



Half Year Report **2014/15**  
JPMorgan Smaller Companies  
Investment Trust plc

Half Year Report & Accounts for the six months ended 31st January 2015

# Features

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### 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 2015, the Company's share capital comprised 17,838,248 Ordinary shares of 25p each. The Company issued 3,567,532 Subscription shares of 0.1p each on 25th February 2015. For further details, please refer to page 17.

### 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 is approved by the Financial Conduct Authority and delegates the management of the Company's portfolio to JPMorgan Asset Management ('JPMAM').

### FCA regulation of 'non-mainstream pooled investments'

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.

### AIC

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

### Website

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

# Half Year Performance

## Total returns

**+0.1%**

Return to shareholders<sup>1,4</sup>

**-1.3%**

Return on net assets<sup>2,4</sup>

**-1.6%**

Benchmark return<sup>3</sup>

The above are total returns and include dividends reinvested.<sup>4</sup>

## Financial Data

	31st January 2015	31st July 2014	% change
Shareholders' funds (£'000)	<b>158,076</b>	165,229	-4.3
Number of shares in issue	<b>17,838,248</b>	18,196,372	-2.0
Net asset value per share	<b>886.2p</b>	908.0p	-2.4
Share price	<b>738.0p</b>	746.8p	-1.2
Share price discount to net asset value per share	<b>16.7%</b>	17.8%	
<b>Gearing</b> at 31st January	<b>10.0%</b>	9.3%	
<b>Ongoing charges</b>	<b>1.19%</b>	1.13%	

A glossary of terms and definitions is provided on page 18.

<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.

<sup>4</sup>The dividend re-invested, included in the total returns, comprises the final dividend of 9.6p per Ordinary share declared in respect of the year ended 31st July 2014, which was paid on 5th December 2014.

# Chairman's Statement



## Performance and Discount

During the first six months of the Company's financial year, UK equity markets experienced considerable volatility. This was caused by a combination of issues including the Scottish independence vote, rising global geo-political concerns and a troubled picture in Europe. The total return on the Company's net assets was -1.3% for the six months to 31st January 2015. This was slightly better than the Company's benchmark, the FTSE Small Cap Index (excluding investment trusts), which fell by 1.6% over the same period. The Investment Managers provide a detailed commentary on markets and the portfolio performance in their Report.

The Company's Ordinary share price total return for the reporting period was slightly positive as the Company's discount to net asset value reduced from 17.8% to 16.7%. UK equity markets have risen since the period end, with the net asset value and Ordinary share price increasing by 6.2% and 5.3% respectively up to the time of writing.

## Subscription Share Issuance and Share Buybacks

Following our announcement at the year end, the Board decided to propose a one for every five bonus issue of Subscription shares. This provides the Company an opportunity to grow its capital base and was agreed by shareholders at a general meeting on 23rd February 2015. On 24th February, the subscription shares exercise price was determined at 915p per share. Holders of Subscription shares can choose to convert them on the last day of every month starting on 31st March 2015 and finishing on 30th June 2017. Further details of the Subscription shares can be found on page 17 of this report and also on the Company's website at [www.jpmsmallercompanies.co.uk](http://www.jpmsmallercompanies.co.uk)

In line with our policy to reduce the volatility of the discount, during the six months to 31st January 2015 the Company repurchased 358,124 Ordinary shares for cancellation at a cost of £2,618,628. The Board will continue to monitor the discount and repurchase shares as appropriate.

## Gearing

The use of gearing in the current period of low interest rates is an attractive way of amplifying the effect of rising markets, but inevitably increases the risk of loss if markets fall. The Company has a highly flexible borrowing facility of £24 million in place with Scotiabank until April 2016. The Board sets the overall gearing guidelines and regularly discusses these with the investment manager. The guidelines set a maximum level of gearing with the facility for temporary increases under special circumstances. The Company's gearing level increased during the period from 9.3% at the beginning of the period to 10.0% at 31st January 2015. At the time of writing the Company's gearing was 9.3%, with total borrowings of £19 million.

## The Board

As part of the Board's succession planning and in anticipation of future retirements, the Nomination Committee carried out a recruitment process which led to the

appointment of Andrew Impey as a non-executive director of the Company with effect from 16th March 2015. Andrew's wide ranging knowledge and experience in investment management and the smaller company sector in particular will be of great value to the Board.

