included Games Workshop, Dunelm, Avon Rubber, Future, Team 17, Codemasters, Softcat and Computacenter. We also benefitted from the take-overs of Eland, EI Group, Huntsworth and more recently RockRose Energy. The main underperformers were those companies perceived by the market to be hard hit by Covid, namely Dart Group, Vistry and OneSavings Bank. We believe the stockmarket has misjudged these companies; we maintain our holdings in all of them, and added to both Dart and Vistry after their share price declines.

The impact of Covid on the portfolio was significant in March, as certain sectors such as travel and leisure and retail were dramatic underperformers, and our index fell by almost 24%. In response to the pandemic

PERFORMANCE ATTRIBUTION

	12 months to 31st July 2020 %	12 months to 31st July 2020 %	12 months to 31st July 2019 %	12 months to 31st July 2019 %	12 months to 31st July 2018 %	12 months to 31st July 2018 %
Contributions to total returns						
Benchmark return		-8.7		-4.4		2.1
Sector and stock selection	14.9		1.1		18.5	
Gearing/net cash	-1.4		-0.8		0.1	
Investment Managers' contribution		13.5		0.3		18.6
Benchmark differentials	-0.1		-0.4		–	
Portfolio total return		4.7		-4.5		20.7
Management fee/other expenses	-1.0		-1.2		-1.1	
Repurchase of shares for cancellation	0.1		0.5		0.1	
Other effects		-0.9		-0.7		-1.0
Return on net assets[A]		3.8		-5.2		19.7
Impact of change in discount		-0.1		1.8		12.1
Return to shareholders[A]		3.7		-3.4		31.8

Source: JPMAM/Morningstar.
All figures are on a total return basis.
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.
[A] Alternative Performance Measure ('APM')
A glossary of terms and APMs is provided on pages 77 and 78.

we made a number of changes to the portfolio. However, key to our approach throughout this turbulent period has been to maintain a balance within the portfolio. We aimed to own both those companies that would not be too hard hit by the lockdown, or indeed might benefit from it, but also those that despite suffering a significant impact in the period we believed to be either extremely oversold and hence very undervalued, or those which we analysed would not only survive, but come out the other side stronger and with better competitive environments.

Further examples of companies where we increased our position as prices fell include Future, Pets at Home and Computacenter. New additions to the portfolio, which should benefit from recent events, included Halfords and Restaurant Group (both very oversold), CMC Markets (a beneficiary of volatile stockmarkets) and the gold producer Centamin. Other new purchases include Premier Foods, Gamma Communications and LSL, the estate agent. We exited a number of holdings including the train operator, Go-Ahead, Greggs, the food-on-the-go outlet, the tour operator On The Beach and TI Fluids, exposed to the automotive market. In the second half of the year we also participated in one IPO, Inspecs, a global manufacturer and distributor of eyewear.

Market Outlook

The initial official estimate for the GDP decline in Q2 2020 is -20.4% (quarter on quarter). The UK is now in recession. This is no surprise, given the effective shutdown of much of the economy in the quarter, and in fact is a less severe decline than was initially forecast. In August, the Bank of England revised upwards its estimates for GDP growth for the year to -9.5% for 2020, followed by +9% in 2021. On this basis, by the end of 2021 the Bank forecasts that the economy will have recovered to pre-Covid levels. The Bank also forecasts that at its worst, by the end of this year, unemployment will be 7.5%. This is substantially less than original estimates of over 10%, and this is a crucial question for the outlook. There is clearly huge uncertainty over the length and depth of this recession and of future unemployment levels after the end of the Government's furlough scheme.

While markets have recovered significantly from the spring lows of this year, and indeed in the USA markets are above pre-Covid levels, the UK stockmarket has been a laggard. From the start of January to the end of August, the FTSE 100 was down 22%, although the Numis Small Cap Index was down only 14%. When we look out to 2021 forecast valuations, based upon downgraded expectations for growth post Covid, our index is on an attractive 13x price/earnings ratio. We believe these forecasts are sensibly and cautiously based, and do not contain expectations of a rapid 'V-shaped' recovery, and are also cognisant of the recession. While clearly highly volatile, equity markets have carried out their function during this unprecedented period. Companies have been able to raise equity to fund holes in their balance sheets. To date this has mainly been done via placings, but we expect more rights issues to follow.

Our focus over the next 18 months is firstly on the trajectory of Covid, and how that will affect our companies and the broader economy. Messages are mixed, but recent Purchasing Managers Indices and inventory levels have been encouraging. Second is the shape and length of the recession, and how that will impact the consumer. And third is Brexit, where our working assumption is that the UK will trade with Europe on WTO terms after the end of the transition period on 31st December 2020. There are so many unknowns at present, but one key point of clarity from the Government is that we are not going to pursue the austerity route imposed after the last recession. There has been a huge amount of Government support for the economy over the last several months, and we do not expect this approach to change. The opportunity set that we currently see, the Government support, and current valuations have led to gearing currently sitting at close to 8%. Our role as managers of your Company is to be adaptable to changing circumstances, but, as ever, to focus on the winners. We have outlined above in the portfolio section a number of the changes we have made in order to benefit from the new environment we all live in. These include both those companies that have traded strongly throughout the pandemic but also those where we believe the stockmarket has mispriced their future trading. These are the companies that we believe will not only survive but thrive in the post Covid world, adapting to fit the new climate, as their competition falters.

Georgina Brittain
Katen Patel
Investment Managers

14th October 2020

ESG and J.P.Morgan Investment Trusts

Introduction

ESG is an acronym which stands for Environmental, Social and Governance. It has become a convenient label for describing the broad field of sustainability in the corporate sector and is widely used when assessing the environmental impact of businesses, when considering how companies acquit themselves in respect of their broad social responsibilities and when reviewing the practices and standards used in governing corporate organisations.

Awareness of these issues has increased significantly in recent years among investment practitioners and their clients, and indeed in society at large, and our practices at J.P.Morgan Asset Management have been at the forefront of these developments. In these pages we explain how our approach has developed and how it is applied for the benefit of shareholders across the J.P.Morgan range of investment trusts.

The basics: what is ESG?

E is for Environmental This component considers a company's impact on the world we live in, relating to the quality and functioning of the natural environment and natural systems.

S is for Social Social factors address the way that companies act within society; this includes the way that employee interests are managed, and the broader impact a company has on society.

G is for Governance This component relates to how companies are managed. It considers the measures that protect shareholder interests as well as the way any company meets regulatory and other external obligations.

The table below provides illustrative examples of ESG issues in each of the **E**, **S** and **G** categories:

Environmental	Social	Governance
Carbon pollution and emissions	Human rights	Board structure: effectiveness, diversity, independence
Environmental regulations (and adherence)	Diversity	Executive pay and criteria
Climate change policies	Health and safety	Shareholder rights
Sustainable sourcing of materials	Product safety	Financial reporting and accounting standards
Recycling	Employee management	How a business is run
Renewable energy use	Employee well-being	
Water and waste management	Commitment to communities	

What is our approach at J.P.Morgan Asset Management?

We have worked hard over a number of years to demonstrate effective ESG integration in investment processes, not just in the equity funds we manage, but across all asset classes including Fixed Income, Real Assets, Alternatives and Multi-Asset Solutions, with approaches which have been vetted for effectiveness by a central Sustainability Investing Leadership team. At the time of writing, we can show 100% ESG integration across our actively managed products.

For our equity product range, this integration does not simply involve paying external vendors for ESG information; it rests heavily on our own proprietary research and on the team of 150 analysts who cover stocks around the world, from the USA to Japan. Our research teams complete a standard checklist of 40 questions on every company they follow, 12 on environmental issues, 12 on social factors and 16 relating to governance. Investors also work with a central Stewardship team which sets priorities for corporate engagement both in terms of issues and in terms of significant individual investments held in portfolios.

Why do we integrate ESG into our investment processes?

First, consideration of sustainability is intrinsic to a long term approach to investment. When we invest our clients' assets for them, we have to make judgements about future risks and rewards of any investment. Those risks and rewards have always included the factors shown in the table above, and indeed all ESG factors, because all of them have the potential to affect the future value of a security. A business that produces huge amounts of carbon emissions or plastic waste, for example, is likely to find itself the subject of scrutiny from regulators and consumers and failure to anticipate this and to change will likely bring a loss of value for shareholders in the long run. The same is true of businesses that neglect their social responsibilities, or fail in matters of governance. In all these instances, investors will eventually assign a higher discount rate to future cash flows, with consequences for the prices of that company's securities.

As public and official attention has grown in the field of ESG, however, the consequences for investment returns have become more and more important in the overall investment judgement. Thirty years ago, as long as a company met existing regulations, its environmental impact would probably have been taken for granted by many. Now, the significance of these issues seems critical in any assessment of an industry, and the capital markets have discriminated starkly between companies which are offering compelling narratives of transition to a low-carbon approach, and those which have yet to do so. So ESG has simply become a bigger and more important part of any investment judgement and our research processes have needed to evolve accordingly.

Second, our clients require that we consider sustainability factors. Both clients and regulators are paying far more attention to this field, and we as investors must meet their requirements for incorporating ESG in our investment processes, and be able to show how we do this. Demonstrating how ESG is addressed is now a basic requirements for any serious asset manager. As our clients' interest and requirements in the field of ESG have grown, so we have enhanced our capability.

Finally, the asset management industry itself has responsibilities and obligations, not only to our clients, but as a social actor in a broader sense. We have a duty to not just to produce good investment outcomes for our clients, but to be a responsible corporate citizen. This cannot be credibly done if the core practice of our industry, investment management, is not included in the effort. We must consider the broader consequences of the investment choices that we make for our clients. Given the evolution of public policy, client scrutiny, public attitudes, and trends in the corporate world, it is clear that consideration of ESG has become a key component of the way the industry approaches its fiduciary responsibilities.

Engagement and Voting

We seek to act as a responsible and engaged shareholder of businesses on behalf of our clients. We engage with all companies owned in your Company's portfolio on a regular basis, often several times in the course of a year. We do this not just to further our understanding of businesses, but to convey to management any concerns, suggestions or opinions that we have. Ongoing, meaningful dialogue with the management of companies owned by your Company is fundamental to our investment process.

Alongside this direct engagement, we endeavour to vote at all of the meetings called by companies in which your portfolio invests. A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the 12 months to 31st July 2020 is detailed below. On behalf of the Company, J.P.Morgan voted at all of the annual general meetings and extraordinary meetings held during the year by its portfolio companies.

JPMorgan Smaller Companies Investment Trust plc: Voting at shareholder meetings over the year to 31st July 2020

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Routine Business	332	1	8	9	341	0.29
Director Related	540	12	2	14	554	2.17
Capitalisation	310	4	0	4	314	1.27
Reorganisation and Mergers	10	1	0	1	11	9.09
Non-salary Compensation	102	4	1	5	107	3.74
Anti-takeover Related	51	0	0	0	51	0.00
TOTAL	**1,345**	**22**	**11**	**33**	**1,378**	**1.60**

The future

We know that our clients, including the Directors of your Company, see attention to ESG factors as critical in their assessment of us as investment manager. We expect ESG to remain a dominant theme within the financial services industry going forward; the course being taken by regulators suggests that its importance will only increase in years to come; our research process and the investment judgements we make will continue to reflect that and to evolve as necessary. In investing your Company's assets, however, we have always looked for companies with the ability to create value in a sustainable way and that will not change.

J.P.Morgan Asset Management

TEN LARGEST INVESTMENTS

AT 31ST JULY

Company	Sector	2020 Valuation £'000	2020 %[1]	2019 Valuation £'000	2019 %[1]
Future	Consumer Services	10,074	4.4	7,345	3.3
Games Workshop	Consumer Goods	9,834	4.3	8,369	3.7
Dunelm	Consumer Services	9,353	4.1	5,541	2.5
Team17[2]	Consumer Goods	7,980	3.5	2,623	1.2
Computacenter[2]	Technology	7,528	3.3	4,148	1.8
Pets at Home[2]	Consumer Services	7,475	3.3	2,462	1.1
Judges Scientific[2]	Industrials	6,517	2.9	5,031	2.2
Spirent Communications[2]	Technology	6,065	2.7	3,555	1.6
Softcat	Technology	5,330	2.3	5,438	2.4
Avon Rubber[2]	Industrials	5,246	2.3	3,484	1.5
Total		**75,402**	**33.1**		

[1] Based on total investments of £228.1m (2019: £225.8m).

[2] Not included in the ten largest equity investments at 31st July 2019.

At 31st July 2019, the value of the ten largest equity investments amounted to £62.0 million representing 27.4% of total investments.

