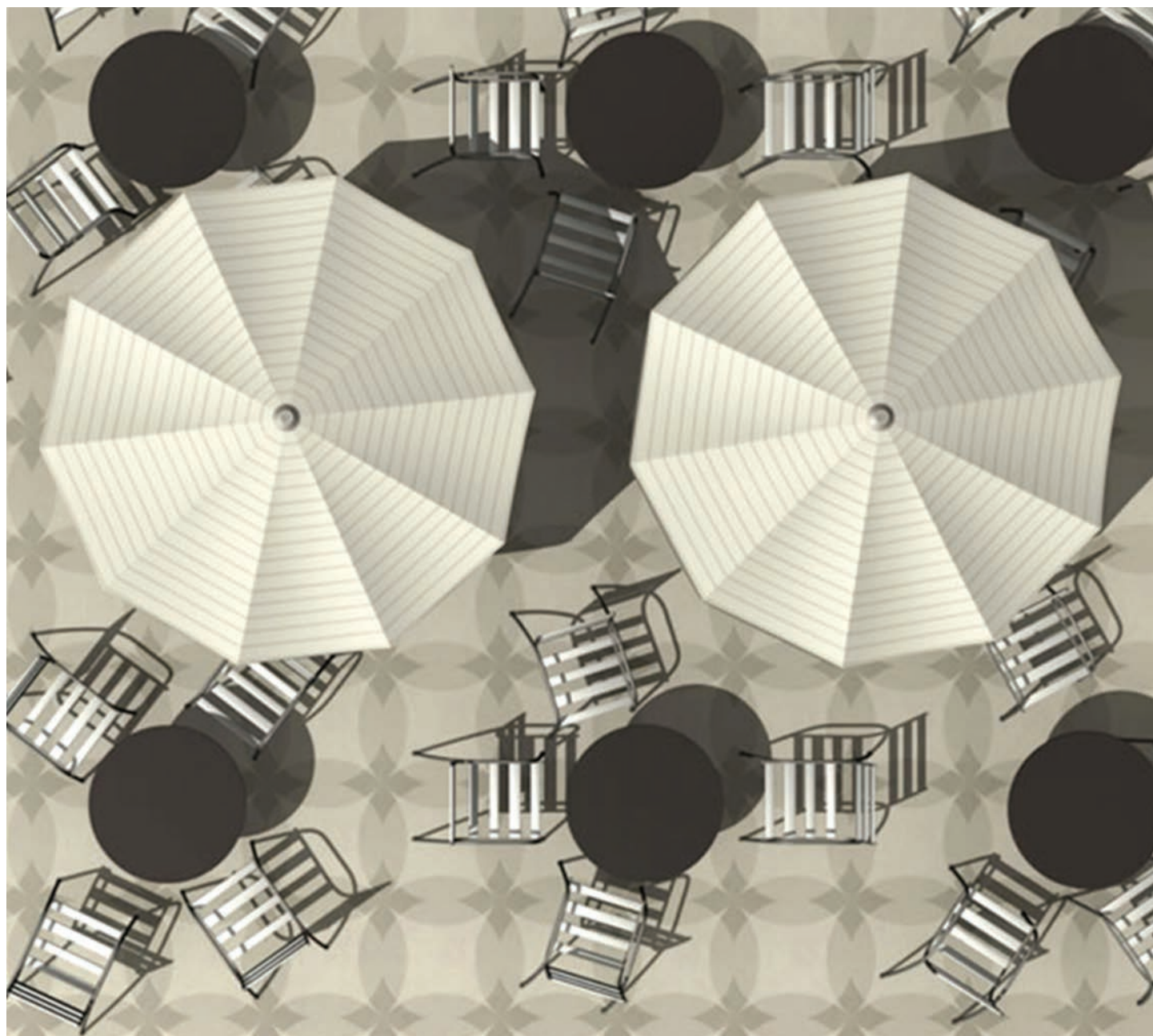

JPMorgan European Smaller Companies Trust plc

Half Year Report & Accounts for the six months ended 30th September 2016



Features

Objective

Capital growth from smaller European companies (excluding the United Kingdom).

