



Half Year Report **2012/13**  
JPMorgan Smaller Companies  
Investment Trust plc

Half Year Report & Accounts for the six months ended 31st January 2013

# Features

## Contents

### About the Company

- 1 Half Year Performance
- 2 Chairman's Statement
- 4 Investment Manager's Report

### Investment Review

- 6 List of Investments
- 9 Sector Analysis

### Accounts

- 10 Income Statement
- 11 Reconciliation of Movements in Shareholders' Funds
- 12 Balance Sheet
- 13 Cash Flow Statement
- 14 Notes to the Accounts

### Shareholder Information

- 16 Interim Management Report
- 17 Glossary of Terms and Definitions
- 21 Information about the 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.
- To invest no more than 15% of its gross assets in other listed investment companies (including investment trusts).
- Liquidity and borrowings are managed with the aim of increasing returns to shareholders.

### Benchmark

The FTSE Small Cap Index (excluding investment trusts).

### Capital Structure

At 31st January 2013, the Company's share capital comprised 18,219,372 ordinary shares of 25p each.

### Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

# Half Year Performance

## Total returns

**+32.2%**

Return to shareholders<sup>1</sup>

**+22.8%**

Return on net assets<sup>2</sup>

**+26.4%**

Benchmark return<sup>3</sup>

The above are total returns and include dividends reinvested.

## Financial Data

	31st January 2013	31st July 2012	% change
Shareholders' funds (£'000)	<b>129,367</b>	107,282	+20.6
Number of shares in issue	<b>18,219,372</b>	18,283,028	-0.3
Net asset value per share	<b>710.1p</b>	586.8p	+21.0
Share price	<b>581.5p</b>	448.0p	+29.8
Share price discount to net asset value per share	<b>18.1%</b>	23.7%	

A glossary of terms and definitions is provided on page 17.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: Datastream. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts) which is on a total return basis.

# Chairman's Statement



## Investment Performance

In the period under review, the six months to 31st January 2013, I am glad to report that the Company recorded a significantly positive total return on net assets of 22.8% in absolute terms, albeit behind the +26.4% total return delivered by the benchmark, the FTSE Small Cap (excluding Investment Trusts) Index during the six months reporting period. By comparison, the total return to shareholders over the reporting period was +32.2% as a result of the narrowing discount. Markets have continued to rise since the period end and the Company's trend of out-performance against its benchmark has been re-established, with net asset value and share price having increased by 6.1% and 9.1% respectively compared with the rise in benchmark of 2.7% during February 2013. This is reflected in the year to date performance for this financial year. For the seven months to 28th February 2013, total return on net assets was 30.2% compared with 29.8% returned by the benchmark.

The long term performance record at 31st January 2013 remains very strong as shown below:

	1 year	3 years	5 years	10 years	Since inception
Net Asset Value Total Return	+29.7%	+63.9%	+57.3%	+351.7%	+1036.1
Share Price Total Return	+34.9%	+74.4%	+66.6%	+354.6%	+858.1
Benchmark Total Return	+33.6%	+38.9%	+28.0%	+134.4%	+309.4

The Investment Manager provides a detailed commentary on markets and the portfolio performance in her Report.

## Share Repurchases

During the six months to 31st January 2013, the Company has continued to use the authority given by shareholders to repurchase its shares in the market to help maintain an orderly market for the Company's shares, thereby reducing the volatility of the discount. The Company repurchased a total of 73,156 ordinary shares for cancellation for a total consideration of £348,436 representing 0.40% of the issued share capital at the beginning of the year. The shares were repurchased at a discount of 22% and added approximately 0.53p per share to the net asset value for continuing shareholders. The Company has not repurchased any shares since 21st September 2012 and the discount at the time of writing is 19.1%.