The difference between the 2020 and 2019 valuation reflects purchases and sales during the year, as well as market movements.

PORTFOLIO ANALYSIS

AT 31ST JULY

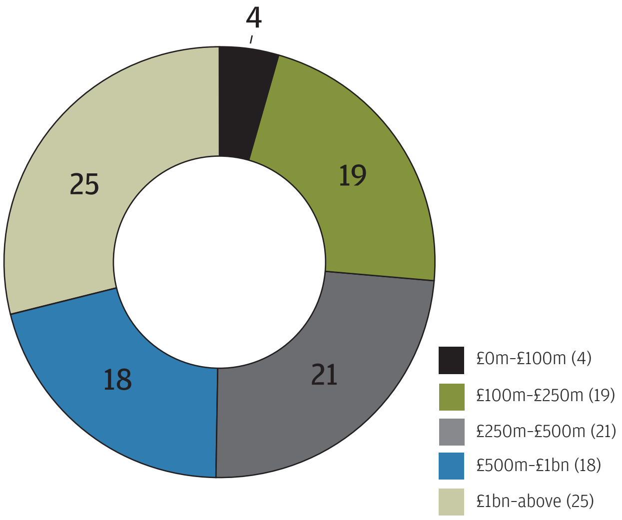
Sector	31st July 2020 Portfolio %[1]	31st July 2020 Benchmark %[2]	31st July 2019 Portfolio %[1]	31st July 2019 Benchmark %[2]
Financials	21.3	19.8	19.4	21.3
Consumer Goods	20.7	9.9	15.0	10.2
Consumer Services	19.9	14.7	20.3	18.2
Industrials	15.4	20.1	24.6	21.3
Technology	13.4	9.9	11.3	8.9
Health Care	3.9	7.1	0.4	5.1
Telecommunications	2.2	2.8	1.3	1.6
Basic Materials	1.8	8.5	4.0	6.8
Oil & Gas	1.4	5.7	3.7	5.9
Utilities	–	1.5	–	0.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £228.1 (2019: £225.8m).

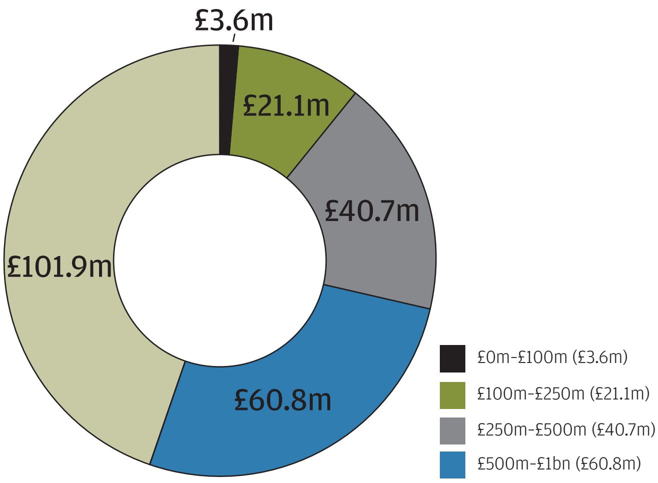
[2] The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts).

HOLDINGS BREAKDOWN BASED ON MARKET CAPITALISATION AS AT 31ST JULY 2020

Number of Companies



Total Value of Companies (£m)



LIST OF INVESTMENTS AT 31ST JULY 2020

Company	Valuation £'000
FINANCIALS	
CMC Markets	4,904
OneSavings Bank	3,985
Sabre Insurance	3,933
Liontrust Asset Management	3,813
Alpha FX[1]	3,080
S4 Capital	2,992
IntegraFin	2,840
CLS	2,011
Bank of Georgia	1,909
Draper Esprit[1]	1,867
Savills	1,719
Impax Asset Management[1]	1,702
TBC Bank	1,619
Polar Capital[1]	1,354
Tatton Asset Management[1]	1,339
Argentex[1]	1,291
Mortgage Advice Bureau[1]	1,160
LSL Property Services	1,098
Urban Logistics REIT[1]	1,051
Randall & Quilter Investment[1]	1,044
McKay Securities	980
Urban & Civic	841
Palace Capital	796
	47,328

Company	Valuation £'000
CONSUMER GOODS	
Games Workshop	9,834
Team17[1]	7,980
Codemasters[1]	5,052
Premier Foods	4,275
Vistry	3,721
MJ Gleeson	2,653
Keywords Studios[1]	2,376
Hilton Food	2,310
Frontier Developments[1]	2,138
Watkin Jones[1]	2,107
Sumo[1]	1,376
Watches of Switzerland	1,329
Inspecs[1]	1,177
Churchill China[1]	782
	47,110

Company	Valuation £'000
CONSUMER SERVICES	
Future	10,074
Dunelm	9,353
Pets at Home	7,475
4imprint	4,750
CVS[1]	3,645
Dart[1]	3,297
Halfords	1,334
Rank	1,059
Motorpoint	1,029
The Restaurant Group	944
Hollywood Bowl	765
Pebble[1]	730
Reach	663
Greggs	211
	45,329

Company	Valuation £'000
INDUSTRIALS	
Judges Scientific[1]	6,517
Avon Rubber	5,246
Oxford Instruments	3,701
Serco	3,250
Hill & Smith	2,420
Morgan Sindall	1,719
Wincanton	1,530
Luceco	1,512
Anexo[1]	1,455
Augean[1]	1,440
Alpha Financial Markets Consulting[1]	1,260
Robert Walters	1,215
Forterra	1,163
Porvair	1,008
Marshalls	981
Mpac[1]	735
	35,152

Company	Valuation £'000
TECHNOLOGY	
Computacenter	7,528
Spirent Communications	6,065
Softcat	5,330
Learning Technologies[1]	3,904
Kainos	2,488
GB[1]	2,268
FDM	2,183
D4t4 Solutions[1]	799
	30,565

Company	Valuation £'000
HEALTH CARE	
Ergomed[1]	5,087
Indivior	1,558
SDI[1]	1,226
Bioventix[1]	909
	8,780

Company	Valuation £'000
TELECOMMUNICATIONS	
Gamma Communications[1]	3,071
Telecom Plus	2,061
	5,132

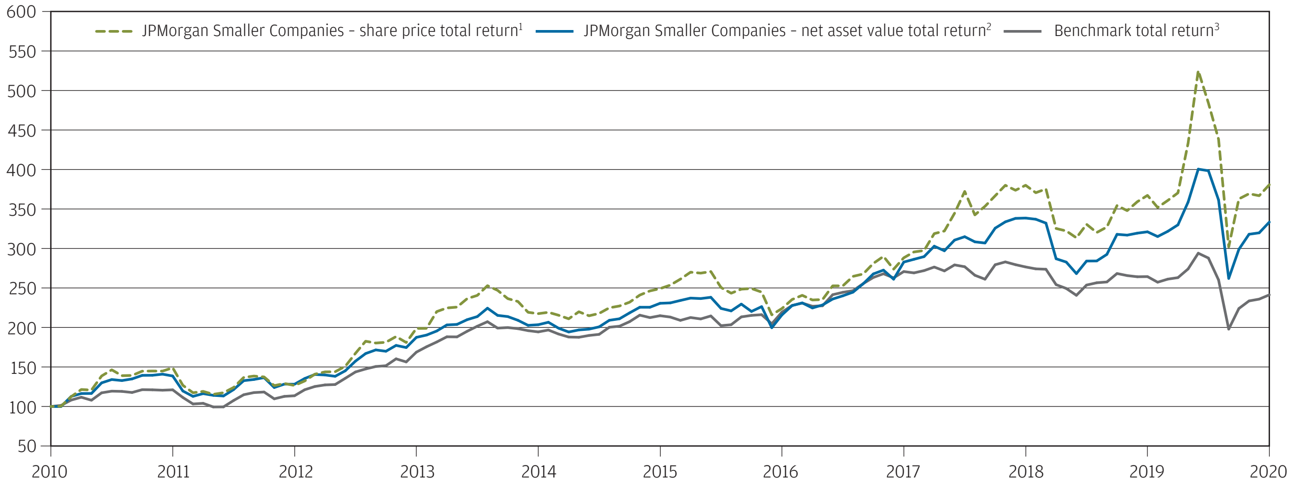
Company	Valuation £'000
BASIC MATERIALS	
Centamin	2,032
Central Asia Metals[1]	1,250
Anglo Pacific	922
	4,204

Company	Valuation £'000
OIL & GAS	
Jadestone Energy[1]	2,243
RockRose Energy	1,196
Premier Oil	1,015
	4,454
TOTAL INVESTMENTS	**228,054**

[1] AIM listed, totalling 33.6% of total investments.

TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 31ST JULY 2010



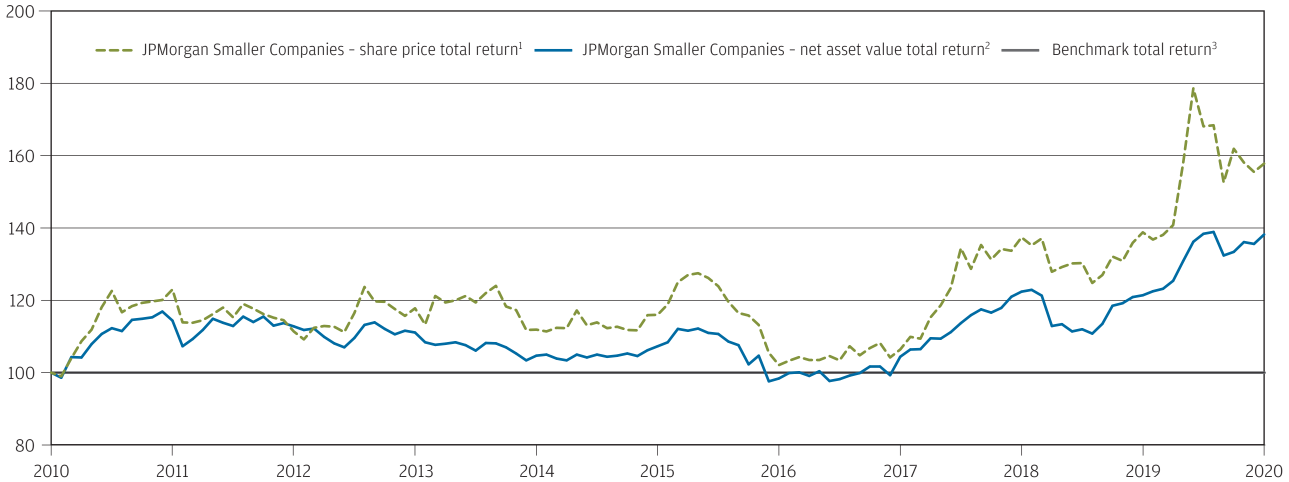
[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, cum income net asset value per share.

[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for the year to 31st July 2019 are a composite of the two indices.

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 31ST JULY 2010



[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, cum income net asset value per share.

[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for the year to 31st July 2019 are a composite of the two indices.

TEN YEAR FINANCIAL RECORD

At 31st July	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shareholders' funds (£'000)	89,460	120,126	107,282	154,116	165,229	179,597	160,633	207,285	227,108	207,740	209,937
Undiluted net asset value per Ordinary share (p)[1]	94.5	128.9	117.4	169.2	181.6	207.8	189.8	242.4	285.0	264.4	269.0
Diluted net asset value per Ordinary share (p)[1,2,A]	94.5	128.9	117.4	169.2	181.6	203.6	188.6	242.4	285.0	264.4	269.0
Share price (p)[1]	73.6	107.6	89.6	138.2	149.4	168.9	150.0	188.4	243.0	229.0	232.0
Share price discount (%)[A]	22.1	16.5	23.7	18.3	17.8	17.0	20.5	22.3	14.7	13.4	13.8
Subscription share price (p)[3]	–	–	–	–	–	41.0	11.0	–	–	–	–
Gearing (%)[A]	5.5	7.3	7.5	8.4	9.3	9.3	5.7	8.1	9.1	8.7	8.6
Year ended 31st July											
Gross revenue attributable to shareholders (£'000)	2,355	2,525	2,594	2,937	3,151	3,606	4,284	5,183	6,244	6,447	3,980
Revenue return per share (p)[1]	1.78	1.70	1.80	2.08	2.00	2.44	3.66	4.85	6.14	6.33	3.80
Dividend per share (p)[1]	1.70	1.70	1.80	1.90	1.92	2.20	3.66	4.60	5.40	5.50	5.50
Ongoing Charges (%)[A]	1.26	1.16	1.21	1.15	1.13	1.19	1.17	1.12	1.03	1.11	1.01
Rebased to 100 at 31st July 2010											
Total return to shareholders[4,A]	100.0	149.0	126.6	198.8	217.5	249.2	224.0	288.2	380.0	367.2	380.7
Total return on net assets[5,A]	100.0	138.6	128.2	187.5	203.5	230.6	215.9	282.8	338.5	321.1	333.4
Benchmark total return[6]	100.0	121.1	113.6	168.8	194.4	214.9	219.4	270.8	276.6	264.4	241.3
Total returns for the year ended 31st July											
Return to shareholders (%)[4,A]	+30.2	+49.0	-15.0	+57.0	+9.4	+14.6	-10.1	+28.7	+31.8	-3.4	+3.7
Return on net assets (%)[5,A]	+29.5	+39.3	-7.5	+46.3	+8.5	+13.4	-6.4	+31.0	+19.7	-5.2	+3.8
Benchmark return (%)[6]	+15.6	+21.1	-6.2	+48.5	+15.2	+10.5	+2.1	+23.4	+2.1	-4.4	-8.7
Net asset return performance compared to benchmark return (pp)	+13.9	+18.2	-1.3	-2.2	-6.7	+2.9	-8.5	+7.6	+17.6	-0.8	+12.5

[1] All prior years' comparative figures have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 30th November 2018.