Investment Policies

- To invest in a diversified portfolio of smaller companies in Europe, excluding the United Kingdom.
- To emphasise capital growth rather than income. Therefore shareholders should expect the dividend to vary from year to year.
- To manage liquidity and borrowings to increase potential returns to shareholders. The Board's current policy is to be between 20% net cash and 20% geared.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Risk

It should be noted that the Company invests in the shares of smaller companies, which tend to be more volatile than those of larger companies. The Company also employs gearing to generate greater returns. The Company's shares should therefore be regarded as carrying greater than average risk.

Benchmark

Euromoney Smaller European Companies (ex UK) Index in sterling terms.

Capital Structure

At 30th September 2016, the Company's share capital comprised 160,147,885 ordinary shares of 5p each.

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').

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

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

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares it issues can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') 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.

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Half Year Performance

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED) TO 30TH SEPTEMBER 2016

+10.3%

Share price total return¹

+17.7%

Net asset value total return²

+16.1%

Benchmark total return³

Financial Data

	30th September 2016	31st March 2016	% change
Shareholders' funds (£'000)	579,289	495,380	+16.9
Number of shares in issue	160,147,885	160,147,885	–
Net asset value per share	361.7p	309.3p	+16.9
Share price	302.3p	276.0p	+9.5
Share price discount to net asset value per share	16.4%	10.8%	
Gearing/(net cash) ⁴	2.0%	(2.6)%	
Ongoing Charges	1.16%	1.18%	

¹ Source: Morningstar.

² Source: J.P. Morgan.

³ Source: Euromoney. The Company's benchmark is the Euromoney Smaller European Companies (ex UK) Index in sterling terms.

⁴ The methodology to calculate gearing has been amended during the period therefore the comparative figure has been recalculated for comparative purposes. Please refer to the glossary of terms and definitions on page 19 for the revised calculation.

A glossary of terms and definitions is provided on page 19.

About the Company

CHAIRMAN'S STATEMENT



Dear Shareholder,

I am pleased to present the Company's results for the six months ended 30th September 2016.

Performance

Net asset value total return was +17.7% in the six months to 30th September 2016 compared with the benchmark total return of +16.1% over the same period.

When I wrote to shareholders at the end of May, to report on the year ended 31st March 2016, I noted the future uncertainty surrounding the vote in the UK on EU membership. As we now know the result of that vote was to leave the EU and the subsequent period has proved challenging for European investment managers, with significant share price and currency volatility. This has been no different for your Company's investment managers and the resulting out-performance against the benchmark therefore is to be commended.

Shareholder return was also positive despite the widening of the discount over the period. The share price total return was +10.3% (2015: +0.7%). Discounts in the investment trust sector have widened since the result of the EU referendum and this has been reflected in the widening of your Company's discount over the period. As at 30th September 2016 the Company's discount was 16.4% compared to 10.8% at 31st March 2016.

The main contributor to the Investment Managers' relative performance was stock selection, with asset allocation being a consequence of the bottom-up investment process. Their report on pages 5 and 6 reviews the market and provides more detail on performance and the stocks and countries in which the Company is invested.

Revenue and Dividends

Gross revenue return for the six months to 30th September 2016 was higher than the corresponding period in 2015 at £7.9 million (2015: £7.4 million), due mainly to exchange rate movements. The Board has decided to pay an interim dividend of 1.2 pence per share (2015: 1.2 pence) which will be paid on 4th January 2017 to shareholders on the register as at 2nd December 2016 (the ex-dividend date will be 1st December 2016).

Share Repurchases

The Board continues to monitor the level of the discount carefully and seeks to use its ability to repurchase shares to minimise the short term volatility and the absolute level of the discount. No shares were repurchased in the six month period. Subsequent to the period end, on 21st November, the Company repurchased 100,000 shares for cancellation.

The Board

Federico Marescotti stepped down as a Director at the AGM at the end of June and I would like to welcome Marc van Gelder as a new member of the Board. Marc joined at the beginning of August and has extensive European business experience.

CHAIRMAN'S STATEMENT *CONTINUED*

Outlook

Currently there are an unusually high number of significant economic and political uncertainties. It is unclear how the Brexit negotiations will progress, what the outcome will be for the many elections due to be held in Europe over the next year and what changes the new administration in the US will deliver. However our Managers report that the companies they invest in continue to enjoy reasonable trading conditions and benefit from their own self-help measures. The Managers remain optimistic for the prospects of the companies they invest in.