## Gearing and Loan Facility

Following the markets rally, the Company's gearing level reduced during the period from 7.4% at the beginning of the period to 6.1% at 31st January 2013. This was after drawing down fully on the £10 million flexible loan facility with ING Bank N.V. in January 2013, reflecting the Investment Manager's more positive view of the outlook for the sector. The loan facility which expires in April 2013 has been reviewed by the Board. A new £15 million flexible loan facility will be provided by Scotia Bank upon expiry of the current facility. The Board continues to believe that modest borrowings should improve shareholder returns, as they have done since the Company's inception.

## **Board**

As part of good corporate governance practice and the Board's succession planning, the Board is again being refreshed and has appointed Frances Davies as from 1st March 2013. Her breadth of knowledge and experience will prove valuable to the Board. Frances Davies is a partner of Opus Corporate Finance, a corporate finance advisory business providing independent strategic advice to businesses. Prior to this, she held senior positions at Morgan Grenfell Asset Management and Gartmore Investment Limited.

Having had the honour of being the founding Chairman of this Investment Trust in 1990, and the pleasure of chairing the Board for the last 23 years, I asked my colleagues on the Board to nominate a successor. After an evaluation of internal and external candidates, they have chosen Michael Quicke, who currently chairs the Audit Committee, as my successor with effect from 1st June 2013. I am pleased that both the share price and the net asset value per share reached record high levels in the last few weeks.

## **Outlook**

Even though markets have risen rapidly over a relatively short time, valuations do not yet appear stretched in those UK smaller companies in which your manager is interested. Shareholders should, however, continue to expect volatility in markets as policymakers continue to grapple with the many longer term issues, which still remain unresolved.

**Strone Macpherson**  
Chairman

26th March 2013

# Investment Manager's Report



## Market Background

Stockmarkets soared in the first half of your Company's financial year, as they recovered from the declines of spring and early summer. Notably, it was the smaller end of the UK market that performed most strongly. This rebound in equity markets was caused by a variety of factors, key amongst which was the monetary easing by the Central Banks around the world, as they sought to inject liquidity into the system. Additional factors included the realisation that concerns over a Chinese slowdown and a faltering recovery in the US were overdone, and a belief that the sovereign crisis in the Eurozone was past the worst.

## Portfolio

In the six months to the end of January 2013, the FTSE Small Cap (ex Investment Trusts) Index returned a remarkable 26.4%. Your portfolio did not keep up with this rise, and the return on net assets was 22.8% for reasons explained below. However, the narrowing of the discount to net assets meant that the share price return in the period was 32.2%. At the time of writing, your portfolio has enjoyed very strong performance post the half year end, and is now back above benchmark for the financial year to date.

Key positive stock contributors included Ashtead and Tribal Group, both long-term holdings in the fund, and Thomas Cook and Iomart, both of which were bought in mid 2012. On the negative side the main underperforming stock we owned was Cape. What detracted more from performance were a number of highly indebted stocks which we did not own, which bounced very strongly in the period from their very low valuations. These included Enterprise Inns and Northgate, amongst others, and these stocks hurt the performance of your Company relative to its benchmark.

Two notable changes to the portfolio were a significant reduction in the Industrials weighting, and a large increase in the Consumer Services position. We remain overweight in the former, but we reduced the overweight due to negative newsflow in particular in Europe for industrial companies. In Consumer Services, while we remain underweight relative to the benchmark, especially in General Retail, the purchase of a holding in Thomas Cook and a significant increase in our position in 888 Holdings reduced the large deviation from the benchmark.

The death of the IPO (or new issue) market has been frequently reported in the press. This is much exaggerated in the smaller companies arena, where we continue to invest selectively in exciting new opportunities coming to the stockmarket. In the past six months, our IPO investments included Fusionex International, a software technology company, and Rangers International, the newly-formed company behind Rangers football club. Takeover activity was quieter in the period, but we benefitted from the takeover of Sportingbet by William Hill.

## **Outlook**

The economic backdrop remains uncertain. Newsflow in the USA has been generally positive, with the housing market and job creation data trending in the right direction, but budgetary concerns remain. China continues to expand, with forecast GDP growth of 8% this year and Germany, the key Eurozone-market, looks likely to see a pick-up in output, as evidenced by the recent strong IFO survey on economic confidence. Yet at the same time, the deadlocked outcome of the Italian election has once again heightened concerns over the sovereign crisis in the Eurozone.