#### **Outlook**

There is likely to be a continuation of economic and political uncertainty over the coming year both domestically and internationally. The forthcoming general election is the least predictable in recent times, we have yet to see how the eurozone will weather the challenges following the Greek election, and growing concerns about deflation are unsettling. There are also positive signs, however, with the consumer starting to feel more comfortable, the continuation of a low interest rate environment and a widespread commitment to growth.

Despite the uncertainties our managers remain able to identify a good supply of attractive smaller companies with strong balance sheets and growing businesses that can be bought at reasonable valuations. This, combined with increasing mergers and acquisition activity gives the Board confidence that the Company will continue to deliver good long term returns for shareholders.

**Michael Quicke**  
Chairman

23rd March 2015

# Investment Managers' Report



Georgina Brittain

## Performance and Market Background

The performance of your Company in the first half of this financial year was unexciting, with the benchmark FTSE Smaller Companies (ex Investment Trust) Index falling 1.6%, and your Company's total return on net assets performing marginally better versus the index at -1.3%.

While the Small Cap Index, and indeed the broader FTSE All Share Index, were fairly flat over the six months, these numbers hide significant volatility over the autumn. Both indices fell approximately 10% from September to mid October on concerns over the Scottish elections, a perceived further slowdown in Europe, and the Russia/Ukraine situation. The bounce back was strong for the FTSE All Share, but less so for the Small Cap Index.

## Portfolio

Sector selection was helpful in most areas, most notably in Mining, (where we were very underweight relative to the benchmark), Financial Services (our significant holding in Plus500 in particular) and Aerospace & Defense (our long term holding in Avon Rubber). The two sectors that detracted from performance were Support Services and Technology Hardware & Equipment. The former was mainly caused by a significant decline in the shareprice of Utilitywise, an energy consultant, and the latter by the de-rating of Telit, an M2M or machine-to-machine business. Since there were no negative changes to the outlook for either of these companies, we bought more of both.

The last calendar year saw a wave of new companies coming to the market, and while we continue to be selective, we have invested in several exciting new opportunities. Examples include FeverTree Drinks, and Mortgage Advice Bureau. We have sold out of a number of positions to pay for these new investments, and also exited Advanced Computer Software, Hyder Consulting and Spirit Pub Co following bids for each of these companies. While we continue to run a diversified portfolio of stocks, our continued focus on the UK consumer has led to Consumer Services now being our largest sector overweight relative to the benchmark. Examples within this include Lookers and Topps Tiles among our retail holdings, and Trinity Mirror and NAHL Group among our Media positions.

## Outlook

The UK economy remains one of the fastest growing in the Western World, expanding at 2.6 % in 2014, and forecast by the Bank of England to grow at 2.9% in 2015. Inflation is low and continues to fall due to the oil price collapse, since the UK is now a growing net importer of oil. This decline in inflation supports the case for keeping interest rates lower for longer - the market is now expecting the first rate rise in early 2016 and even this may prove premature. Unemployment continues to fall faster than all expectations, and (finally) UK take home pay has begun to increase in real terms. All of these factors should boost disposable incomes for consumers, aiding consumer confidence and thus benefitting retail spending in 2015.



Katen Patel

As the Eurozone remains the UK's principal trading partner, it is likely that the economic outlook for the UK will be further improved by the ECB's Euro 1.1 trillion stimulus plan and a suitable solution to the Greek crisis. While we expect the UK general election and the possibility of another coalition government to cause uncertainty and market volatility in the first half of 2015, we remain positive - as evidenced by our current gearing levels. Companies in the Small Cap arena continue both to grow and to strengthen their balance sheets further, and current valuations do not reflect these positive factors. We believe your Company is well positioned, with a portfolio that is cheaper, growing faster and higher quality than the benchmark. As we saw in 2014, mergers and acquisition activity has increased, and relatively low valuation levels make it likely that we will see more this year.