Carolan Dobson
Chairman

23rd November 2016

INVESTMENT MANAGERS' REPORT



Jim Campbell

Review

Fears that the UK's decision to leave the European Union ('Brexit') in late June would have a similar impact as the Greek debt crisis ('Grexit') resulted in a sharp fall in markets. However, given that the spreads between periphery and core bond yields showed little signs of stress, markets quickly recovered. By the end of the period, despite the volatility in local currency terms markets improved marginally. Due to sterling's sharp devaluation markets rose strongly on a reported basis with the MSCI Europe (ex UK) Index and the benchmark Euromoney Smaller European Companies (ex UK) Index rising by 13.9% and 16.1% respectively.

Portfolio



Francesco Conte

With a total return of 17.7% over the six months to 30th September 2016, the portfolio outperformed its benchmark largely due to stock selection. Top performers included Swedish cosmetics retailer, Oriflame, as a result of continued high growth in Asia, French furniture retailer, Maisons Du Monde, due to strong operational execution since its IPO in May 2016, and Italian branded stationary retailer, Moleskine, following a bid from Belgium company D'leteren. Poor performers in the period included Dutch exchange-traded products liquidity provider, Flow Traders, due to concerns around market share losses, German digital advertising company, Stroeer, as an equity research group raised accounting concerns, and Dutch temporary employment services provider, Brunel International, which suffered from a slower than expected recovery in the oil and gas sector and disruption in the Dutch market caused by a one-off tax change.



Edward Greaves

Over the six months we continued to diversify away from companies that are dependent on general economic growth. We added turnaround stories including French animal medication supplier, Virbac, Swedish apparel retailer, Kappahl, and Danish incumbent telecom operator, TDC. We also continued to focus on companies benefiting from structurally growing end markets such as French retirement homes operator, Korian, which is benefiting from ageing populations, and Norwegian new challenger bank, Skandiabanken, which can offer attractive products to customers as it is unencumbered by the legacy problems faced by older rivals. We bought Swedish cosmetics retailer, Oriflame, as it is benefiting from improving economic conditions in emerging markets following several difficult years. Finally, purchases of defensives included Italian pharmaceutical and food packaging machinery world leader, IMA, and the French pharmaceutical company, Ipsen, following improving results.

These purchases were financed by a reduction in some of the largest positions including the aforementioned Flow Traders and Stroeer, in addition to Swedish gambling software developer, NetEnt, and Swedish credit management solutions provider, Intrum Justitia. German medical products manufacturer Sartorius AG and French small kitchen appliance manufacturer SEB were sold as they became too big following strong share price outperformance.

The overall portfolio continues to be generally pro-cyclical with Industrial Engineering, Support Services and Software and Computer services being the top three overweight sectors. France, Netherlands and Finland continued to be the countries where we found the greatest number of investment opportunities. As of end of September the portfolio was slightly geared at 2.0%, versus 2.6% net cash at the end of March 2016.

INVESTMENT MANAGERS' REPORT *CONTINUED*

Outlook

There are currently no signs that the UK's decision to leave the European Union has negatively impacted European economies, yet markets remain volatile for several reasons. Perceptions are that the era of global loose monetary policy is coming to an end with a possible interest rate increase in the US in December, the potential end of the ECB's quantitative easing programme in March 2017 and China acting to cool its housing market. The impacts will be felt both on the real economy and stock markets via increasing the risk premia.

Following the result of election in the US we expect political uncertainty to continue with the upcoming Italian referendum on constitutional reform, as well as elections in Austria, the Netherlands, Germany and France over the next twelve months. While these risks should not be exaggerated, it is possible that one or more of these events could lead to a market correction. We would welcome such an opportunity to add to high quality companies that are not dependent on the economic cycle.