[2] Assumes that all outstanding Subscription shares were converted into Ordinary shares at the year end. As at 31st July 2020, there was no dilution effect due to the expiry of the Subscription shares, their rights having lapsed on 30th June 2017.

[3] On 25th February 2015, the Company issued Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. These shares expired and their new rights lapsed on 30th June 2017.

[4] Source: Morningstar.

[5] Source: Morningstar/J.P. Morgan, cum income net asset value per share.

[6] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for 2019 are a composite of the two indices.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on page 77.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment limits and restrictions, performance and key performance indicators, share capital, the Company's environmental, social and ethical policy, principal and emerging risks and how the Company seeks to manage those risks, and finally its long-term viability.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide capital appreciation for shareholders from a diversified portfolio of UK listed small companies, emphasising capital rather than income growth, and which outperforms its benchmark index over the longer term. In fulfilling its purpose, the Board takes account of wider issues including environmental, social and governance. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors who have a breadth of relevant experience and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

Business Review

Structure and Objective of the Company

The Company's existing investment objective and investment policy are set out below and came into effect from 1st January 2019 following approval at the AGM in November 2018.

JPMorgan Smaller Companies Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. The Company's objective is to achieve capital growth from UK listed smaller companies by out-performance of the Company's benchmark index, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index and a rising share price over the longer term by taking carefully controlled risks.

In seeking to achieve this objective the Company employs JPMF to actively manage the Company's assets. The Board has determined an investment policy and related guidelines and limits as described below.

The Company is subject to UK and European legislation and regulations including UK company law, Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law and the Company's own Articles of Association.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010) for the year ended 31st July 2013 and future years. The Directors have no reason to believe that approval will not continue to be obtained. The Company is not a close company for taxation purposes.

Investment Policy

In order to achieve the investment objective, the Company invests in a diversified portfolio of small companies, emphasising capital rather than income growth.

Investment risks are managed by investing in a diversified portfolio of UK listed smaller companies. The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to stocks and sectors.

The Company invests in smaller companies which tend to be more volatile than larger companies and the investment policy should therefore be regarded as carrying greater than average risk.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company makes use of borrowings to increase returns.

In accordance with the Listing Rules of the Financial Conduct Authority ('FCA') the Company will not invest more than 15% of its gross assets in other UK listed closed-ended investment funds and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed closed-ended investment funds at the time of acquisition.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions.

- No investment in the portfolio will be greater than 10% of the Company's gross assets.
- The Company will not normally invest in unlisted securities.
- The Company will not normally invest in derivative instruments.
- The Company will not normally invest greater than 50% of its gross assets in AIM stocks.
- The number of investments in the portfolio will normally range between 60 and 120.
- The Company's gearing policy is to operate within a range of -10% to +15% invested in normal markets.
- The maximum exposure to an investment will normally range between +/-5% relative to the benchmark index.

- The maximum exposure to an ICB (Industry Classification Benchmark) sector will range between +/-20% relative to the benchmark index.

All of the above restrictions and guidelines are kept under review by the Board.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the year ended 31st July 2020, the Company produced a total return to shareholders of +3.7% and a total return on net assets of +3.8%. This compares with the total return on the Company's benchmark index of -8.7%. As at 31st July 2020, the value of the Company's investment portfolio was £228.1 million. The Investment Managers' Report on pages 8 and 9 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £10,121,000 (2019 loss: £9,466,000) and net total return after deducting interest, administration expenses and taxation amounted to £7,632,000 (2019 loss: £12,507,000). Distributable income for the year amounted to £2,965,000 (2019: £5,038,000).

The Directors recommend a final dividend of 5.5p (2019: 5.5p) per share payable on 7th December 2020 to holders on the register at the close of business on 30th October 2020. This distribution will cost £4,293,000 (2019: £4,293,000). Following payment of the final dividend, the revenue reserve will amount to £1,900,000 (2019: £3,229,000).

Gearing

The Board sets the overall gearing policy. During the year, a £25.0 million unsecured floating rate borrowing facility was in place with Scotiabank which expired on 2nd October 2020. The facility was then renewed with Scotiabank for a further 364 days on new terms. This facility is highly flexible and is used with the aim of enhancing returns. Under the terms of this agreement the Company has the option to increase the facility commitment amount to £35.0 million in two increments of £5.0 million subject to certain conditions.

As at 31st July 2020, £21.0 million had been drawn on the facility. Further details about the loan facility are given in note 13 on page 62.

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report. Also, please refer to the graphs on page 16.

  The Company outperformed its benchmark index in the year ended 31st July 2020. Over the longer term, performance has been strong, with the Company outperforming its benchmark over the 3, 5 and 10 year periods.

  The principal objective is to outperform the benchmark. However, the Board also considers the performance relative to a broad range of competitor funds.

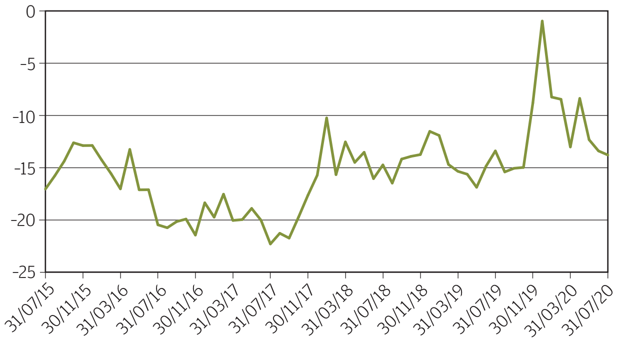
- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index and to understand the impact on the Company's relative performance of the various components such as sector allocation and stock selection. Details of the attribution analysis for the year ended 31st July 2020 are given in the Investment Manager's Report on page 8.

- **Share price discount to net asset value ('NAV') per share**
  The Board operates a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby reduce the volatility of the share price discount to NAV per share at which the Company's shares trade. In the year to 31st July 2020, the discount ranged between 0.6% and 29.1%, with an average discount of 11.5% based on daily data. The Company's year-end discount figure was 13.8% (2019: 13.4%).

  The Board at its regular meetings, undertakes reviews of marketing/investor relations and sales reports from the Manager. It also considers their effectiveness as well as measures of investor sentiment.

Discount Performance

BASED ON MONTH END DATA FROM 31ST JULY 2015



Source: Morningstar.

JPMorgan Smaller Companies Investment Trust plc – share price discount to cum income net asset value (month end data).

Please note the graph above is based on month end data only. Therefore, the graph may not reflect the highest or lowest discount values in any given financial year.

- **Ongoing Charges**

  The ongoing charges represent the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st July 2020 were 1.01% (2019: 1.11%). The Board reviews each year an analysis which compares the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Directors have authority on behalf of the Company to repurchase shares in the market either for cancellation or into Treasury and resell shares from Treasury or issue new Ordinary shares in the market for cash at a premium to net asset value per share.

During the year, the Company repurchased a total of nil Ordinary shares for cancellation and 514,217 Ordinary shares into Treasury, for a total consideration of £1,140,000. This amount represented 0.6% of the issued share capital at the beginning of the year. As the shares were repurchased at a discount to the underlying net asset value ('NAV') per share, they enhanced the NAV per share of the remaining shares.

Resolutions to renew the authority to repurchase shares for cancellation or to hold in Treasury and issue new shares will be put to shareholders for approval at the forthcoming Annual General Meeting.

The full text of these Resolutions is set out in the Notice of Meeting on pages 74 and 75.

Board Diversity

At 31st July 2020, there were three male Directors and two female Directors on the Board. The Company has no employees. When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and complies with the Hampton-Alexander recommendation of having 33% female representation on the Board in the medium term. Following the retirement of Andrew Robson at the forthcoming AGM, this figure will be 50%.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day-to-day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure.

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

A comprehensive ESG statement is included on pages 10 to 12.

Greenhouse Gas Emissions

The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company's Manager is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance. The Company is categorised as a lower energy user under the HMRC Environmental Reporting Guidelines March

2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company's energy and carbon information is not therefore disclosed in this report.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf

Corporate Criminal Offence

The Company maintains zero tolerance towards tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its service providers that effective policies and procedures are in place.

Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified and the ways in which they are managed or mitigated are summarised below.

With the assistance of the Manager, the Board has completed a robust risk assessment and drawn up a risk matrix, which identifies the key risks to the Company. In assessing the risks and how they can be mitigated, the Board has given particular attention to those issues that threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Corporate Strategy**
  The corporate strategy, including the investment objectives and policies, may not be of sufficient interest to current or prospective shareholders. Other factors, such as the size of the Company and level of liquidity in its shares, may also deter shareholder interest, resulting in the shares trading at an increased discount to net asset value. The Board regularly reviews its strategy, and assesses, with its brokers, shareholder views.

- **Investment and Performance**
  Poor investment performance, for example due to poor stock selection, asset allocation or an inappropriate level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates and liquidity reports. The Board monitors the implementation and results of the investment process with the Investment Manager, who attend Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing, within a strategic range set by the Board.

- **Discount**
  A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. In order to manage the volatility of the Company's discount the Company operates a share repurchase programme and the Board regularly discusses discount management policy and has set parameters for the Manager and the Company's broker to follow. The Board receives regular reports and is actively involved in the discount management process.

- **Smaller Company Investment**
  Investing in smaller companies is inherently more risky and volatile, partly due to a lack of liquidity in the shares, plus AIM stocks are less regulated. The Board discusses these risk factors at each Board meeting with the Investment Managers. The Board has placed investment restrictions and guidelines to limit these risks.

- **Political and Economic**
  Changes in financial or tax legislation, uncertainty about the UK's future relationship with the EU, and changes in government policies may each adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies, and seeks external advice where appropriate.

- **Investment Management Team**
  Investment performance may suffer if the designated investment managers were to leave. The Board considers that, though there may be short-term disruption, the risk would be mitigated by the substantial investment management resources of JPMorgan, and the use of an established investment methodology.

- **Market**
  Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions

and guidelines, which are monitored and reported on by the Manager. The Board monitors the implication and results of the investment process with the Manager.

- **Accounting, Legal and Regulatory**
  In order to qualify as an investment trust, the Company must comply with Section 1158 of the Income and Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given on page 18. Should the Company breach Section 1158, it may lose its investment trust status and as a consequence capital gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are regularly monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs may result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMFL and its professional advisers to monitor compliance with all relevant requirements.

- **Corporate Governance and Shareholder Relations**
  Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 28 to 33. The Board receives regular reports from the Manager and the Company's broker about shareholder communications, their views and their activity.

- **Operational and Counterparty Failure**
  Disruption to, or failure of, the Manager's or a counterparty's accounting, dealing or payments systems or the Depositary or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Under the terms of its agreement, the Depositary has strict liability for the loss or misappropriation of assets held in custody. See note 21(c) for further details on the responsibilities of the Depositary. Details of how the Board monitors the services provided by JPMF and its associates and the key elements designed to provide effective risk management and internal controls are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 32 and 33.

- **Cyber Crime**
  The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Board has received the cyber security policies for its key third party service providers and JPMF has assured Directors that the Company benefits directly or indirectly from JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by an independent third party and reported every six months against the AAF Standard.

- **Financial**
  The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Counterparties are subject to daily credit analysis by the Manager. In addition the Board receives reports on the Manager's monitoring and mitigation of credit risks on share transactions carried out by the Company. Further details are disclosed in note 21 on pages 64 to 68.