Following the strong rally in share prices over the last several months, some volatility is to be expected. However, with global growth on an upward trend and Central Bank-induced liquidity flowing through the system both globally and in the UK, we remain positive. In addition the decline in yields on bonds is likely to lead to a shift in asset allocation away from bonds and into equities - some evidence of which is already being seen - which will be positive for shares.

UK equities, and in particular smaller company shares, still remain attractively valued. 2012 saw downgrades to profit estimates across the market, but we are starting to see stabilisation and upgrades in analysts' forecasts, which augurs well for share prices. Smaller companies are the growth engine of the UK, and our focus remains on those companies which are growing, both in revenue and profit terms, and we continue to find opportunities to invest in a broad spread of exciting growth companies. We also continue to believe that mergers and acquisitions have moved up the agenda of larger companies - the recent weakness of sterling will be an added incentive for overseas buyers - and we expect smaller companies, and their shareholders, to be the beneficiaries.

**Georgina Brittain**

Investment Manager

26th March 2013

# List of Investments

As at 31st January 2013

Company	Sector	Valuation £'000	%
Thomas Cook	Consumer Services	4,812	3.5
Carclo	Basic Materials	4,350	3.1
Ashtead	Industrials	3,499	2.5
Greencore Group	Consumer Goods	3,497	2.5
Brammer	Industrials	3,027	2.2
Hyder Consulting	Industrials	2,837	2.0
NCC	Technology	2,798	2.0
Tribal	Industrials	2,785	2.0
Sportingbet	Consumer Services	2,761	2.0
Quintain Estates & Development	Financials	2,644	1.9
Vectura	Health Care	2,592	1.9
Dialight	Industrials	2,576	1.9
International Personal Finance	Financials	2,575	1.9
Hill & Smith	Industrials	2,557	1.8
Anite	Technology	2,521	1.8
Novae	Financials	2,472	1.8
Smith News	Industrials	2,441	1.8
Lavendon Group	Industrials	2,347	1.7
Oxford Instruments	Industrials	2,347	1.7
888	Consumer Services	2,219	1.6
Cape	Oil & Gas	2,176	1.6
E2V Technologies	Industrials	2,056	1.5
Avon Rubber	Industrials	2,048	1.5
Unite	Financials	1,956	1.4
Innovation	Technology	1,934	1.4
Trinity Mirror	Consumer Services	1,919	1.4
Fisher (James) & Sons	Industrials	1,905	1.4
Exillon Energy	Oil & Gas	1,856	1.3
Lookers	Consumer Services	1,847	1.3
Development Securities	Financials	1,821	1.3
Fuller Smith & Turner	Consumer Services	1,808	1.3
Lamprell	Oil & Gas	1,797	1.3
Interserve	Industrials	1,784	1.3
Chime Communications	Consumer Services	1,591	1.1
Tarsus	Consumer Services	1,585	1.1
Hilton Food	Consumer Goods	1,564	1.1
CLS	Financials	1,541	1.1
Diploma	Industrials	1,525	1.1
St Ives	Industrials	1,516	1.1