Jim Campbell

Francesco Conte

Edward Greaves

Investment Managers

23rd November 2016

Investment Review

LIST OF INVESTMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

Company	Country	Valuation £'000	%
Datalogic	Italy	14,363	2.4
Tarkett	France	13,391	2.3
IPSOS	France	12,080	2.0
Amplifon	Italy	12,046	2.0
Aalberts Industries	Netherlands	11,942	2.0
Sulzer	Switzerland	11,859	2.0
Trigano	France	11,727	2.0
Ipsen	France	11,593	2.0
D'leteren	Belgium	11,216	1.9
Maisons Du Monde	France	10,968	1.8
Remy Cointreau	France	10,919	1.8
Oriflame	Sweden	10,810	1.8
Korian	France	10,588	1.8
Tieto	Finland	10,530	1.8
Royal Unibrew	Denmark	10,521	1.8
Thule Group	Sweden	10,492	1.8
YIT	Finland	10,379	1.8
Ubisoft Entertainment	France	10,225	1.7
TDC A/S	Denmark	10,215	1.7
OVS	Italy	10,213	1.7
Intertrust	Netherlands	10,104	1.7
Huhtamaki	Finland	9,855	1.7
IMCD	Netherlands	9,812	1.7
Metso	Finland	9,775	1.6
Sopra Steria	France	9,479	1.6
Brunel International	Netherlands	9,444	1.6
Nokian Renkaat	Finland	9,428	1.6
Alten	France	9,422	1.6
Forbo	Switzerland	9,329	1.6
Industria Macchine	Italy	9,223	1.6
Kaba	Switzerland	9,010	1.5
Interpump	Italy	8,954	1.5
Kaufman & Broad	France	8,875	1.5
OC Oerlikon	Switzerland	8,699	1.5
ID Logistics	France	8,673	1.5
Beter Bed	Netherlands	8,624	1.5
Prosegur Cia De	Spain	8,622	1.5
Bucher Industries	Switzerland	8,541	1.5
Jungheinrich	Germany	8,435	1.4
TKH	Netherlands	8,390	1.4

LIST OF INVESTMENTS *CONTINUED*

Company	Country	Valuation £'000	%
Inwido	Sweden	8,351	1.4
Software	Germany	8,207	1.4
BillerudKorsnas	Sweden	8,054	1.4
Fastighets Balder	Sweden	8,022	1.4
Bekaert	Belgium	8,000	1.4
Salvatore Ferragamo	Italy	7,977	1.4
Applus Services	Spain	7,959	1.3
CIE Automotive	Spain	7,941	1.3
Bechtle	Germany	7,914	1.3
Bakkafrost	Norway	7,889	1.3
Indutrade	Sweden	7,888	1.3
Granges	Sweden	7,809	1.3
Cramo	Finland	7,795	1.3
Skandiabanken	Norway	7,712	1.3
ADO Properties	Germany	7,643	1.3
Cloetta	Sweden	7,184	1.2
Nobina	Sweden	7,134	1.2
SimCorp	Denmark	6,991	1.2
Virbac	France	6,971	1.2
Ascom	Switzerland	6,105	1.0
Stabilus	Germany	5,965	1.0
Sponda	Finland	5,902	1.0
KappAhl	Sweden	5,800	1.0
Salmar	Norway	5,618	1.0
NNIT	Denmark	5,335	0.9
Total investments		590,937	100.0

PORTFOLIO ANALYSES

Geographical

	at 30th September 2016		at 31st March 2016	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
France	22.8	11.8	17.0	13.3
Sweden	13.8	14.6	17.3	13.8
Finland	10.8	5.4	3.2	4.6
Italy	10.6	10.8	12.4	12.4
Netherlands	9.9	4.3	15.9	4.8
Switzerland	9.1	11.0	8.0	10.6
Germany	6.4	14.6	13.8	14.3
Denmark	5.6	4.2	2.6	3.6
Spain	4.1	7.7	0.9	7.4
Norway	3.6	5.1	6.0	4.3
Belgium	3.3	4.3	1.0	4.3
Austria	–	3.5	–	3.4
Ireland	–	1.5	1.9	1.6
Portugal	–	1.2	–	1.6
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £590.9m (31st March 2016: £482.6m).