  The Board also considered the status of emerging risks and identified the following principal emerging risks.

- **Climate Change**
  Climate change, which barely registered with investors a decade ago, has today become one of the most critical issues confronting asset managers and their investors. Investors can no longer ignore the impact that the world's changing climate will have on their portfolios, with the impact of climate change on returns now inevitable. Financial returns for long-term diversified investors should not be jeopardised given the investment opportunities created by the world's transition to a low-carbon economy. The Board is also considering the threat posed by the direct impact on climate change on the operations of the Manager and other major service providers. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of our services providers will come under greater scrutiny.

- **Global Pandemics**
  The recent emergence and spread of coronavirus (COVID-19) has raised the emerging risk of global pandemics, in whatever form a pandemic takes. COVID-19 poses a significant risk to the Company's portfolio. At the date of this report, the virus has contributed to significant volatility in trading recently. The global reach and disruption to markets of this pandemic is unprecedented, so there are no direct comparatives from history to learn from. However, seismic events and situations in the past have also been the catalyst for violent market contractions. Time after time, markets have recovered, albeit over varying and sometimes extended time periods, and so the Board does have an expectation that the portfolio's holdings will not suffer a material long-term impact and should recover once containment measures ease. Since the on-set of the pandemic and throughout, the Manager and the Company's other service providers have been able to adjust their business models to accommodate working from home requirements. The Board has been closely monitoring all service arrangements and has received assurances that the Company's operations, to include the management of the

portfolio, have continued as normal with no reduction in the level of service provided nor any issues being identified to date. Should the virus become more virulent than is currently the case, it may present risks to the operations of the Company, its Manager and other major service providers.

Should efforts to control a pandemic prove ineffectual or meet with substantial levels of public opposition, there is the risk of social disorder arising at a local, national or international level. Even limited or localised societal breakdown may threaten both the ability of the Company to operate, the ability of investors to transact in the Company's securities and ultimately the ability of the Company to pursue its investment objective and purpose.

Long-Term Viability

Taking account of the Company's current position, the principal and emerging risks of the Company and their potential impact, on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. The Company has no loan covenants or liabilities that cannot be readily met and the Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment. The Directors have made their assessment by considering those principal and emerging risks, including the lower liquidity and high volatility of smaller company shares, in the light of the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the UK economy and its equity markets. The assessed risks include the impact of COVID-19 and the anticipated result of the continuation vote in November 2020. COVID-19 is not expected to impact on the viability of the Company due to the Company's experience in managing the earlier peak of the virus, the Investment Managers' understanding of its portfolio companies, limited gearing and the robustness of its suppliers' systems. The Board has taken soundings amongst principal shareholders in respect of the continuation vote.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving long-term capital growth, shareholders should consider the Company as a long-term investment proposition. The Directors also take account of the inherent uncertainties of equity markets and the existence of a continuation vote every three years. As a result of all these deliberations, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that, assuming a successful continuation vote at the 2020 AGM, 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.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Company Secretary

14th October 2020

Directors’ Report

Andrew Impey*† (Chairman of the Board, Nomination and Management Engagement Committee)

A Director since March 2015.

Last reappointed to the Board: 2019.

Current remuneration: £36,000.

He was previously a partner of Albion Capital Group LLP and a managing director of OLIM Limited where he is retained as a consultant. He has over 30 years' fund management experience including UK smaller companies. Prior to joining OLIM in 2009, he was Chief Investment Officer at Singer & Friedlander Investment Management.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 25,000.

Andrew Robson*† (Chairman of the Audit Committee)

A Director since April 2007.

Last reappointed to the Board: 2019.

Current remuneration: £30,000.

He is a director of Witan Pacific Investment Trust plc and First Integrity Limited. He was previously a Director of Shires Income plc and Mobeus Income & Growth 4 VCT plc.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 18,975.

Frances Davies*† (Chair of the Remuneration Committee and Senior Independent Director)

A Director since March 2013.

Last reappointed to the Board: 2019.

Current remuneration: £26,500.

Since 2007, she has been a partner of Opus Corporate Finance, a corporate finance advisory business providing independent strategic advice to businesses across Europe. She is a director of Aviva Life's With Profits Committee, Aegon Investments Ltd and HICL plc. She is also a member of the appointments committee of Hermes Property Unit Trust.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 4,045.

Alice Ryder*†

A Director since February 2017.

Last reappointed to the Board: 2019.

Current remuneration: £25,000.

She is a partner of Stanhope Capital LLP and Head of Stanhope Consulting. She is a non-executive director of BlackRock North American Income Trust PLC.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 5,000.

Gordon Humphries*†

A Director since July 2020.

Current remuneration: £25,000.

He is a director of Foresight VCT plc and Maven Income & Growth VCT 5 plc. He has more than 30 years of investment trust experience. He is a chartered accountant.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: nil.

*** Considered independent by the Board**

† All Directors are members of the Audit, Nomination, Remuneration and Management Engagement Committees

The Directors present their report and the audited financial statements for the year ended 31st July 2020.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM'). The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides accounting, banking, dealing and custodian services to the Company.

JPMF is employed under a contract terminable on three months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Board, through the Management Engagement Committee, conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Investment Managers, the performance against the benchmark over the long-term, and the support that the Company receives from JPMF. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day-to-day management of the Company's portfolio to JPMAM. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmsmallercompanies.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

The Company's leverage and JPMF's remuneration disclosures are set out on page 71.

Management Fee

The management fee is paid by monthly instalments based on the total assets less current liabilities at the beginning of each month and during the year under review was charged at a rate of 0.75% per annum on gross assets up to £200 million; thereafter, 0.65% on gross assets over £200 million. Loans that are drawn down under a loan facility with an original maturity date of one year or more are not classified as current liabilities for the purpose of the management fee calculation. If the Company invests in funds managed or advised by the Manager or any of its associated companies, the investments are excluded from the calculation and therefore attract no fee. The Company invests any surplus liquidity into a non-charging class of the JPMorgan Sterling Liquidity Fund and this Fund is therefore not excluded from the management fee calculation.

In the prior year the annual investment management fee was charged at a rate of 0.8% per annum on gross assets up to £200 million and 0.7% on gross assets in excess of £200 million.

Directors

The Directors of the Company who held office at the end of the year are as detailed on page 25.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 38. No changes have been reported to the Directors' shareholdings since the year end.

In accordance with corporate governance best practice, Frances Davies, Andrew Impey and Alice Ryder will retire at the forthcoming AGM and, being eligible, will offer themselves for reappointment. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Andrew Robson will retire from the Board at the conclusion of the 2020 AGM. It has been agreed by the Board that Gordon Humphries will become Chairman of the Audit Committee thereafter. Gordon Humphries was appointed a Director on 1st July 2020 following a thorough search exercise conducted during the year. The Company employed Tyzack Partners, a specialist recruitment platform for board level search, as part of the recruitment process. Tyzack Partners has no connection to the Company or the Manager. In accordance with the Company's Articles of Association, Gordon Humphries will stand for appointment at the forthcoming AGM.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of a deed of indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 18), risk management policies (see pages 64 to 68), capital management policies and procedures (see page 69), the nature of the portfolio and revenue as well as expenditure projections, taking into account the impact of COVID-19 on the revenue expected from underlying investments in these projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. The Company's investments are in quoted securities which are readily realisable and exceed its liabilities significantly. Gearing levels and compliance with loan covenants are reviewed by the Board on a regular basis. The Company's key third party suppliers, including its Manager, are not experiencing any operational difficulties to adversely affect their services to the Company. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. In its deliberations, the Board has taken account of its expectations of the results of the forthcoming continuation vote and has not identified any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of these financial statements.

Disclosure of information to Auditor

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

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

The above confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Independent Auditor

Ernst & Young LLP have expressed their willingness to continue in office as Auditor to the Company and a resolution proposing their reappointment and to authorise the Directors to agree their remuneration for the ensuing year will be put to shareholders at the forthcoming Annual General Meeting.

Companies Act 2006 Requirements

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report. The Ordinary shares have a premium listing on the London Stock Exchange.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 15 to the Notice of AGM on page 76.

Notifiable Interests in the Company's Voting Rights

At the financial year end the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
JPMorgan Asset Management Holdings Inc.	2,058,192	12.93
Border to Coast Pension	1,271,816	7.98
Wells Capital Limited	3,837,769	4.92
City of Bradford Metropolitan District Council	755,000	4.26
Royal London Asset Management Limited	657,719	4.13
Legal & General Group Plc	782,158	4.00
City of London Investment Management Co. Ltd.	524,757	3.10

No changes to these holdings had been notified as at the date of this report.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM:

(i) Authority to issue new shares and disapply pre-emption rights (Resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 10% of the present issued share capital (excluding Treasury shares) or sell shares held in Treasury, other than by a pro-rata issue to existing shareholders. The full text of the resolutions is set out in the Notice of Annual General Meeting on page 74.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's gross assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's ordinary shares (Resolution 12)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2019 AGM, will expire on 1st June 2021. The Board remains committed to a stable discount, although recognising the need to balance the short term benefit of buying shares back for cancellation or holding in Treasury with the long term liquidity implications. The Board will therefore seek shareholder approval at the AGM to renew this authority which will last until 23rd May 2022 or until the whole of the 14.99% has been acquired, whichever is the earlier.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 74 and 75. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate.

(iii) Continuation Vote (Resolution 13)

The Directors recommend that the Company continues in existence as an investment trust for a further three year period. The resolution on the continuation of the Company is put to shareholders every three years. The Directors' recommendation on this Resolution is explained in the Chairman's Statement on page 6. They unanimously recommend that shareholders vote in favour of the Company's continuation.

Recommendation

The Board considers that resolutions 10 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 137,930 shares representing approximately 0.18% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Board is committed to high standards of corporate governance. It has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code') published in 2018, as they apply to investment trust companies. It considers that reporting against the AIC Code, therefore, provides more appropriate information to the Company's shareholders. Through ongoing advice throughout the year from the Company Secretary and the use of a detailed checklist the Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far as they apply to the Company's business, throughout the year under review. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following:

- the role of the executive directors and senior management;
- executive directors' and senior management remuneration;
- internal audit; and
- the workforce

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk

Directors' Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; 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 members of the Company. Given the Company's structure of an investment company with no employees, its key stakeholders are considered to be its current and prospective shareholders, its Manager, its other third party suppliers (including the depositary, registrars, brokers, auditors and other professional service providers) and its portfolio companies.

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers with appropriate performance records, resources and controls in place to deliver the services that the Company requires. Their performance is monitored by the Board and its committees, who have oversight of the Company's operations. The principal supplier is the Manager, in particular the investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. The Manager's investment management function is fundamental to the long term success of the Company through the pursuit of the investment objective. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. Whilst strong long term investment performance is essential, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance considerations are in the process of being integrated into the Manager's investment process and will continue to evolve. The Board has sought to engage with and understand the views of the Company's shareholders and other key stakeholders as it regards an understanding of their views as essential in being able to fulfil its duty.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Key decisions and actions during the year which have required the Directors to have regard to applicable Section 172 factors include:

- as part of ongoing Board succession and refreshment, the appointment and induction of Gordon Humphries to the Board, with effect from 1st July 2020; and
- the recommendation that shareholders vote in favour of the Company's continuation as set out in the Annual Report. The Board, Manager and broker engaged with the key shareholders around the continuation vote.

To ensure continuing engagement with shareholders, the Manager conducts a significant number of shareholder meetings each year and provides the Board with ongoing feedback. Under normal operating circumstances shareholders are encouraged to attend the Company's Annual General Meeting. Shareholders can contact Directors via the Company Secretary.

Role of the Board

A management agreement between the Company and the Manager sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the period under review.

The Board meets at least four times during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

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

Board Composition

The Board is chaired by Andrew Impey, and consists of five non-executive Directors. All of the Board are regarded as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 25.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Senior Independent Director, Frances Davies, leads the evaluation of the performance of the Chairman. The Senior Independent Director is also available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and seeks to ensure that it does not unwittingly exclude any group. Therefore, no targets have been set against which to report.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 25. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. Bar the Chairman of the Audit Committee, Andrew Robson, who will be retiring at the forthcoming Annual General Meeting, and Gordon Humphries who will be appointed, all Directors will stand for reappointment at the Annual General Meeting.

Resolution 5 concerns the reappointment of Frances Davies. She joined the Board in March 2013 and has served for seven years as a Director. Frances is a partner of Opus Corporate Finance LLP, a corporate finance advisory business providing independent strategic advice to businesses across Europe. She currently holds a number of non-executive positions and held many senior business management positions in investment companies during her career.