**Georgina Brittain**  
**Katen Patel**  
Investment Managers

23rd March 2015

# List of Investments

As at 31st January 2015

Company	Sector	Valuation £'000	%
Trinity Mirror	Consumer Services	6,475	3.7
Avon Rubber	Industrials	5,496	3.1
Quintain Estates & Development	Financials	5,441	3.1
Plus500 <sup>1</sup>	Financials	4,983	2.8
Lookers	Consumer Services	4,847	2.7
STV Group	Consumer Services	4,428	2.5
Tyman	Industrials	4,336	2.5
4Imprint Group	Consumer Services	4,284	2.4
NCC	Technology	4,227	2.4
Safestore Holdings	Financials	3,709	2.1
Hill & Smith	Industrials	3,654	2.1
Vectura	Health Care	3,477	2.0
Tribal	Industrials	3,413	1.9
Marshalls	Industrials	3,238	1.8
Novae	Financials	3,051	1.7
E2V Technologies	Industrials	2,997	1.7
Pendragon	Consumer Services	2,984	1.7
Telit Communications <sup>1</sup>	Technology	2,842	1.6
St Ives	Industrials	2,775	1.6
OneSavings Bank	Financials	2,744	1.6
Brammer	Industrials	2,739	1.6
Topps Tiles	Consumer Services	2,591	1.5
FDM Group	Technology	2,489	1.4
Ricardo	Industrials	2,459	1.4
Wincanton	Industrials	2,364	1.3
Mckay Securities	Financials	2,318	1.3
Utilitywise <sup>1</sup>	Industrials	2,296	1.3
Innovation	Technology	2,253	1.3
Lavendon Group	Industrials	2,240	1.3
Staffline <sup>1</sup>	Industrials	2,230	1.3
Skyepharma	Health Care	2,205	1.3
Renold	Industrials	2,182	1.2
Volution Group	Industrials	2,113	1.2
Greencore Group	Consumer Goods	2,074	1.2
SDL	Technology	1,978	1.1
Robert Walters	Industrials	1,899	1.1
Xchanging	Industrials	1,860	1.1
CLS	Financials	1,765	1.0
Cape	Oil & Gas	1,695	1.0
Premier Foods	Consumer Goods	1,686	1.0
Greggs	Consumer Services	1,675	0.9

Company	Sector	Valuation £'000	%
Hilton Food	Consumer Goods	1,662	0.9
Costain	Industrials	1,652	0.9
Communis	Industrials	1,646	0.9
Chime Communications	Consumer Services	1,643	0.9
Safecore International Group <sup>1</sup>	Industrials	1,636	0.9
Speedy Hire	Industrials	1,608	0.9
Lamprell	Oil & Gas	1,573	0.9
Cambian Group	Health Care	1,553	0.9
Chemring Group	Industrials	1,547	0.9
Optimal Payments <sup>1</sup>	Financials	1,496	0.8
UTV Media	Consumer Services	1,488	0.8
HellermannTyton Group	Industrials	1,475	0.8
Fuller Smith & Turner	Consumer Services	1,359	0.8
Sapura	Technology	1,316	0.7
JD Sports Fashion	Consumer Services	1,299	0.7
Porvair	Industrials	1,282	0.7
Fusionex International <sup>1</sup>	Technology	1,202	0.7
MJ Gleeson	Consumer Goods	1,195	0.7
Darty	Consumer Services	1,134	0.6
S & U	Financials	1,054	0.6
Urban&Civic	Financials	913	0.5
OPG Power Venture <sup>1</sup>	Utilities	831	0.5
Restore <sup>1</sup>	Industrials	797	0.5
Mecom Group	Consumer Services	793	0.5
Exillon Energy	Oil & Gas	748	0.4
Fevertree Drinks <sup>1</sup>	Consumer Goods	687	0.4
Gulf Marine Services	Oil & Gas	671	0.4
Mortgage Advice Bureau <sup>1</sup>	Financials	660	0.4
Senior	Industrials	648	0.4
Tracsis <sup>1</sup>	Technology	637	0.4
Manx Telecom <sup>1</sup>	Technology	633	0.4
Dialight	Industrials	615	0.3
Cityfibre Infrastructure <sup>1</sup>	Telecommunications	603	0.3
Entu <sup>1</sup>	Consumer Services	580	0.3
Amerisur Resources <sup>1</sup>	Oil & Gas	573	0.3
Iomart <sup>1</sup>	Technology	573	0.3
NAHL Group <sup>1</sup>	Consumer Services	573	0.3
Moss Bros Group	Consumer Services	559	0.3
UK Mail Group	Industrials	548	0.3
Matomy Media Group	Consumer Services	537	0.3
People's Operator <sup>1</sup>	Telecommunications	532	0.3