PORTFOLIO ANALYSES *CONTINUED*

Sector	at 30th September 2016		at 31st March 2016	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	33.9	22.9	23.3	24.9
Consumer Discretionary	21.1	14.7	30.4	14.4
Information Technology	14.1	9.2	18.4	8.6
Consumer Staples	9.0	7.4	5.5	6.7
Health Care	7.9	7.8	5.1	8.4
Materials	5.7	7.3	1.6	6.8
Real Estate	3.6	8.5	–	–
Financials	3.0	12.6	13.2	21.2
Telecommunication Services	1.7	3.1	–	3.0
Energy	–	3.3	–	3.2
Utilities	–	3.2	2.5	2.8
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £590.9m (31st March 2016: £482.6m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	(Unaudited) Six months ended 30th September 2016			(Unaudited) Six months ended 30th September 2015			(Audited) Year ended 31st March 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	81,875	81,875	–	7,214	7,214	–	69,936	69,936
Net foreign currency gains/(losses)	–	1,144	1,144	–	(1,190)	(1,190)	–	(1,191)	(1,191)
Income from investments	7,884	–	7,884	7,352	–	7,352	8,357	–	8,357
Interest receivable and similar income	33	–	33	69	–	69	117	–	117
Gross return	7,917	83,019	90,936	7,421	6,024	13,445	8,474	68,745	77,219
Management fee	(772)	(1,801)	(2,573)	(648)	(1,512)	(2,160)	(1,345)	(3,139)	(4,484)
Other administrative expenses	(450)	–	(450)	(341)	–	(341)	(818)	–	(818)
Net return on ordinary activities before finance costs and taxation	6,695	81,218	87,913	6,432	4,512	10,944	6,311	65,606	71,917
Finance costs	(120)	(279)	(399)	(122)	(284)	(406)	(240)	(560)	(800)
Net return on ordinary activities before taxation	6,575	80,939	87,514	6,310	4,228	10,538	6,071	65,046	71,117
Taxation	(402)	–	(402)	(354)	–	(354)	(339)	–	(339)
Net return on ordinary activities after taxation	6,173	80,939	87,112	5,956	4,228	10,184	5,732	65,046	70,778
Return per share (note 4)	3.85p	50.54p	54.39p	3.72p	2.64p	6.36p	3.58p	40.62p	44.20p

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 net return on ordinary activities after taxation represents the profit/(loss) for the period and also the total comprehensive income.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
Six months ended 30th September 2016 (Unaudited)						
At 31st March 2016	8,008	1,312	7,628	471,545	6,887	495,380
Net return on ordinary activities	–	–	–	80,939	6,173	87,112
Dividend paid in the period	–	–	–	–	(3,203)	(3,203)
At 30th September 2016	8,008	1,312	7,628	552,484	9,857	579,289
Six months ended 30th September 2015 (Unaudited)						
At 31st March 2015	8,008	1,312	7,628	406,499	6,280	429,727
Net return on ordinary activities	–	–	–	4,228	5,956	10,184
Dividend paid in the period	–	–	–	–	(3,203)	(3,203)
At 30th September 2015	8,008	1,312	7,628	410,727	9,033	436,708
Year ended 31st March 2016 (Audited)						
At 31st March 2015	8,008	1,312	7,628	406,499	6,280	429,727
Net return on ordinary activities	–	–	–	65,046	5,732	70,778
Dividends paid in the year	–	–	–	–	(5,125)	(5,125)
At 31st March 2016	8,008	1,312	7,628	471,545	6,887	495,380

¹ This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

STATEMENT OF FINANCIAL POSITION AT 30TH SEPTEMBER 2016

	(Unaudited) 30th September 2016 £'000	(Unaudited) 30th September 2015 £'000	(Audited) 31st March 2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	590,937	438,479	482,590
Current assets			
Derivative financial instruments	4	–	1
Debtors	2,877	6,662	2,889
Cash and cash equivalents ¹	40,776	57,567	53,392
	43,657	64,229	56,282
Current liabilities			
Creditors: amounts falling due within one year	(55,301)	(10,728)	(43,492)
Derivative financial liabilities	(4)	(3)	–
Net current (liabilities)/assets	(11,648)	53,498	12,790
Total assets less current liabilities	579,289	491,977	495,380
Creditors: amounts falling due after more than one year	–	(55,269)	–
Net assets	579,289	436,708	495,380
Capital and reserves			
Called up share capital	8,008	8,008	8,008
Share premium	1,312	1,312	1,312
Capital redemption reserve	7,628	7,628	7,628
Capital reserves	552,484	410,727	471,545
Revenue reserve	9,857	9,033	6,887
Total equity shareholders' funds	579,289	436,708	495,380
Net asset value per share (note 5)	361.7p	272.7p	309.3p

¹ This line item combines the two lines of 'Investments in liquidity funds held at fair value through profit or loss' and 'Cash and short term deposits' in the financial statements for the period ended 30th September 2015 into one. Under FRS 102, liquidity funds are considered cash equivalents as they are held for cash management purposes.