Company	Sector	Valuation £'000	%
Elementis	Basic Materials	1,454	1.0
Aquarius Platinum	Basic Materials	1,443	1.0
RPC	Industrials	1,438	1.0
Hargreaves Services <sup>1</sup>	Industrials	1,399	1.0
Iomart <sup>1</sup>	Technology	1,399	1.0
Senior	Industrials	1,379	1.0
Galliford Try	Industrials	1,279	0.9
Entertainment One	Industrials	1,255	0.9
St. Modwen Properties	Financials	1,226	0.9
Micro Focus International	Technology	1,204	0.9
Anglo-Eastern Plantations	Consumer Goods	1,179	0.8
Fiberweb	Industrials	1,178	0.8
Snoozebox <sup>1</sup>	Consumer Services	1,125	0.8
Costain	Industrials	1,060	0.8
CSR	Technology	1,051	0.8
IQE	Technology	1,013	0.7
Howden Joinery	Industrials	989	0.7
KCOM	Telecommunications	981	0.7
Fenner	Industrials	965	0.7
Menzies (John)	Industrials	866	0.6
Advanced Computer Software <sup>1</sup>	Technology	800	0.6
Amerisur Resources <sup>1</sup>	Oil & Gas	792	0.6
Abcam <sup>1</sup>	Health Care	776	0.6
Mood Media <sup>1</sup>	Consumer Services	766	0.6
Kentz	Oil & Gas	697	0.5
Spirit Pub	Consumer Services	694	0.5
Darty	Consumer Services	662	0.5
Renold	Industrials	642	0.5
Asian Plantations <sup>1</sup>	Consumer Goods	605	0.4
Staffline <sup>1</sup>	Industrials	595	0.4
Harvey Nash	Industrials	586	0.4
Idox	Technology	579	0.4
Fusionex International	Technology	569	0.4
Xcite Energy	Oil & Gas	550	0.4
Ithaca Energy (GBP)	Oil & Gas	513	0.4
Providence Resources <sup>1</sup>	Oil & Gas	510	0.4
AVEVA	Technology	502	0.4
Faroe Petroleum <sup>1</sup>	Oil & Gas	501	0.4

# List of Investments continued

Company	Sector	Valuation £'000	% <sup>1</sup>
TT electronics	Industrials	494	0.4
Lonrho	Industrials	485	0.3
Eland Oil & Gas (Placing 2012)	Oil & Gas	471	0.3
Clinigen	Consumer Services	456	0.3
Rangers International Football Club	Consumer Services	455	0.3
MP Evans <sup>1</sup>	Consumer Goods	455	0.3
Petroceltic International	Oil & Gas	452	0.3
Yule Catto	Basic Materials	443	0.3
Trinity Exploration & Production	Industrials	436	0.3
Gemfields <sup>1</sup>	Basic Materials	413	0.3
Morgan Sindall	Industrials	408	0.3
Devro	Consumer Goods	406	0.3
Kea Petroluem	Oil & Gas	402	0.3
Bowleven <sup>1</sup>	Oil & Gas	402	0.3
Alternative Networks <sup>1</sup>	Telecommunications	401	0.3
Lo-Q <sup>1</sup>	Technology	398	0.3
Valiant Petroleum <sup>1</sup>	Oil & Gas	391	0.3
Monitise <sup>1</sup>	Telecommunications	387	0.3
Zotefoams	Basic Materials	383	0.3
Telit Communications <sup>1</sup>	Technology	368	0.3
Robert Walters	Industrials	366	0.3
Wandisco	Technology	355	0.3
Cupid <sup>1</sup>	Consumer Services	347	0.2
OPG Power Venture <sup>1</sup>	Utilities	345	0.2
Immunodiagnostic Systems <sup>1</sup>	Health Care	197	0.1
Enteq Upstream <sup>1</sup>	Financials	150	0.1
Volex	Industrials	117	0.1
K3 Business Technology <sup>1</sup>	Technology	96	0.1
Oilex <sup>1,2</sup>	Oil & Gas	95	0.1
International Ferro Metals	Basic Materials	69	–
Hogg Robinson	Industrials	65	–
Speedy Hire	Industrials	55	–
Brookwell Preference	Industrials	24	–
JPMorgan Sterling Liquidity Fund	Liquidity Fund	1,100	0.8
<b>Total Investments</b>		<b>138,995</b>	<b>100.0</b>

<sup>1</sup>AIM listed companies, 10.8% (31st July 2012: 13.7%).

<sup>2</sup>Includes investments in warrants.