# List of Investments continued

Company	Sector	Valuation £'000	%
Harvey Nash	Industrials	520	0.3
Sprue Aegis <sup>1</sup>	Industrials	520	0.3
Quantum Pharma <sup>1</sup>	Health Care	504	0.3
Exova Group	Industrials	503	0.3
Constellation Healthcare Technologies <sup>1</sup>	Health Care	497	0.3
Action Hotels <sup>1</sup>	Consumer Services	483	0.3
Xaar	Industrials	383	0.2
SCS Group	Consumer Services	377	0.2
Bowleven <sup>1</sup>	Oil & Gas	369	0.2
Anite	Technology	340	0.2
Norcos	Industrials	312	0.2
Ithaca Energy <sup>1</sup>	Oil & Gas	297	0.2
DX Group	Industrials	291	0.2
Punch Taverns	Consumer Services	254	0.1
Johnston Press	Consumer Services	233	0.1
Egdon Resources <sup>1</sup>	Oil & Gas	227	0.1
Kenmare Resources	Basic Materials	198	0.1
Boohoo.Com <sup>1</sup>	Consumer Services	136	0.1
JPMorgan Sterling Liquidity Fund	Liquidity Funds	2,961	1.7
<b>Total Investments</b>		<b>176,448</b>	<b>100.0</b>

<sup>1</sup>AIM listed companies, 15.2% (31st July 2014: 18.6%).

# Sector Analysis

Sector	31st January 2015		31st July 2014	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Industrials	41.6	32.8	41.6	33.8
Consumer Services <sup>1</sup>	24.5	15.6	24.5	18.3
Financials	16.9	23.1	15.5	19.2
Technology <sup>1</sup>	11.3	10.0	10.4	6.6
Health Care	5.2	5.2	4.3	4.7
Consumer Goods	4.6	6.4	5.1	7.9
Oil & Gas	3.9	3.5	6.4	4.2
Telecommunications	1.1	1.2	0.7	1.5
Utilities	0.5	–	0.5	–
Basic Materials	0.1	2.2	0.8	3.8
Liquidity fund	1.9	–	1.9	–
Net current liabilities and loan balances	(11.6)	–	(11.7)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

Based on net assets of £158.1m (31st July 2014: £165.2m).

<sup>1</sup>Matomy Media Group Ltd has been reclassified as Consumer Services as at 31st January 2015 from Technology.

# Income Statement

for the six months ended 31st January 2015

	(Unaudited) Six months ended 31st January 2015			(Unaudited) Six months ended 31st January 2014			(Audited) Year ended 31st July 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>(Losses)/gains on investments held at fair value through profit or loss</b>									
Net foreign currency losses	–	(2,605)	(2,605)	–	21,159	21,159	–	12,074	12,074
Income from investments	–	–	–	–	–	–	–	(1)	(1)
Interest receivable and similar income	<b>1,160</b>	–	<b>1,160</b>	1,311	–	1,311	3,126	–	3,126
	–	–	–	–	–	–	25	–	25
<b>Gross return/(loss)</b>	<b>1,160</b>	<b>(2,605)</b>	<b>(1,445)</b>	1,311	21,159	22,470	3,151	12,073	15,224
Management fee	<b>(359)</b>	<b>(359)</b>	<b>(718)</b>	(358)	(358)	(716)	(743)	(743)	(1,486)
Other administrative expenses	<b>(226)</b>	–	<b>(226)</b>	(187)	–	(187)	(413)	–	(413)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>575</b>	<b>(2,964)</b>	<b>(2,389)</b>	766	20,801	21,567	1,995	11,330	13,325
Finance costs	<b>(70)</b>	<b>(70)</b>	<b>(140)</b>	(55)	(55)	(110)	(137)	(137)	(274)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>505</b>	<b>(3,034)</b>	<b>(2,529)</b>	711	20,746	21,457	1,858	11,193	13,051
Taxation	<b>(37)</b>	–	<b>(37)</b>	5	–	5	(34)	–	(34)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>468</b>	<b>(3,034)</b>	<b>(2,566)</b>	716	20,746	21,462	1,824	11,193	13,017
<b>Return/(loss) per share</b> (note 4)	<b>2.59p</b>	<b>(16.82)p</b>	<b>(14.23)p</b>	3.93p	113.87p	117.80p	10.01p	61.44p	71.45p