For details of her current directorships, please refer to page 25 of the Report.

Resolution 6 concerns the reappointment of Andrew Impey. He joined the Board in March 2015 and has served for five years as a Director and was appointed as Chairman last year. Andrew is a consultant for OLIM Limited and has held a number of executive, non-executive and advisory positions. He has over 30 years' fund management experience including UK smaller companies.

For details of his current directorships, please refer to page 25 of the Report.

Resolution 7 concerns the reappointment of Alice Ryder. She joined the Board in February 2017 and has served for three years as a Director. Alice is a partner at Stanhope Capital LLP and holds a number of non-executive positions. She has more than 28 years of investment experience, a good part of which included the management of smaller UK companies.

For details of her current directorships, please refer to page 25 of the Report.

The Board confirms that each of the Directors standing for reappointment at the forthcoming Annual General Meeting continue to contribute effectively and recommends that shareholders vote in favour of their reappointment.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be appointed by shareholders. Thereafter, a Director's appointment is subject to the performance evaluation carried out each year and the approval of shareholders at each annual general meeting, in accordance with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the ongoing requirements of the AIC Code, including the need to refresh the Board and its Committees.

The Board has adopted corporate governance best practice and all Directors will stand for annual re-election.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

Board Independence

The Board does not believe that tenure of more than nine years affects the independence of a Director. Therefore, the Board consider Andrew Robson to be independent and hence there is sufficient independence on the Board. Andrew will retire following the forthcoming AGM. The remainder of the Board has served under nine years.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Nomination Committee undertakes an annual performance evaluation, as described below, to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on page 25.

The table below details the number of Board and Committee meetings attended by each Director during the year. There were four full Board meetings, including a private meeting of the Directors to evaluate the Manager, two Audit Committee meetings two Nomination Committee meetings, two Management Engagement Committee meetings and one Remuneration Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended	Management Engagement Committee Meetings Attended	Remuneration Committee
Michael Quicke[1]	2	1	1	1	n/a
Andrew Robson	4	2	2	2	1
Frances Davies	4	2	2	2	1
Andrew Impey	4	2	2	2	1
Alice Ryder	4	2	2	2	1
Gordon Humphries[2]	n/a	n/a	n/a	n/a	n/a

[1] Retired 2nd December 2019.

[2] Appointed 1st July 2020.

As well as the formal meetings detailed above, the Board meets and communicates frequently by email or telephone to deal with day-to-day matters as they arise.

Board Committees

Nomination Committee

The Nomination Committee is chaired by Andrew Impey. The Committee consists of all the independent Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. In relation to the appointment of Gordon Humphries, the Board engaged a recruitment consultant, Tyzack Partners, a firm with no other connections to the Company or the individual Directors. Open advertising was not used as part of the process as the use of a recruitment consultant was deemed sufficient.

The Board's policy on diversity is set out on page 20.

The Committee has a succession plan to refresh the Board in an orderly manner over time.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of the Manager and Lintstock Ltd, a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director leads the evaluation of the Chairman's performance.

Remuneration Committee

The Remuneration Committee, chaired by Frances Davies, reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy and implementation. This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

Management Engagement Committee

During the year the Board established a Management Engagement Committee, chaired by Andrew Impey, which consists of all of the Directors and meets annually to review the performance of the Manager.

The Committee conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Investment Manager, noting outperformance of the benchmark over the long term, and the quality of support that the Company receives from JPMF. The Committee also reviews the Company's agreements with other major service providers. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

Audit Committee

The report of the Audit Committee is set out on pages 34 and 35.

Terms of Reference

The Nomination, Remuneration, Management Engagement and Audit Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on request at the Company's registered office, on the Company's website and at the Company's AGM.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders by way of the Annual Report and Financial Statements and the Half Year financial report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares, the weekly publication of the Company's level of gearing and the monthly publication of a Company factsheet.

In normal circumstances, all shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. In view of the current restrictions regarding the COVID-19 pandemic and the continuing imposition of social distancing measures and prohibitions on large public gatherings by the UK Government, only the formal business will be conducted at the AGM this year. Shareholders will not be allowed to attend the 2020 AGM. The Board seeks regular engagement with the Company's major shareholders to understand their views on governance and performance against the Company's investment objective and investment policy, either directly or through the Company's brokers, the Investment Managers and JPMF by holding discussions on an ongoing basis. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 81.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days' notice of the AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 81. A formal process is in place for all letters to the Chairman or other Directors to be forwarded immediately. As part of this process, any feedback from shareholders is also communicated to the Board.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the AGM.

Risk Management and Internal Control

The AIC Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure that they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company see Principal and Emerging risks on pages 21 to 23. This process has been in place for the year under review and up to the date of the approval of the annual report and accounts and it accords with the Financial Reporting Council's guidance. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board.

The key elements designed to provide effective internal control are as follows:

- **Financial Reporting**

  Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

- **Management Agreements**

  Appointment of a manager and custodian regulated by the Financial Conduct Authority (FCA), whose responsibilities are clearly defined in written agreements.

- **Management Systems**

  The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules and reports to the Board.

- **Investment Strategy**

  Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

  The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of JPMAM and its associates as follows:

  - reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;
  - reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed;
  - the Board reviews every six months a report from the Company's Depositary, Bank of New York Mellon (International) Limited ('BNYM'), which summarises the activities performed by the Depositary during the reporting period; and

- the Board reviews every six months an independent report on the internal controls and the operations of JPMF's investment trust department.

- **Depositary**

  The Board has appointed BNYM as depositary, with responsibilities for safe keeping of custodial assets and oversight of the records and cash flows.

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 31st July 2020, and to the date of approval of this Annual Report and Accounts & Financial Statements.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of the JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 20.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of its commitment to delivering superior investment performance to our clients, it expects and encourages the companies in which it invests to demonstrate the highest standards of corporate governance and best business practice. JPMAM examines the share structure and voting structure of the companies in which it invests, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of JPMAM's proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, JPMAM will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: https://am.jpmorgan.com/uk/institutional/corporate-governance, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

14th October 2020

Audit Committee Report

Composition and Role

The Audit Committee, chaired by Andrew Robson and whose membership is set out on page 25, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. It has been agreed that Gordon Humphries will take over as Chairman of the Audit Committee following the retirement of Andrew Robson at the AGM in 2020.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts financial statements and the Company's compliance with the AIC Code. It examines the effectiveness of the Company's internal control systems. It monitors the Company's key risks and controls relating to those risks. It receives controls reports on the Manager and the custodian and monitors the controls and service levels at the Company's other key third party suppliers. It also receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor. The Audit Committee has reviewed the independence and objectivity of the auditor and is satisfied that the auditor is independent. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st July 2020, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issues	How the issues were addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the accounts on page 54. Controls are in place to ensure that valuations are appropriate and existence is verified through Custodian reconciliations. Given the portfolio comprises smaller companies, the Audit Committee also considers the liquidity of investee company shares, and any impact that it might have on valuation.
Recognition of Investment Income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 54. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st August 2013 has been obtained and ongoing compliance with the eligibility criteria is monitored by the Board on a regular basis.
Going Concern/Long Term Viability	The Committee has reviewed the appropriateness of the adoption of the Going Concern basis in preparing the accounts, particularly in view of the impact of the COVID-19 pandemic and the forthcoming continuation vote. The Committee recommended that the adoption of the Going Concern basis is appropriate (see Going Concern statement on page 27). The Committee also assessed the Long Term Viability of the Company as detailed on page 23 and recommended to the Board its expectation that the Company would remain in operation for the five year period of the assessment.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Going Concern

The Audit Committee has reviewed the appropriateness of the adoption of the Going Concern basis in preparing the financial statements (see Going Concern statement on page 27), particularly in view of the impact of the COVID-19 pandemic. The Audit Committee recommended to the Board that the adoption of the Going Concern basis is appropriate.

Risk Management and Internal Control

The Directors' statement on the Company's system of internal control is set out on pages 32 and 33.

Auditor Appointment and Tenure

The Audit Committee has a primary responsibility for making recommendations to the Board on the reappointment and removal of the external auditor and their fee. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Financial Statements were considered and also engage with Directors as and when required. The current audit fee is £25,000, an amount fixed when EY was appointed three years ago. EY has proposed a material increase for 2020/1 on the basis of significant regulatory change. The Committee recognises there have been changes in audit requirements in recent years and further changes are anticipated. It accepts that increases in audit fees in the sector are inevitable. It also recognises the quality of the audit provided by EY. Following discussions with EY, the Committee has agreed a fee for 2020/1 of

£32,500. Having reviewed the performance of the external Auditors, including assessing the quality of work, proposed fee, timing of communications and work with the Manager, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent auditors and assesses the impact of any non audit work on the ability of the auditors to remain independent. Details of the auditors fees paid are disclosed in note 6 on page 58. There were no non-audit fees incurred during the year. Ernst & Young LLP was appointed at the AGM in 2017 following an audit tender. The Company's year ended 31st July 2020 is the current Audit Partner's third of a five year maximum term.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st July 2020, 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, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 40.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

14th October 2020

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st July 2020, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's opinion is included in their report on pages 42 to 48.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy vote will be put to shareholders every year. Accordingly, a resolution to approve this policy will be put to shareholders at the 2020 AGM. The policy subject to the vote, is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager and industry research on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore, no consultation of employees is required and there is no employee comparative data to provide in relation to the setting of the remuneration policy for Directors.

All of the Directors are non executive. There are no performance related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of any reasonable out of-pocket expenses incurred in attending the Company's business.

At the start of the year under review, Directors' fees were paid at the following rates: Chairman £35,000 per annum; Chairman of the Audit Committee £28,000 per annum; and the other Directors £25,000 per annum.

During the year, fees were increased with effect from 1st October 2019 to £36,000 for the Chairman, £30,000 for the Audit Committee Chairman and £26,500 for the Senior Independent Director. All other Directors' fees remained unchanged at £25,000.

The Company's Articles of Association currently stipulate that aggregate fees must not exceed £200,000 per annum and provide that any increase in the maximum aggregate annual limit on Directors' fees requires both Board and shareholder approval.

The Company has not sought shareholder views on its remuneration policy. The Remuneration Committee has considered any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's AGM and the Company's registered office. Details of the Board's policy on tenure are set out on page 30.

The Company's Remuneration policy also applies to new Directors.

Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM. There have been no changes to the policy during this financial year compared with the year ended 31st July 2019 and no changes are proposed for the year ending 31st July 2021.

At the AGM held on 2nd December 2019, of votes cast, 99.9% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the Resolutions to approve both the Directors' Remuneration Policy and the Directors' Remuneration Report and 0.1% voted against both Resolutions.

Details of voting on both the Remuneration Policy and Remuneration Policy Implementation Reports from the 2020 AGM will be given in the annual report for the year ending 31st July 2021.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st July 2020 was £127,309. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

Single total figure table[1]

	Total fees[2] 2020 £	2019 £
Michael Quicke[3]	£11,996	£34,667
Andrew Robson	£29,667	£27,667
Frances Davies	£26,250	£24,667
Andrew Impey[4]	£32,313	£24,667
Alice Ryder	£25,000	£24,667
Gordon Humphries[5]	£2,083	–
Total	£127,309	£136,335

[1] Audited information. Other subject headings for the single figure table as prescribed by regulations are not included because there is nothing to disclose in relation thereto.

[2] Directors' remuneration comprises an annual fee only. Directors are also reimbursed for out of pocket expenses incurred in attending the Company's business.

[3] Retired on 2nd December 2019.

[4] Assumed position of Chairman on 2nd December 2019.

[5] Appointed on 1st July 2020.

A table showing the total remuneration for the Chairman over the five years ended 31st July 2020 is below:

Remuneration for the Chairman over the five years ended 31st July 2020

Year ended 31st July	Fees	Performance related benefits received as a percentage of maximum payable[1]
2020	£36,000	n/a
2019	£35,000	n/a
2018	£33,000	n/a
2017	£33,000	n/a
2016	£32,000	n/a

[1] In respect of one year period and periods of more than one year.

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The beneficial shareholdings of the Directors who held office at the year-end are detailed below.

Directors' Name	31st July 2020	31st July 2019 or as at date of appointment
Ordinary shares		
Michael Quicke[2]	–	84,910
Andrew Robson	18,975	18,975
Frances Davies	4,045	4,045
Andrew Impey	25,000	15,000
Alice Ryder	5,000	5,000
Gordon Humphries[3]	–	–
Total	137,930	127,930

[1] Audited information.

[2] Retired on 2nd December 2019.

[3] Appointed on 1st July 2020.