# Sector Analysis

Sector	31st January 2013		31st July 2012	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Industrials	39.7	36.4	42.1	34.4
Consumer Services	17.8	21.8	10.3	18.1
Technology	12.0	5.7	11.2	9.1
Financials	11.1	14.8	14.1	20.7
Oil & Gas	9.0	4.3	10.6	2.9
Basic Materials	6.6	5.7	7.6	4.1
Consumer Goods	6.0	7.8	6.2	7.9
Health Care	2.7	3.5	2.8	2.8
Telecommunications	1.4	–	2.3	–
Utilities	0.3	–	0.3	–
Liquidity fund	0.8	–	0.7	–
Net current liabilities and loan balances	(7.4)	–	(8.2)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

Based on net assets of £129.4m (31st July 2012: £107.3m).

# Income Statement

for the six months ended 31st January 2013

	(Unaudited) Six months ended 31st January 2013			(Unaudited) Six months ended 31st January 2012			(Audited) Year ended 31st July 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>									
Income from investments	1,477	–	1,477	1,129	–	1,129	2,593	–	2,593
Other interest receivable and similar income	–	–	–	1	–	1	1	–	1
<b>Gross return/(loss)</b>	<b>1,477</b>	<b>23,349</b>	<b>24,826</b>	1,130	(15,614)	(14,484)	2,594	(10,786)	(8,192)
Management fee	(247)	(247)	(494)	(223)	(223)	(446)	(459)	(459)	(918)
Other administrative expenses	(181)	–	(181)	(140)	–	(140)	(348)	–	(348)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>1,049</b>	<b>23,102</b>	<b>24,151</b>	767	(15,837)	(15,070)	1,787	(11,245)	(9,458)
Finance costs	(55)	(55)	(110)	(60)	(60)	(120)	(120)	(120)	(240)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>994</b>	<b>23,047</b>	<b>24,041</b>	707	(15,897)	(15,190)	1,667	(11,365)	(9,698)
Taxation	(9)	–	(9)	(1)	–	(1)	(1)	–	(1)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>985</b>	<b>23,047</b>	<b>24,032</b>	706	(15,897)	(15,191)	1,666	(11,365)	(9,699)
<b>Return/(loss) per share</b> (note 4)	<b>5.40p</b>	<b>126.41p</b>	<b>131.81p</b>	3.81p	(85.81)p	(82.00)p	9.01p	(61.47)p	(52.46)p

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

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. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

# Reconciliation of Movements in Shareholders' Funds

Six months ended 31st January 2013 (Unaudited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st July 2012</b>	4,571	18,360	2,095	79,585	2,671	<b>107,282</b>
Repurchase and cancellation of the Company's own shares	(16)	–	16	(307)	–	<b>(307)</b>
Net return on ordinary activities	–	–	–	23,047	985	<b>24,032</b>
Dividends appropriated in the period	–	–	–	–	(1,640)	<b>(1,640)</b>
<b>At 31st January 2013</b>	4,555	18,360	2,111	102,325	2,016	<b>129,367</b>

  

Six months ended 31st January 2012 (Unaudited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st July 2011</b>	4,660	18,360	2,006	92,516	2,584	<b>120,126</b>
Repurchase and cancellation of the Company's own shares	(40)	–	40	(676)	–	<b>(676)</b>
Net (loss)/return on ordinary activities	–	–	–	(15,897)	706	<b>(15,191)</b>
Dividends appropriated in the period	–	–	–	–	(1,579)	<b>(1,579)</b>
<b>At 31st January 2012</b>	4,620	18,360	2,046	75,943	1,711	<b>102,680</b>

  

Year ended 31st July 2012 (Audited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st July 2011</b>	4,660	18,360	2,006	92,516	2,584	<b>120,126</b>
Repurchase and cancellation of the Company's own shares	(89)	–	89	(1,566)	–	<b>(1,566)</b>
Net (loss)/return on ordinary activities	–	–	–	(11,365)	1,666	<b>(9,699)</b>
Dividends appropriated in the year	–	–	–	–	(1,579)	<b>(1,579)</b>
<b>At 31st July 2012</b>	4,571	18,360	2,095	79,585	2,671	<b>107,282</b>