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 2015 (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 2014</b>	4,549	18,360	2,117	137,187	3,016	<b>165,229</b>
Repurchase and cancellation of the Company's own shares	(90)	–	90	(2,616)	–	<b>(2,616)</b>
Expenses in relation to issuance of Subscription shares	–	(237)	–	–	–	<b>(237)</b>
Net (loss)/return on ordinary activities	–	–	–	(3,034)	468	<b>(2,566)</b>
Dividend appropriated in the period	–	–	–	–	(1,734)	<b>(1,734)</b>
<b>At 31st January 2015</b>	<b>4,459</b>	<b>18,123</b>	<b>2,207</b>	<b>131,537</b>	<b>1,750</b>	<b>158,076</b>

Six months ended 31st January 2014 (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 2013</b>	4,555	18,360	2,111	126,167	2,923	<b>154,116</b>
Net return on ordinary activities	–	–	–	20,746	716	<b>21,462</b>
Dividend appropriated in the period	–	–	–	–	(1,731)	<b>(1,731)</b>
<b>At 31st January 2014</b>	<b>4,555</b>	<b>18,360</b>	<b>2,111</b>	<b>146,913</b>	<b>1,908</b>	<b>173,847</b>

Year ended 31st July 2014 (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 2013</b>	4,555	18,360	2,111	126,167	2,923	<b>154,116</b>
Repurchase and cancellation of the Company's own shares	(6)	–	6	(173)	–	<b>(173)</b>
Net return on ordinary activities	–	–	–	11,193	1,824	<b>13,017</b>
Dividend appropriated in the year	–	–	–	–	(1,731)	<b>(1,731)</b>
<b>At 31st July 2014</b>	<b>4,549</b>	<b>18,360</b>	<b>2,117</b>	<b>137,187</b>	<b>3,016</b>	<b>165,229</b>

# Balance Sheet

at 31st January 2015

	(Unaudited) 31st January 2015 £'000	(Unaudited) 31st January 2014 £'000	(Audited) 31st July 2014 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	173,487	189,330	181,571
Investments in liquidity funds held at fair value through profit or loss	2,961	2,650	3,050
<b>Total investments</b>	<b>176,448</b>	191,980	184,621
<b>Current assets</b>			
Debtors	884	2,057	482
Cash and short term deposits	155	123	564
	<b>1,039</b>	2,180	1,046
<b>Creditors:</b> amounts falling due within one year	<b>(411)</b>	(20,313)	(1,438)
<b>Net current assets/(liabilities)</b>	<b>628</b>	(18,133)	(392)
<b>Total assets less current liabilities</b>	<b>177,076</b>	173,847	184,229
<b>Creditors:</b> amounts falling due after more than one year	<b>(19,000)</b>	–	(19,000)
<b>Net assets</b>	<b>158,076</b>	173,847	165,229
<b>Capital and reserves</b>			
Called up share capital	4,459	4,555	4,549
Share premium	18,123	18,360	18,360
Capital redemption reserve	2,207	2,111	2,117
Capital reserves	131,537	146,913	137,187
Revenue reserve	1,750	1,908	3,016
<b>Total equity shareholders' funds</b>	<b>158,076</b>	173,847	165,229
<b>Net asset value per share</b> (note 5)	<b>886.2p</b>	954.2p	908.0p

Company registration number: 2515996.

# Cash Flow Statement

for the six months ended 31st January 2015

	(Unaudited) Six months ended 31st January 2015 £'000	(Unaudited) Six months ended 31st January 2014 £'000	(Audited) Year ended 31st July 2014 £'000
<b>Net cash inflow from operating activities</b> (note 6)	<b>287</b>	325	1,070
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(143)</b>	(114)	(258)
<b>Total tax recovered</b>	<b>–</b>	17	17
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>3,970</b>	(2,702)	(2,861)
<b>Dividend paid</b>	<b>(1,734)</b>	(1,731)	(1,731)
<b>Net cash (outflow)/inflow from financing</b>	<b>(2,789)</b>	4,000	4,000
<b>(Decrease)/increase in cash for the period</b>	<b>(409)</b>	(205)	237
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net (debt)/cash movement	<b>(409)</b>	(205)	237
Net drawdown of loans	–	(4,000)	(4,000)
Exchange movements	–	–	(1)
Movement in net debt in the period	<b>(409)</b>	(4,205)	(3,764)
Net debt at the beginning of the period	<b>(18,436)</b>	(14,672)	(14,672)
<b>Net debt at the end of the period</b>	<b>(18,845)</b>	(18,877)	(18,436)
Represented by:			
Cash and short term deposits	<b>155</b>	123	564
Debt falling due within one year	–	(19,000)	–
Debt falling due after more than one year	<b>(19,000)</b>	–	(19,000)
<b>Net debt</b>	<b>(18,845)</b>	(18,877)	(18,436)