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	(Unaudited) Six months ended 30th September 2016 £'000	(Unaudited) Six months ended 30th September 2015 £'000	(Audited) Year ended 31st March 2016 £'000
Cash inflow/(outflow) from operations before dividends and interest (note 6)	1,626	(2,064)	(2,578)
Dividends received	6,607	5,953	6,497
Interest received	–	–	9
Overseas tax recovered	173	117	249
Interest paid	(397)	(402)	(769)
Net cash inflow from operating activities	8,009	3,604	3,408
Purchases of investments and derivatives	(379,646)	(478,324)	(881,746)
Sales of investments and derivatives	362,106	513,898	933,115
Settlement of forward currency contracts	128	(49)	(62)
Net cash (outflow)/inflow from investing activities	(17,412)	35,525	51,307
Dividends paid	(3,203)	(3,203)	(5,125)
Repayment of bank loans	–	(18,281)	(7,520)
Drawdown of bank loans	–	28,622	–
Net cash (outflow)/inflow from financing activities	(3,203)	7,138	(12,645)
(Decrease)/increase in cash and cash equivalents	(12,606)	46,267	42,070
Cash and cash equivalents at start of period	53,392	11,292	11,292
Exchange movements	(10)	8	30
Cash and cash equivalents at end of period	40,776	57,567	53,392
(Decrease)/increase in cash and cash equivalents	(12,606)	46,267	42,070
Cash and cash equivalents consist of:			
Cash and short term deposits	267	16,081	6,248
Cash held in JPMorgan Euro Liquidity Fund	40,509	41,486	47,144
	40,776	57,567	53,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

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 March 2016 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements 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 are prepared 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 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.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 30th September 2016.

In March 2016, the FRC published amendments to FRS 102 concerning fair value hierarchy disclosures. These amendments are effective for accounting periods beginning on or after 1st January 2017. The Company has elected to adopt these amendments early in these interim financial statements. Full disclosure is given in note 7.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st March 2016.

3. Dividends paid¹

	(Unaudited) Six months ended 30th September 2016 £'000	(Unaudited) Six months ended 30th September 2015 £'000	(Audited) Year ended 31st March 2016 £'000
2016 final dividend of 2.0p (2015: 2.0p)	3,203	3,203	3,203
2016 interim dividend of 1.2p (2015: 1.2p)	–	–	1,922
Total dividends paid in the period/year	3,203	3,203	5,125

¹ All dividends paid in the period have been funded from the Revenue Reserve.

An interim dividend of 1.2p (2015: 1.2p) has been declared in respect of the six months ended 30th September 2016, amounting to £1,922,000.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

4. Return per share

	(Unaudited) Six months ended 30th September 2016 £'000	(Unaudited) Six months ended 30th September 2015 £'000	(Audited) Year ended 31st March 2016 £'000
Return per share is based on the following:			
Revenue return	6,173	5,956	5,732
Capital return	80,939	4,228	65,046
Total return	87,112	10,184	70,778
Weighted average number of shares in issue	160,147,885	160,147,885	160,147,885
Revenue return per share	3.85p	3.72p	3.58p
Capital return per share	50.54p	2.64p	40.62p
Total return per share	54.39p	6.36p	44.20p

5. Net asset value per share

	(Unaudited) Six months ended 30th September 2016 £'000	(Unaudited) Six months ended 30th September 2015 £'000	(Audited) Year ended 31st March 2016 £'000
Net assets (£'000)	579,289	436,708	495,380
Number of shares in issue	160,147,885	160,147,885	160,147,885
Net asset value per share	361.7p	272.7p	309.3p

6. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash inflow/(outflow) from operations before dividends and interest