# Balance Sheet

at 31st January 2013

	(Unaudited) 31st January 2013 £'000	(Unaudited) 31st January 2012 £'000	(Audited) 31st July 2012 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	137,895	108,544	115,302
Investments in liquidity funds held at fair value through profit or loss	1,100	2,190	800
<b>Total investments</b>	<b>138,995</b>	<b>110,734</b>	<b>116,102</b>
<b>Current assets</b>			
Debtors	680	1,071	2,736
Cash and short term deposits	1,001	41	286
	<b>1,681</b>	<b>1,112</b>	<b>3,022</b>
<b>Creditors:</b> amounts falling due within one year	<b>(11,309)</b>	<b>(166)</b>	<b>(11,842)</b>
<b>Net current (liabilities)/assets</b>	<b>(9,628)</b>	<b>946</b>	<b>(8,820)</b>
<b>Total assets less current liabilities</b>	<b>129,367</b>	<b>111,680</b>	<b>107,282</b>
<b>Creditors:</b> amounts falling due after more than one year	–	(9,000)	–
<b>Net assets</b>	<b>129,367</b>	<b>102,680</b>	<b>107,282</b>
<b>Capital and reserves</b>			
Called up share capital	4,555	4,620	4,571
Share premium	18,360	18,360	18,360
Capital redemption reserve	2,111	2,046	2,095
Capital reserves	102,325	75,943	79,585
Revenue reserve	2,016	1,711	2,671
<b>Total equity shareholders' funds</b>	<b>129,367</b>	<b>102,680</b>	<b>107,282</b>
<b>Net asset value per share</b> (note 5)	<b>710.1p</b>	<b>555.7p</b>	<b>586.8p</b>

# Cash Flow Statement

for the six months ended 31st January 2013

	(Unaudited) Six months ended 31st January 2013 £'000	(Unaudited) Six months ended 31st January 2012 £'000	(Audited) Year ended 31st July 2012 £'000
<b>Net cash inflow from operating activities</b> (note 6)	<b>758</b>	571	1,280
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(124)</b>	(115)	(237)
<b>Net cash inflow from capital expenditure and financial investment</b>	<b>1,028</b>	527	1,075
<b>Dividend paid</b>	<b>(1,640)</b>	(1,579)	(1,579)
<b>Net cash inflow/(outflow) from financing</b>	<b>693</b>	(676)	(1,566)
<b>Increase/(decrease) in cash for the period</b>	<b>715</b>	(1,272)	(1,027)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash/(debt) movement	715	(1,272)	(1,027)
Net drawdown of loans	<b>(1,000)</b>	–	–
Movement in net debt in the period	<b>(285)</b>	(1,272)	(1,027)
Net debt at the beginning of the period	<b>(8,714)</b>	(7,687)	(7,687)
<b>Net debt at the end of the period</b>	<b>(8,999)</b>	(8,959)	(8,714)
Represented by:			
Cash and short term deposits	<b>1,001</b>	41	286
Debt falling due after more than one year	<b>(10,000)</b>	(9,000)	(9,000)
<b>Net debt</b>	<b>(8,999)</b>	(8,959)	(8,714)

# Notes to the Accounts

for the six months ended 31st January 2013

## 1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st July 2012 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st July 2012.

## 3. Dividend paid

	(Unaudited) Six months ended 31st January 2013 £'000	(Unaudited) Six months ended 31st January 2012 £'000	(Audited) Year ended 31st July 2012 £'000
Final dividend in respect of the year ended 31st July 2012 of 9.0p (2011: 8.5p)	1,640	1,579	1,579

No interim dividend has been declared in respect of the six months ended 31st January 2013 (2012: nil).