# Notes to the Accounts

for the six months ended 31st January 2015

## 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 2014 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 financial statements 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 2014.

## 3. Dividend paid

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31st January 2015</b> <b>£'000</b>	<b>(Unaudited)</b> <b>Six months ended</b> <b>31st January 2014</b> <b>£'000</b>	<b>(Audited)</b> <b>Year ended</b> <b>31st July 2014</b> <b>£'000</b>
Final dividend in respect of the year ended 31st July 2014 of 9.6p (2013: 9.5p)	<b>1,734</b>	1,731	1,731

No interim dividend has been declared in respect of the six months ended 31st January 2015 (2014: nil).

#### 4. Return per share

	(Unaudited) Six months ended 31st January 2015 £'000	(Unaudited) Six months ended 31st January 2014 £'000	(Audited) Year ended 31st July 2014 £'000
Return per share is based on the following:			
Revenue return	468	716	1,824
Capital (loss)/return	(3,034)	20,746	11,193
Total (loss)/return	(2,566)	21,462	13,017
Weighted average number of shares in issue:	18,033,118	18,219,372	18,219,309
Revenue return per share	2.59p	3.93p	10.01p
Capital (loss)/return per share	(16.82)p	113.87p	61.44p
Total (loss)/return per share	(14.23)p	117.80p	71.45p

#### 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 2015 of 17,838,248 (31st January 2014: 18,219,372 and 31st July 2014: 18,196,372).

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

	(Unaudited) Six months ended 31st January 2015 £'000	(Unaudited) Six months ended 31st January 2014 £'000	(Audited) Year ended 31st July 2014 £'000
Net (loss)/return on ordinary activities before finance cost and taxation	(2,389)	21,567	13,325
Add back capital loss/(less capital return) before finance costs and taxation	2,964	(20,801)	(11,330)
Scrip dividends received as income	(38)	(63)	(124)
Decrease/(increase) in accrued income	166	29	(24)
Increase in other debtors	(9)	(11)	(5)
(Decrease)/increase in accrued expenses	(11)	(33)	4
Tax on unfranked investment income	(37)	(5)	(33)
Management fee charged to capital	(359)	(358)	(743)
Net cash inflow from operating activities	287	325	1,070

#### 7. Subsequent event

3,567,532 Subscription shares were issued to Ordinary shareholders on the register at the close of business on 23 February 2015. Further details are provided on page 17.

# 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 2014.

## 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 yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Yearly Financial Reports' and gives a true and fair view of the state of affairs of the Company and of

the assets, liabilities, financial position and net return of the Company, as at 31st January 2015, as required by the UK Listing Authority Disclosure and Transparency Rules 4.2.4R; and

- (ii) the interim 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.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

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

and the Directors confirm that they have done so.

For and on behalf of the Board

**Michael Quicke**  
Chairman

23rd March 2015

For further information, please contact:  
Divya Amin  
For and on behalf of

JPMorgan Funds 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)

# Subscription Shares

On 25 February 2015, JPMorgan Smaller Companies Investment Trust plc issued Subscription shares to Qualifying Shareholders on the basis of one Subscription share for every five Ordinary shares held.

Holders of JPMorgan Smaller Companies Investment Trust plc Subscription shares can choose to convert their Subscription shares at the **exercise price of 915 pence per share** on the last day of each month commencing on 31 March 2015 and finishing on 30 June 2017. After this date, the rights on the Subscription shares will lapse.