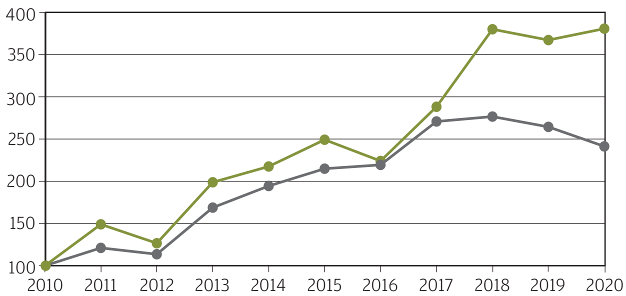
As at the latest practicable date before the publication of this document, there have been no changes to the Directors' shareholdings in the Company.

The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the Numis Smaller Companies plus AIM Index (excluding Investment Companies) over the last ten years, is shown below. The Board believes that this index is the most appropriate for the Company's performance comparison purposes because it most closely reflects the Investment Managers' investment universe.

Ten Year Share Price and Benchmark Total Return Performance to 31st July 2020

Figures have been rebased to 100 from 2010.



Source: Morningstar.

Share price total return.

Benchmark total return.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st July 2020	2019
Remuneration paid to all Directors	£127,309	£136,335
Distribution to shareholders		
– by way of dividend	£4,293,000	£4,299,000
– by way of share repurchases	£1,142,000	£2,544,000

For and on behalf of the Board
Andrew Impey
Chairman

14th October 2020

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom 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). Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair balanced and understandable, provide the information necessary, for shareholders to assess the Company's performance, business model and strategy, and that they give a true and fair view of the state of affairs of the Company and of the total return or loss 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;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

and the Directors confirm that they have done so.

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

The accounts are published on the www.jpmsmallercompanies.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the Annual Report since it was initially presented on the website. The Annual Report is prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report and a Directors' Remuneration Report that comply with that law and those regulations. The Strategic Report and the Directors' report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Company's financial statements, which have been 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), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' 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.

The Board confirms that it is satisfied that the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board
Andrew Impey
Chairman

14th October 2020

Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JPMORGAN SMALLER COMPANIES INVESTMENT TRUST PLC

Opinion

We have audited the financial statements of JPMorgan Smaller Companies Investment Trust plc (the 'Company') for the year ended 31st July 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31st July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 21 and 22 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 21 in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 54 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 23 in the annual report as to how they have assessed the prospects of the entity, 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 entity 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.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Statement of Comprehensive Income • Risk of incorrect valuation or ownership of the investment portfolio • Impact of COVID-19
Materiality	• Overall materiality of £2.10 million which represents 1% of shareholders' funds (2019: £2.08 million)

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Statement of Comprehensive Income (as described on page 34 in the Audit Committee's Report and as per the accounting policy set out on page 54). The total revenue for the year to 31st July 2020 was £4.16 million (2019: £6.45 million), consisting primarily of dividend income from listed equity investments. The total amount of special dividends received by the Company during the year was £0.67 million (2019: £0.18 million). All of these special dividends were classified as revenue. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.	**We have performed the following procedures:** We obtained an understanding of the processes and controls surrounding revenue recognition, by performing walkthrough procedures. For 100% of dividends, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an independent data vendor. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test the completeness of ordinary and special dividends, we agreed all dividends received on investments held from an independent data vendor to the income recorded by the Company. For all dividends accrued at the year end, we agreed the dividend entitlement to an independent data vendor and agreed the amount receivable to post year-end bank statements. We assessed the appropriateness of the Company's classification of special dividends as revenue with reference to publicly available information.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income. Based on the work performed we had no matters to report to the Audit Committee.
Incorrect valuation or ownership of the investment portfolio (as described on page 34 in the Audit Committee's Report and as per the accounting policy set out on page 54). The valuation of the portfolio at 31st July 2020 was £228.05 million (2019: £225.77 million). The portfolio at 31st July 2020 consisted of listed investments.	**We performed the following procedures:** We obtained an understanding of the Manager's and the Administrator's processes surrounding pricing of listed securities by performing walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio. Based on the work performed we had no matters to report to the Audit Committee.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing or failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.	We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed and verified whether the listed price is a valid fair value. We compared the Company's investment holdings at 31st July 2020 to independent confirmations received directly from the Company's Custodian and Depositary, testing any reconciling items to supporting documentation.	
Impact of COVID-19 (as described on pages 22 and 23 in the Strategic Report, page 34 in the Audit Committee's Report and as per the accounting policy set out on page 54). The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. As of the date of our audit report, the longer-term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements. The COVID-19 pandemic had the most significant impact on our audit of the financial statements in the following areas: **Going concern** There is increased uncertainty in certain of the assumptions underlying management's assessment of future prospects, which includes the continuation vote, the ability of the Company to meet debt covenants and fund ongoing costs. **Financial statement disclosures** There is a risk that the impact of COVID-19 is not adequately disclosed in the financial statements.	**We performed the following procedures:** **Going concern** We inspected the Director's assessment of going concern, which includes consideration of the impact of COVID-19 on revenue and cash forecasting. We have agreed the inputs and assumptions used in the assessment to our audit working papers and historically observed results of the Company. To assess the impact of the continuation vote on the going concern, we considered the current and historical performance of the Company and reviewed minutes from the Broker's discussion with certain shareholders about their current intentions in relation to the continuation vote and assessed the Directors' analysis of the responses the Broker received. We inspected the Director's assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Director's.	As a result of our procedures, we have determined that the Director's conclusion that there is no material uncertainty relating to going concern is appropriate. We have reviewed the disclosures relating to going concern and determined that they are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	Financial statements disclosures We reviewed the adequacy of the going concern disclosures by evaluating whether they were consistent with the Director's assessment. We reviewed the disclosures for compliance with the reporting requirements.	

We re-assessed the risks determined at the planning stage of the audit and, due to the uncertainty in global markets caused by the COVID-19 pandemic, we revised our risk assessment during the audit to include the Key Audit Matter 'Impact of COVID-19'. Our other Key Audit Matters are unchanged from our assessment at the planning stage for the year ended 31st July 2020.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.10 million (2019: £2.08 million) which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £1.57 million (2019: £1.56 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.16 million (2019: £0.27 million) being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.11 million (2019: £0.10 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 40 and 71 to 81, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 35** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 34 and 35** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 28** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a potential fraud risk with respect to the incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- We were appointed by the Company at the Annual General Meeting held on 28th November 2017 to audit the financial statements for the year ending 31st July 2018 and subsequent financial periods.
- Our total uninterrupted period of engagement is three years, covering the period from our appointment through to the period ending 31st July 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Caroline Mercer (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh

14th October 2020

Notes:

1. The maintenance and integrity of the JPMorgan Smaller Companies Investment Trust plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

FOR THE YEAR ENDED 31ST JULY 2020

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	–	6,130	6,130	–	(15,909)	(15,909)
Net foreign currency gains/(losses)		–	11	11	–	(4)	(4)
Income from investments	4	3,940	–	3,940	6,376	–	6,376
Interest receivable and similar income	4	40	–	40	71	–	71
Gross return/(loss)		**3,980**	**6,141**	**10,121**	**6,447**	**(15,913)**	**(9,466)**
Management fee	5	(520)	(1,215)	(1,735)	(534)	(1,245)	(1,779)
Other administrative expenses	6	(393)	(66)	(459)	(441)	–	(441)
Net return/(loss) before finance costs and taxation		**3,067**	**4,860**	**7,927**	**5,472**	**(17,158)**	**(11,686)**
Finance costs	7	(83)	(193)	(276)	(166)	(387)	(553)
Net return/(loss) before taxation		**2,984**	**4,667**	**7,651**	**5,306**	**(17,545)**	**(12,239)**
Taxation	8	(19)	–	(19)	(268)	–	(268)
Net return/(loss) after taxation		**2,965**	**4,667**	**7,632**	**5,038**	**(17,545)**	**(12,507)**
Return/(loss) per share	9	**3.80p**	**5.98p**	**9.78p**	**6.33p**	**(22.05)p**	**(15.72)p**

A final dividend of 5.50p per share (2019: 5.5p per share) is proposed in respect of the year ended 31st July 2020 amounting to £4,293,000 (2019: £4,293,000). Further information on dividends is given in note 10(a) on page 60.

All revenue and capital items in the above statement derive from continuing operations.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. Net return/(loss) after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 54 to 69 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST JULY 2020

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 31st July 2018	**3,985**	**25,895**	**2,899**	**187,547**	**6,782**	**227,108**
Repurchase and cancellation of the Company's own shares	(4)	–	4	(190)	–	(190)
Repurchase of shares into Treasury	–	–	–	(2,354)	–	(2,354)
Costs relating to sub-division of shares	–	–	–	(18)	–	(18)
Net (loss)/return	–	–	–	(17,545)	5,038	(12,507)
Dividend paid in the year (note 10)	–	–	–	–	(4,299)	(4,299)
At 31st July 2019	**3,981**	**25,895**	**2,903**	**167,440**	**7,521**	**207,740**
Repurchase of shares into Treasury	–	–	–	(1,142)	–	(1,142)
Net return	–	–	–	4,667	2,965	7,632
Dividends paid in the year (note 10)	–	–	–	–	(4,293)	(4,293)
At 31st July 2020	**3,981**	**25,895**	**2,903**	**170,965**	**6,193**	**209,937**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors.

The notes on pages 54 to 69 form an integral part of these financial statements.

AT 31ST JULY 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**228,054**	**225,773**
Current assets	12		
Debtors		531	2,489
Cash and cash equivalents		5,025	5,589
		5,556	8,078
Current liabilities	13		
Creditors: amounts falling due within one year		(23,673)	(26,111)
Net current liabilities		**(18,117)**	**(18,033)**
Total assets less current liabilities		**209,937**	**207,740**
Net assets		**209,937**	**207,740**
Capital and reserves			
Called up share capital	14	3,981	3,981
Share premium	15	25,895	25,895
Capital redemption reserve	15	2,903	2,903
Capital reserves	15	170,965	167,440
Revenue reserve	15	6,193	7,521
Total shareholders' funds		**209,937**	**207,740**
Net asset value per ordinary share	16	**269.0p**	**264.4p**

The financial statements on pages 50 to 69 were approved and authorised for issue by the Directors on 14th October 2020 and signed on their behalf by:

Andrew Impey
Chairman

The notes on pages 54 to 69 form an integral part of these financial statements.

The Company is registered in England and Wales No. 2515996.

FOR THE YEAR ENDED 31ST JULY 2020

	Notes	2020 £'000	2019 £'000
Net cash outflow from operations before dividends and interest	17	(1,994)	(2,264)
Dividends received		4,168	6,079
Interest received		(94)	119
Interest paid		(346)	(355)
Net cash inflow from operating activities		**1,734**	**3,579**
Purchases of investments		(94,402)	(104,183)
Sales of investments		100,601	110,307
Net cash inflow from investing activities		**6,199**	**6,124**
Dividends paid		(4,293)	(4,299)
Repurchase and cancellation of the Company's own shares		–	(190)
Repurchase of shares into Treasury		(1,171)	(2,325)
Costs relating to sub-division of shares		–	(18)
Fees in relation to aborted CULS issue		(33)	(99)
Drawdown of loans		10,000	5,000
Repayment of bank loans		(13,000)	(6,000)
Net cash outflow from financing activities		**(8,497)**	**(7,931)**
(Decrease)/increase in cash and cash equivalents		**(564)**	**1,772**
Cash and cash equivalents at start of year		5,589	3,817
Cash and cash equivalents at end of year		5,025	5,589
(Decrease)/increase in cash and cash equivalents		**(564)**	**1,772**
Cash and cash equivalents consist of:			
Cash and short-term deposits		303	722
Cash held in JPMorgan Sterling Liquidity Fund		4,722	4,867
Total		**5,025**	**5,589**

The notes on pages 54 to 69 form an integral part of these financial statements.

RECONCILIATION OF NET DEBT

	As at 31st July 2019 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st July 2020 £'000
Cash and cash equivalents:				
Cash	722	(419)	–	303
Cash equivalents	4,867	(145)	–	4,722
	5,589	(564)	–	5,025
Borrowings				
Debt due within year	(24,000)	3,000	–	(21,000)
	(24,000)	3,000	–	(21,000)
Total	**(18,411)**	**2,436**	**–**	**(15,975)**

FOR THE YEAR ENDED 31ST JULY 2020

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014, and updated in October 2019.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. In forming this opinion, the directors have considered the potential impact of COVID-19 pandemic on the going concern and viability of the Company, including the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience, particularly in light of COVID-19. The Directors have reviewed the compliance with loan covenants in assessing the going concern and viability of the Company. The Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end are accounted for in capital reserves within 'Investment holding gains and losses'.