	(Unaudited) Six months ended 30th September 2016 £'000	(Unaudited) Six months ended 30th September 2015 £'000	(Audited) Year ended 31st March 2016 £'000
Net return on ordinary activities before finance costs and taxation	87,913	10,944	71,917
Less capital return on ordinary activities before finance costs and taxation	(81,218)	(4,512)	(65,606)
Scrip dividends received as income	(925)	(888)	(888)
Decrease/(increase) in accrued income and other debtors	451	107	(301)
(Decrease)/increase in accrued expenses	(31)	(22)	16
Management fee charged to capital	(1,801)	(1,512)	(3,139)
Overseas withholding tax	(797)	(605)	(665)
Dividends received	(6,607)	(5,953)	(6,497)
Interest received	–	–	(9)
Realised gains on foreign currency transactions	705	216	388
Exchange gain on liquidity fund	3,936	161	2,206
Net cash inflow/(outflow) from operations before dividends and interest	1,626	(2,064)	(2,578)

7. Fair valuation of investments

The fair value hierarchy analysis for financial instruments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 30th September 2016		(Unaudited) Six months ended 30th September 2015		(Audited) Year ended 31st March 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices for identical instruments in active markets	590,937	–	438,479	–	482,590	–
Level 2: Prices of recent transactions for identical instruments ¹	4	(4)	–	(3)	1	–
Total	590,941	(4)	438,479	(3)	482,591	–

¹ Includes forward foreign currency contracts.

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 have not changed and fall into the following broad categories: investment underperformance and strategy; market and currency; accounting, legal and regulatory; corporate governance and shareholder relations; operational and cyber crime 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 March 2016.

Related Party 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.

Going Concern

The Directors believe that, having considered the Company's investment objective, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure and cashflow 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. More specifically, they believe that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

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 FRS 104 'Interim 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 30th September 2016, as required by the UK Listing Authority Disclosure Guidance 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 Guidance 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

Carolyn Dobson

Chairman

23rd November 2016

Shareholder Information

GLOSSARY OF TERMS AND DEFINITIONS

Share Price Total Return

Total return to the investor on a last-market price to last-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.

Net Asset Value Total Return

Total return on net asset value ('NAV') per share, 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.

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 when calculating the total return on net assets.

Benchmark Total Return

Total return on the benchmark, on a last-market value to last-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.

Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. Previously gearing represented the excess amount above shareholders' funds of total assets expressed as a percentage of shareholders' funds. Total assets included 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.

Share Price Discount/Premium to Net Asset Value ('NAV') Per Share

If the share price of an investment trust company 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 company's shares to trade at a discount than at a premium.

Ongoing Charges

Estimated annualised management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average daily net assets during the period. Ongoing Charges are calculated in accordance with guidance issued by the AIC. The figure as at 30th September 2016 is an estimated annualised figure based on the six months to 30th September 2016.

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 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.
- 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, 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



WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

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

1. Directly from J.P. Morgan

Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2016/17 tax year, from 6th April 2016 and ending 5th April 2017, the total ISA allowance is £15,240. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include;

AJ Bell	Interactive Investor
Alliance Trust Savings	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
Hargreaves Lansdown	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.

3. 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

Information about the Company

FINANCIAL CALENDAR

Financial year end	31st March
Final results announced	May/June
Half year end	30th September
Half year results announced	November
Annual General Meeting	July
Dividend	July/ November

History

On 24th April 1990, the Company acquired the undertaking and assets of Fleming European Fledgeling Fund Limited (the 'Fund') in exchange for the issue of its shares and warrants. The Fund was an open-ended, unquoted investment company based in Jersey and formed in June 1987 with the same objectives and investment policies as the Company. The Company adopted its present name in July 2010.

Directors

Carolyn Dobson (Chairman)
Marc van Gelder
Ashok Gupta
Nicholas Smith
Stephen White

Company Numbers

Company registration number: 2431143
London Stock Exchange number: 0341969
ISIN: GBO0BMTS0Z37
Bloomberg code: JESC LN

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. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at www.jpmeuropeansmallercompanies.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmeuropeansmallercompanies.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 Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial issues and administrative matters, please contact Jonathan Latter.

Depository

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

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

Registrars

Equiniti Limited
Reference 1083
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2325

Lines open 8.30 a.m. to 5.30 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 1083.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Brokers

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Savings Product Administrators

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

aic

The Association of
Investment Companies

A member of the AIC

www.jpmeuropeansmallercompanies.co.uk

J.P. Morgan Helpline

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday, 9.00am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.