## Conversion

### **Through the J.P. Morgan ISA, Investment Account or SIPP**

J.P. Morgan shareholders wishing to convert their JPMorgan Smaller Companies Investment Trust plc Subscription shares should complete and return the relevant conversion form (made available on the Company's website, [www.jpmsmallercompanies.co.uk](http://www.jpmsmallercompanies.co.uk)) with a cheque to the freepost address at the top of the form. To be valid for exercise at the end of each month from March 2015 to June 2017, the completed conversion form must be received by J.P. Morgan Asset Management at least 7 business days before the end of the month in which you wish to convert your Subscription shares. The JPMorgan Smaller Companies Investment Trust plc Ordinary shares arising on conversion will be issued, subject to cleared funds being received, within the first 10 business days of the month following the month in which your conversion form is received by J.P. Morgan Asset Management.

### **Certificated form**

Shareholders wishing to convert their JPMorgan Smaller Companies Investment Trust plc Subscription shares, who hold their Subscription shares in Certificated form, should refer to the instructions on the reverse of their Subscription Share Certificate(s). To be exercised, a notice of exercise must be received by the Registrar no later than 5.00 p.m. on the last business day of each month between and including the last business day in March 2015 and the last business day in June 2017. The JPMorgan Smaller Companies Investment Trust plc Ordinary shares arising on conversion will be issued, subject to cleared funds being received, within the first 10 business days of the month following the month in which your conversion form is received by the Registrar.

### **Through CREST (Uncertified Shareholders)**

If you hold your JPMorgan Smaller Companies Investment Trust plc Subscription shares in uncertificated form (i.e. in CREST), the CREST Participant and Member Account IDs are as follows:

CREST Participant ID = 2RA35

CREST Member Account ID = RA113924

To be exercised, CREST instructions must be submitted no later than 5.00 p.m. on the last business day of each month between and including the last business day in March 2015 and the last business day in June 2017. The JPMorgan Smaller Companies Investment Trust plc Ordinary shares arising on conversion will be issued, subject to cleared funds being received, within the first 10 business days of the month following the month in which your CREST instructions are received.

## Tax

For the purpose of UK Taxation, the issue of Subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, they do require shareholders to reallocate the base costs of their Ordinary and Subscriptions shares received.

At the close of business on 25 February 2015 the middle market prices of the Company's Ordinary shares and Subscription shares were as follows:

Ordinary shares: 769.00

Subscription shares: 40.25p

Accordingly an individual investor who on 25 February 2015 held five Ordinary shares (or a multiple thereof) would have received a bonus issue of one Subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 98.96% to the five Ordinary shares and 1.04% to the Subscription shares.

## Additional information

The Subscription shares do not carry any voting rights.

**ISIN:** GB00BV7L8Z35

**Bloomberg ticker:** JMIS LN

If you have any further questions, please visit the Company's website at [www.jpmsmallercompanies.co.uk](http://www.jpmsmallercompanies.co.uk). Alternatively, you can call1:

(1) the Company's registrars, Equiniti's Shareholder Helpline on 0871 384 2330 (from within the UK) or on +44 121 415 7047 (if calling from outside the UK). Calls to the 0871 384 2330 number are charged at 8 pence per minute from BT landline. Other providers' costs may vary; or,

(2) if you hold your shares through the J.P. Morgan ISA, Investment Account or SIPP, then contact the J.P. Morgan UK Retail Client Services team on 0800 20 40 20 or +44(0)20 7742 9995.

1 Your calls may be recorded for your security or training purposes.

# 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.

## Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

## Ongoing Charges

The Ongoing Charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies. The figure as at 31st January 2015 is an estimated annualised figure.

## 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.

## Financial Conduct Authority

### Beware of share fraud

**Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.**

#### How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9 Think about getting independent financial and professional advice before you hand over any money.
- 10 **Remember:** if it sounds too good to be true, it probably is!

#### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

**5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000**



In association with:  
**icsa.**  
Registrars  
Group

# 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
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

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

## Company Numbers

Company registration number: 2515996

Ordinary shares  
London Stock Exchange SEDOL: 0741600  
Bloomberg code: JMI LN  
ISIN: GB0007416000

Subscription shares  
London Stock Exchange SEDOL: BV7L8Z3  
Bloomberg code: JMIS LN  
ISIN: GB00BV7L8Z35

## 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 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 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 Divya Amin.

## Depository

BNY Mellon Trust & Depository (UK) Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

The Depository employs 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: 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)