#### 4. Return/(loss) per share

	(Unaudited) Six months ended 31st January 2013 £'000	(Unaudited) Six months ended 31st January 2012 £'000	(Audited) Year ended 31st July 2012 £'000
Return/(loss) per share is based on the following:			
Revenue return	985	706	1,666
Capital return/(loss)	23,047	(15,897)	(11,365)
Total return/(loss)	24,032	(15,191)	(9,699)
Weighted average number of shares in issue:	18,232,484	18,524,648	18,488,809
Revenue return per share	5.40p	3.81p	9.01p
Capital return/(loss) per share	126.41p	(85.81)p	(61.47)p
Total return/(loss) per share	131.81p	(82.00)p	(52.46)p

#### 5. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 31st January 2013 of 18,219,372 (31st January 2012: 18,477,064 and 31st July 2012: 18,283,028).

#### 6. Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 31st January 2013 £'000	(Unaudited) Six months ended 31st January 2012 £'000	(Audited) Year ended 31st July 2012 £'000
Net return/(loss) on ordinary activities before finance cost and taxation	24,151	(15,070)	(9,458)
Add back capital (return)/loss before finance costs and taxation	(23,102)	15,837	11,245
Scrip dividends received as income	(7)	(2)	(26)
(Increase)/decrease in accrued income	(101)	78	(8)
Decrease/(increase) in other debtors	4	1	(4)
Increase/(decrease) in accrued expenses	26	(49)	(9)
Tax on unfranked investment income	(9)	(1)	(1)
Management fee charged to capital	(204)	(223)	(459)
Net cash inflow from operating activities	758	571	1,280

# Interim Management Report

The Company is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; discount; political; corporate governance and shareholder relations; market; accounting, legal and regulatory; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st July 2012.

## Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Yearly Financial Reports'; and
- (ii) the half year management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

## Strone Macpherson

Chairman

26th March 2013

For further information, please contact:

Divya Amin

For and on behalf of

JPMorgan Asset Management (UK) Limited, Secretary  
020 7742 4000

Please note that up to date information on the Company, including daily NAV and share prices, factsheets and portfolio information can be found at [www.jpmsmallercompanies.co.uk](http://www.jpmsmallercompanies.co.uk)

# Glossary of Terms and Definitions

## **Return to shareholders**

Total return to the investor, on a mid-market price to mid-market 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.

## **Return on net assets**

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 into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the total return on net assets.

## **Benchmark return**

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, into 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 '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 per share**

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.

#### Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting [www.fsa.gov.uk/pages/register/](http://www.fsa.gov.uk/pages/register/)
- Report the matter to the FSA by calling **0845 606 1234**
- If the calls persist, hang up.

More detailed information on this can be found on the Money Advice Service website [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

# Information about the Company

## Financial Calendar

Financial year end	31st July
Final results announced	October
Half year end	31st January
Half year results announced	March
Interim Management Statements announced	May/November
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

Strone Macpherson (Chairman)  
Ivo Coulson  
Frances Davies  
Richard Fitzalan Howard  
Michael Quicke  
Andrew Robson

### Company Numbers

Company registration number: 2515996  
London Stock Exchange code: 0741600  
Bloomberg code: JMI LN  
Reuters code: JMI.L

### Market Information

The Company's net asset value ('NAV') per share is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and the market price is quoted daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at [www.jpmsmallercompanies.co.uk](http://www.jpmsmallercompanies.co.uk), where the share price is updated every fifteen minutes during trading hours.

### Website

[www.jpmsmallercompanies.co.uk](http://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. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at [www.jpmorganwealthmanagerplus.co.uk](http://www.jpmorganwealthmanagerplus.co.uk).

### Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone: 020 7742 4000

For company secretarial and administrative matters please contact Divya Amin.

### Custodian

JPMorgan Chase Bank, N.A.  
25 Bank Street  
Canary Wharf  
London E14 5JP

### Registrars

Equiniti Limited  
Reference 1139  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone number: 0871 384 2341

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting reference 1139. Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

### Independent Auditor

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London EC4A 3ZB

### Brokers

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

### Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

**aic**

The Association of  
Investment Companies

A member of the AIC

J.P. Morgan Helpline  
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

[www.jpmsmallercompanies.co.uk](http://www.jpmsmallercompanies.co.uk)