The cost of repurchasing ordinary shares including stamp duty and transaction costs are included in the Statement of Changes in Equity and dealt with in capital reserves within 'Gains and losses on sales of investments'.

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up.

Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to revenue.

Interest receivable is taken to revenue on an accruals basis.

Interest from non-convertible fixed interest debt securities is recognised on an accounts basis using the effective yield basis which takes account of the amortisation of any discount or premium arising on the purchase price, compared to the final maturity value, over the remaining life of the security.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- The management fee is allocated 30% to revenue and 70% to capital, in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio; and
- Expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 61.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

Finance costs are allocated 30% to revenue and 70% to capital, in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans are classified as financial liabilities measured at amortised cost. They are initially measured at proceeds net of direct issue costs and subsequently measured at amortised cost using the effective interest method. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

(h) Taxation

Current tax is provided at the amounts expected to be paid or received.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

1. Accounting policies *continued*

(j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates.

The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the Statement of Comprehensive Income as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividends

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchase of Ordinary shares for cancellation

The cost of repurchasing ordinary shares, including the related stamp duty and transactions costs, is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

(m) Repurchase of shares into Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs, is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

(n) Share issue costs

The costs of issuing shares are charged against the share premium account.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Gains/(losses) on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Realised gains on sales of investments	6,844	3,793
Net change in unrealised gains and (losses) on investments	(703)	(19,691)
Other capital charges	(11)	(11)
Total capital gains/(losses) on investments held at fair value through profit or loss	**6,130**	**(15,909)**

4. Income

	2020 £'000	2019 £'000
Income from investments		
UK dividends	3,973	5,176
Overseas dividends	72	1,070
UK interest[1]	(134)	62
Property income distribution	29	68
	3,940	**6,376**
Interest receivable and similar income		
Interest from liquidity fund	40	57
Underwriting commission	–	14
	40	71
Total income	**3,980**	**6,447**

[1] Includes adjustment relating to holding in Constellation Healthcare Technologies Inc. (Letter of Entitlement). Please see note 11 for further details.

5. Management fee

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Management fee	520	1,215	1,735	534	1,245	1,779

Details of the management fee are given in the Directors' Report on page 26.

6. Other administrative expenses

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Directors' fees[1]	127	–	127	136	–	136
Depositary fees[2]	35	–	35	32	–	32
Auditor's remuneration for audit services[3]	30	–	30	30	–	30
Printing costs	19	–	19	29	–	29
Professional fees	26	66[7]	113	23	–	23
AIC Subscription	15	–	15	15	–	15
Registrar fees	12	–	12	16	–	16
Postage	3	–	3	9	–	9
Broker fees[4]	44	–	44	33	–	33
Savings scheme costs[5]	–	–	–	32	–	32
Administrative expenses[6]	82	–	82	86	–	86
	393	66	459	441	–	441

[1] Full disclosure is given in the Directors' Remuneration Report on pages 37 and 38.
[2] Includes £5,000 (2019: £5,000) irrecoverable VAT.
[3] Includes £5,000 (2019: £5,000) irrecoverable VAT.
[4] Includes £7,000 (2019: £5,000) irrecoverable VAT.
[5] Paid to/refunded by the Manager for marketing and administration of saving scheme products. Includes £nil (2019: £5,000) irrecoverable VAT.
[6] Includes £24,000 (2019: £18,000) irrecoverable VAT.
[7] Estimated litigation expense in relation to the Orion Health Corporation and Constellation Healthcare Technologies case. Please see note 13 for further details.

7. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Interest on bank loans and overdrafts	83	193	276	126	295	421
Fees in relation to aborted CULS issue[1]	–	–	–	40	92	132
	83	193	276	166	387	553

[1] Includes £nil (2019: £19,000) irrecoverable VAT.

8. Taxation

(a) Analysis of tax charge for the year

	2020 £'000	2019 £'000
Overseas withholding tax	19	268
Total tax charge for the year	19	268

(b) Factors affecting total tax charge for the year

The tax charge for the year is lower (2019: lower) than the Company's applicable rate of corporation tax of 19% (2019: 19%). The factors affecting the total tax charge for the year are as follows:

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net return/(loss) before taxation	2,984	4,667	7,651	5,306	(17,545)	(12,239)
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2019: 19%)	567	887	1,454	1,008	(3,334)	(2,326)
Effects of:						
Non Taxable capital gains	–	(1,167)	(1,167)	–	3,024	3,024
Non taxable UK dividends	(755)	–	(755)	(983)	–	(983)
Non taxable overseas dividends	(14)	–	(14)	(73)	–	(73)
Double taxation relief expensed	–	–	–	(20)	–	(20)
Unrelieved expenses	202	280	482	68	310	378
Overseas withholding tax	19	–	19	268	–	268
Total tax charge for the year	**19**	**–**	**19**	**268**	**–**	**268**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £6,924,000 (2019: £5,770,000) based on a prospective corporation tax rate of 19% (2019: 17%). The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Given the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return/(loss) per share

	2020 £'000	2019 £'000
Revenue return	2,965	5,038
Capital return/(loss)	4,667	(17,545)
Total return/(loss)	**7,632**	**(12,507)**
Weighted average number of shares in issue during the year	78,102,148	79,561,385
Revenue return per share	3.80p	6.33p
Capital return/(loss) per share	5.98p	(22.05)p
Total return/(loss) per share	**9.78p**	**(15.72)p**

10. Dividends

(a) Dividends paid and proposed

	2020 £'000	2019 £'000
Dividend paid		
2019 final dividend of 5.5p (2018: 5.4p[1]) per share	4,293	4,299
Dividend proposed		
2020 final dividend proposed of 5.5p (2019: 5.5p) per share	4,293	4,321

[1] The dividend rate has been restated following the sub-division of each existing ordinary share of 25p into 5p each on 30th November 2018.

All dividends paid and proposed in the period have been and will be funded from the revenue reserve.

The dividend proposed in respect of the year ended 31st July 2020 is subject to shareholder approval at the forthcoming AGM. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st July 2021.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £2,964,000 (2019: £5,038,000). The revenue reserve after payment of the final dividend will amount to £1,891,000 (2019: £3,229,000).

	2020 £'000	2019 £'000
2020 final dividend of 5.5p (2019: 5.5p) per share	4,293	4,293

11. Investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Investments listed on a recognised stock exchange	228,054	225,773

	2020 £'000	2019 £'000
Opening book cost	171,135	173,510
Opening investment holding gains	54,638	74,275
Opening valuation	225,773	247,785
Movements in the year:		
Purchases at cost	95,031	104,734
Sales proceeds	(98,768)	(110,902)
Effective yield adjustment[1]	(123)	54
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	–	(30,715)
Gains/(losses) on investments held at fair value through profit or loss	6,141	14,817
	228,054	225,773
Closing book cost	174,242	171,135
Closing investment holding gains	53,812	54,638
Total investments held at fair value through profit or loss	**228,054**	**225,773**

[1] This relates to amortisation of the holding in Constellation Healthcare Technologies Inc. (Letter of Entitlement) calculated using the effective yield method, (see note 1(d)), with the income side being included within UK Interest (see note 4). In 2020, the Letter of Entitlement was deemed to have zero value and the likelihood of receiving any income from this was deemed to be highly unlikely. As a result, the effective yield adjustments made in 2019 and 2018 have been reversed in 2020.

Transaction costs on purchases during the year amounted to £396,000 (2019: £446,000) and on sales during the year amounted to £75,000 (2019: £101,000). These costs comprise mainly brokerage commission.

The company received £98,768,000 (2019: £110,902,000) from investments sold in the year. The book cost of these investments when they were purchased was £91,924,000 (2019: £107,109,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12. Current assets

	2020 £'000	2019 £'000
Debtors		
Securities sold awaiting settlement	349	2,193
Dividends and interest receivable	171	284
Other debtors	11	12
	531	**2,489**

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short-term deposits and liquidity funds. The carrying amount of these represents their fair value.

13. Current liabilities

	2020 £'000	2019 £'000
Creditors: amounts falling due within one year		
Bank loan	21,000	24,000
Securities purchased awaiting settlement	2,491	1,862
Loan interest payable	21	91
Litigation expense accrual	66	–
Repurchase of the Company's own shares awaiting settlement	–	26
Other creditors	95	132
	23,673	**26,111**

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The Company has a £25.0 million loan facility with Scotiabank which expired on 2nd October 2020. This facility with Scotiabank was renewed on 2nd October 2020 for a further 364 days. Under the terms of this agreement the Company has the option to increase the facility commitment amount to £35.0 million in two increments of £5.0 million subject to certain conditions, or the equivalent in euros, at an interest rate of the interbank offer rate for the relevant currency and period, plus a margin per annum, plus the mandatory cost, which is the lender's cost of complying with certain regulatory requirements of the Bank of England, FCA, or the European Central Bank. At 31st July 2020, the Company had £21.0 million (2019: £24.0 million) drawn down on the facility at an interest rate of 0.6% (2019: 1.46%).

The Company is one of numerous defendants in a litigation brought by the liquidating trustee of Orion HealthCorp, Inc. and related debtors (the 'Plaintiff') arising from a merger in early 2017 involving Constellation Healthcare Technologies ('CHT'). The Company was a shareholder of CHT at the time of the merger and received monies as a result of the merger. Although there are no allegations of wrongdoing made against the Company, the Plaintiff seeks to recover the monies distributed to the Company (and other CHT shareholders) as a result of the merger. The Company and the Plaintiff have entered into a Settlement Agreement which, subject to the approval of the United States Bankruptcy Court for the Eastern District of New York, will settle all claims asserted against the Company by the Plaintiff and will not result in any payment by the Company to the Plaintiff and is expected to have a negligible impact on the Company's Net Asset Value.

The legal costs incurred by the Company in connection with the litigation amount to £66,000. This has been accrued in the current financial year and is disclosed in the note above.

14. Called up share capital

	2020 £'000	2019 £'000
Ordinary shares allotted and fully paid:		
Opening balance of 79,611,410 (2019: 79,693,005) shares of 5p each	3,929	3,985
Repurchase and cancellation of nil (2019: 16319) shares	–	(4)
Repurchase of 514,217 (2019: 1,045,524) shares of 5p each into Treasury	(26)	(52)
Subtotal of 78,051,669 (2019: 78,565,886) shares excluding shares of 5p each held in Treasury	3,903	3,929
1,559,741 (2019: 1,045,524) shares of 5p each held in Treasury	78	52
Closing balance of 79,611,410 (2019: 79,611,410) shares including shares of 5p each held in Treasury	**3,981**	**3,981**

Further details of transactions in the Company's shares are given in the Business Review on page 28.

15. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	3,981	25,895	2,903	112,925	54,515	7,521	207,740
Net foreign currency gains on cash and cash equivalents	–	–	–	11	–	–	11
Realised gains on sale of investments	–	–	–	6,844	–	–	6,844
Net change in unrealised gains and losses on investments	–	–	–	–	(703)	–	(703)
Repurchase of shares into Treasury	–	–	–	(1,142)	–	–	(1,142)
Management fee and finance costs charged to capital	–	–	–	(1,408)	–	–	(1,408)
Other capital charges	–	–	–	(11)	–	–	(11)
Expense in relation to litigation	–	–	–	(66)	–	–	(66)
Retained revenue for the year	–	–	–	–	–	2,965	2,965
Dividend paid in the year	–	–	–	–	–	(4,293)	(4,293)
Closing balance	**3,981**	**25,895**	**2,903**	**117,153**	**53,812**	**6,193**	**209,937**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors.

16. Net asset value per share

	2020	2019
Net assets (£'000)	209,937	207,740
Number of shares in issue	78,051,669	78,565,886
Net asset value per ordinary share	**269.0p**	**264.4p**

17. Reconciliation of net (loss)/return before finance costs and taxation to net cash outflow from operations before dividends and interest

	2020 £'000	2019 £'000
Net return/(losses) before finance costs and taxation	7,927	(11,686)
(Less capital return)/Add capital loss before finance costs and taxation	(4,860)	17,158
Decrease in accrued income and other debtors	114	35
Decrease in accrued expenses	(1)	(2)
Effective Interest Rate (EIR) Adjustment[1]	123	(54)
Management fee charged to capital	(1,215)	(1,245)
Tax on unfranked investment income	(19)	(268)
Dividends received	(4,168)	(6,079)
Interest received	94	(119)
Realised gain/(loss) on foreign exchange transactions	11	(4)
Net cash outflow from operations before dividends and interest	**(1,994)**	**(2,264)**

[1] This relates to amortisation of the holding in Constellation Healthcare Technologies Inc. (Letter of Entitlement) (see note 11). As this is a non-cash item, this is removed for the preparation of the Statement of Cash Flows.

18. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2019: nil).

19. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 26. The management fee payable to the Manager for the year was £1,735,000 (2019: £1,779,000) of which £nil (2019: £nil) was outstanding at the year end.

During the year £nil, including VAT, was payable to (2019: £32,000, was refunded by) the Manager for the administration of savings scheme products, of which £nil (2019: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 58 are safe custody fees amounting to £4,000 (2019: £3,000) payable to JPMorgan Chase of which £1,000 (2019: £1,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2019: £nil) of which £nil (2019: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £4.7 million (2019: £4.9 million). Interest amounting to £40,000 (2019: £57,000) was receivable during the year of which £nil (2019: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £11,000 (2019: £11,000) were payable to JPMorgan Chase during the year of which £2,000 (2019: £2,000) was outstanding at the year end.

At the year end, total cash of £303,000 (2019: £722,000) was held with JPMorgan Chase. A net amount of interest of £nil (2019: £78) was receivable by the Company during the year from JPMorgan Chase of which £nil (2019: £28) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 38 and in note 6 on page 58.

20. Disclosures regarding financial instruments measured at fair value

The fair value hierarchy disclosures required by FRS 102 are given below.

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

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

(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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 54.

All of the Company's investments are categorised as Level 1 (2019: same).

21. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments are as follows:

- investments in equity and preference shares of UK companies, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short-term debtors, creditors and cash arising directly from its operations; and
- loan facilities, the purpose of which are to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on variable rate borrowings when interest rates are reset.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the floating rate loan facility. However, amounts drawn down on this facility are for short-term periods and therefore there is limited exposure to interest rate risk.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2020 £'000	2019 £'000
Exposure to floating interest rates		
JPMorgan Sterling Liquidity Fund	4,722	4,867
Cash and short-term deposits	303	722
Bank loan	(21,000)	(24,000)
Total exposure	**(15,975)**	**(18,411)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2019: same). The target interest earned on the JPMorgan Sterling Liquidity Fund is the 7 day Sterling London Interbank Bid Rate.

Details of the bank loan are given in note 13 on page 62.

21. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(i) Interest rate risk *continued*

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2019: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2020		2019	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(13)	13	(16)	16
Capital return	(147)	147	(168)	168
Total return after taxation for the year	(160)	160	(184)	184
Net assets	**(160)**	**160**	**(184)**	**184**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the liquidity fund and amounts drawn down on the Company's loan facility.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's total exposure to changes in market prices at 31st July comprises its holdings in equity investments as follows:

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	228,054	225,773

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 15. This shows that all of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2019: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2020		2019	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(48)	48	(47)	47
Capital return	22,694	(22,694)	22,467	(22,467)
Total return after taxation for the year	22,646	(22,646)	22,420	(22,420)
Net assets	**22,646**	**(22,646)**	**22,420**	**(22,420)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term liabilities and working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	2020			
	Three months or less £'000	More than three months but no more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	2,491	–	–	2,491
Other creditors	95	–	–	95
Bank loan including interest	21,078	–	–	21,078
Litigation expense accrual	66	–	–	66
	23,730	**–**	**–**	**23,730**

21. Financial instruments' exposure to risk and risk management policies *continued*

(b) Liquidity risk *continued*

Liquidity risk exposure *continued*

	2019			
	Three months or less £'000	More than three months but no more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	1,862	–	–	1,862
Repurchase of the Company's own shares awaiting settlement	26	–	–	26
Other creditors	132	–	–	132
Bank loan including interest	24,153	–	–	24,153
	26,173	**–**	**–**	**26,173**

The liabilities shown above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase Bank, N.A. were to cease trading. The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value.

22. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2020 £'000	2019 £'000
Debt:		
Bank loan	21,000	24,000
Equity:		
Called up share capital	3,981	3,981
Reserves	205,956	203,759
Total debt and equity	**230,937**	**231,740**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range of 10% net cash to 15% geared.

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	228,054	225,773
Net assets	209,937	207,740
Gearing	**8.6%**	**8.7%**

The Company does not have any external capital requirements.

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares for cancellation, which takes into account the share price discount or premium; and
- the opportunity for issues of new shares.

23. Subsequent events

The Directors have evaluated the period since the year end and have not noted any subsequent events deemed necessary to report.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive ('AIFMD'), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company's maximum and actual leverage levels at 31st July 2020 are shown below:

	Gross Method	Commitment Method
Leverage exposure		
Maximum limit	175%	175%
Actual	110%	111%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan Smaller Companies Investment Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period (the **'Performance Year'**) as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the '**Remuneration Policy Statement**') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages (the '**AIFMD Identified Staff**'). The AIFMD Identified Staff include members of the Board of the Management Company (the '**Board**'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2019 Performance Year in June 2019 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2019 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 30 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 38 sub-funds) as at 31st December 2019, with a combined AUM as at that date of £13.8 billion and £17.1 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD$'000s)	15,972	9,139	25,111	119

The aggregate 2019 total remuneration paid to AIFMD Identified Staff was USD $57,449,000, of which USD $4,425,000 relates to Senior Management and USD $53,024,000 relates to other Identified Staff.[1]

[1] Since 2017, the AIFMD identified staff disclosures includes employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

SECURITIES FINANCING TRANSACTIONS REGULATION ('SFTR') DISCLOSURES (UNAUDITED)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st July 2020.

Shareholder Information

Notice is hereby given that the thirtieth Annual General Meeting of JPMorgan Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP at 3.00 p.m. on Tuesday, 24th November 2020 for the following purposes.

1. To receive the Directors' Report, the Annual Accounts and the Independent Auditor's Report for the year ended 31st July 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st July 2020.
4. To approve a final dividend of 5.5p per Ordinary share.
5. To reappoint Frances Davies a Director of the Company.
6. To reappoint Andrew Impey a Director of the Company.
7. To reappoint Alice Ryder a Director of the Company.
8. To appoint Gordon Humphries a Director of the Company.
9. To reappoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors) pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £390,258, representing approximately 10% of the Company's issued share capital (excluding Treasury shares) as at the date of this notice provided that this authority shall expire at the conclusion of the AGM of the Company to be held in 2021 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new shares – Special Resolution

11. THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573, of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560 of the Act) pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment or sale of equity securities for cash up to an aggregate nominal amount of £390,258, representing approximately 10% of the issued share capital as at the date of this notice at a price of not less than the net asset value per share and shall expire, upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special 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 of the Act) of its issued shares on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT

    (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 11,699,945, or if less, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for an Ordinary share shall be 5 pence;

    (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary share taken from and calculated by reference to the London Stock Exchange Daily

Official List for the five business days immediately preceding the day on which the Share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 23rd May 2022 unless the authority is renewed at the Company's AGM in 2021 or at any other general meeting prior to such time; and

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

Continuation Vote – Ordinary Resolution

13. THAT the Company continues in existence as an investment trust for a further three year period from the date of this AGM.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

21st October 2020

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. At the date of this Notice the format of the Company's 2020 AGM has had to be changed so that it complies with both the existing Companies Act and the recently introduced legislation which the UK Government introduced to limit the impact of the COVID-19 pandemic, restricting travel and limiting gatherings. Shareholders are asked to comply with the government's latest COVID-19 pandemic legislation restricting travel and public gatherings and not to attend the AGM. Arrangements will be made by the Company to ensure that the minimum number of two shareholders required to form a quorum for the AGM will attend the meeting in order that the meeting may proceed and the business be concluded. To ensure compliance with COVID-19 pandemic legislation restricting public gatherings, no shareholders (other than the two previously notified shareholders making up the quorum for the AGM) will be permitted to attend the meeting and entry to the building will not be allowed.

2. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 3.00 p.m. two business days prior to the meeting (ie. excluding weekends and bank holidays).

5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting,

that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006 (as amended by the Shareholder Rights Directive 2009, each such representative(s) may exercise the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an auditor of the company ceasing to hold office since the previous AGM; which the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

10. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

11. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmsmallercompanies.co.uk

12. The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the AGM. No Director has any contract of service with the Company.

13. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

14. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.

15. As at 13th October 2020 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 78,051,669 Ordinary shares of 5 pence each, carrying one vote each. Therefore the total voting rights in the Company are 78,051,669.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Return to Shareholders (APM)

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

Total return calculation	Page	Year ended 31st July 2020	Year ended 31st July 2019	
Opening share price (p)[1]	4	229.0	243.0	(a)
Closing share price (p)[1]	4	232.0	229.0	(b)
Total dividend adjustment factor[2]		1.023555	1.025352	(c)
Adjusted closing share price (p) (d = b x c)		237.5	234.8	(d)
Total return to shareholders (e = d / a – 1)		**3.7%**	**–3.4%**	(e)

1 Comparative figures for year ended 31st July 2019 have been restated following the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 30th November 2018.

2 The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 31st July 2020	Year ended 31st July 2019	
Opening cum-income NAV per share with debt at par value (p)[1]	4	264.4	285.0	(a)
Closing cum-income NAV per share debt at par value (p)[1]	4	269.0	264.4	(b)
Total dividend adjustment factor[2]		1.020359	1.021994	(c)
Adjusted closing cum-income NAV per share (p) (d = b x c)		274.5	270.3	(d)
Total return on net assets (e = d / a – 1)		**3.8%**	**–5.2%**	(e)

1 Comparative figures for year ended 31st July 2019 have been restated following the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 30th November 2018.

2 The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 16 on page 63 for detailed calculations.

Benchmark return

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

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Share Price Discount/Premium to Net Asset Value ('NAV') per Ordinary Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share.

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 4).

Gearing/(Net cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	Year ended 31st July 2020 £'000	Year ended 31st July 2019 £'000	
Investments held at fair value through profit or loss	52	228,054	225,773	(a)
Net assets	52	209,937	207,740	(b)
Gearing (c = a / b – 1)		**8.6%**	**8.7%**	(c)

Ongoing charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	Year ended 31st July 2020 £'000	Year ended 31st July 2019 £'000	
Management Fee	50	1,735	1,779	
Other administrative expenses	50	459	441	
less: one-off expense		(66)	–	
Total management fee and other administrative expenses		2,128	2,220	(a)
Average daily cum-income net assets		211,217	200,796	(b)
Ongoing Charges (c = a / b)		**1.01%**	**1.11%**	(c)

Performance attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Stock/Sector selection

Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/(net cash)

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management fee/Other expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Repurchase of shares

Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation, or repurchases into Treasury, at a price which is less than the Company's net asset value per share.

You can invest in a J.P. Morgan investment trust through the following:

1. Via a third party provider

Third party providers include:

AJ Bell You Invest
Barclays Smart Investor
Charles Stanley Direct
EQi
Fidelity Personal Investing
Halifax Share Dealing
Hargreaves Lansdown
Interactive Investor
The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

FCA
FINANCIAL CONDUCT AUTHORITY

FINANCIAL CALENDAR

Financial year end	31st July
Final results announced	October
Half year end	31st January
Half year results announced	March
Dividend on ordinary shares paid	December
Annual General Meeting	November/December

History

The Company was formed in June 1990 as River & Mercantile Smaller Companies Trust plc and raised £25 million by a public offer of shares. Its original policy was to invest in a diversified portfolio of investments in UK and foreign smaller companies. Its name was changed to The Fleming Smaller Companies Investment Trust plc in April 1996, and again in November 2002 to JPMorgan Fleming Smaller Companies Investment Trust plc. The Company adopted its present name in 2006.

Directors

Andrew Impey (Chairman)
Frances Davies (Senior Independent Director)
Gordon Humphries
Andrew Robson (Audit Committee Chairman)
Alice Ryder

Company Numbers

Company registration number: 2515996
LEI: 549300PXALXKUMU9JM18
London Stock Exchange SEDOL: 0741600
Bloomberg code: JMI LN
ISIN: GB00BF7L8P11

Market Information

The Company's unaudited net asset value ('NAV') is published daily, via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the JPMorgan website at www.jpmsmallercompanies.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmsmallercompanies.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Manager and Company Secretary

JPMorgan Funds Limited.

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone number: 020 7742 4000
For Company Secretarial and administrative matters please contact Lucy Dina at the above address.

Depositary

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

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 1139
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2341

Lines open 9.00 a.m. to 5.00 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1139. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

Ernst & Young LLP
Statutory Auditor
Atria One
144, Morrison Street
Edinburgh EH3 8EX

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

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J.P.Morgan
Asset Management