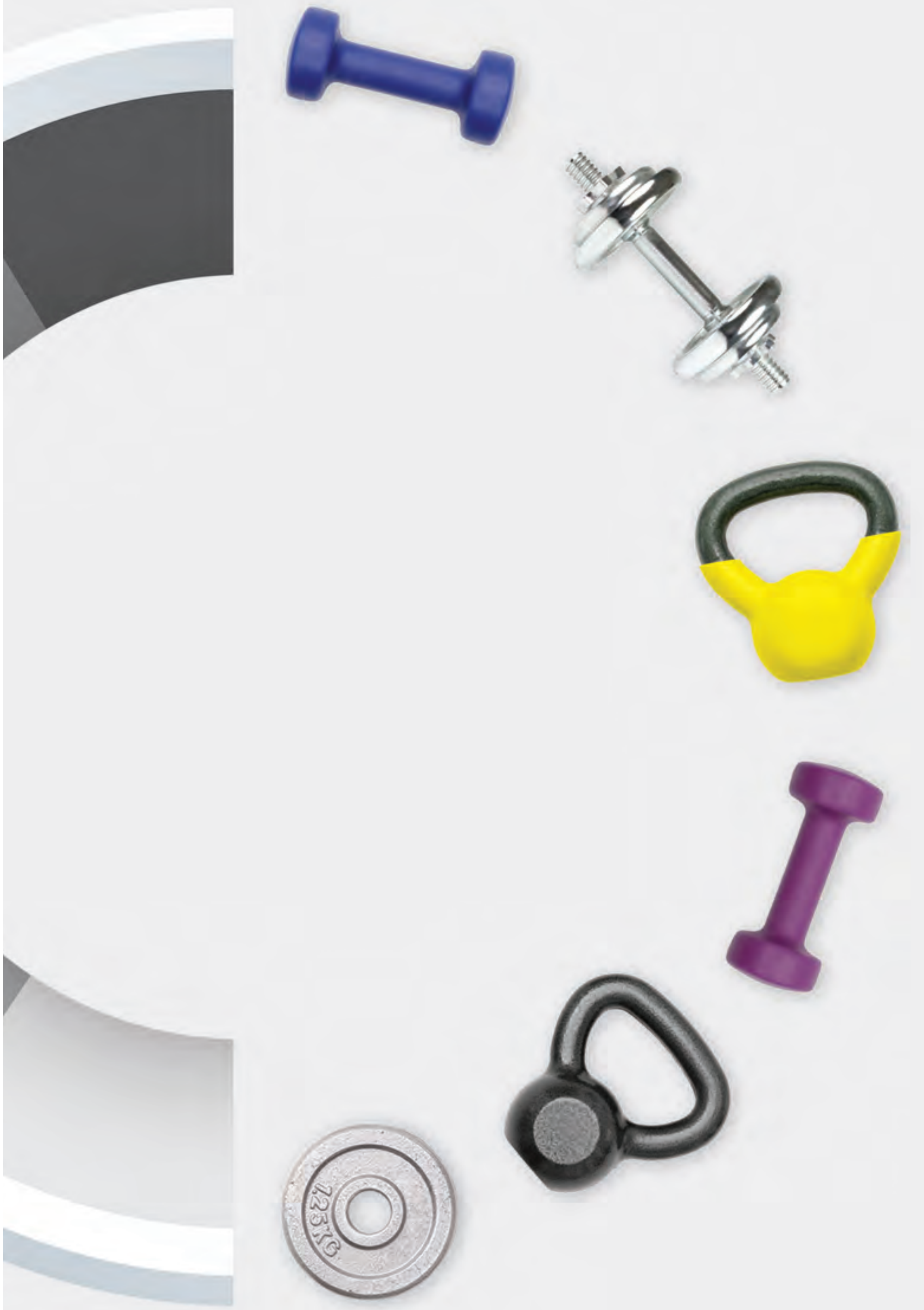
JPMorgan Smaller Companies Investment Trust plc

Annual Report & Financial Statements for the year ended 31st July 2017



Asset Management

Features

Objective

Capital growth from UK listed smaller companies.

Investment Policies

- To provide capital appreciation for shareholders from a diversified portfolio of UK listed small companies, emphasising capital rather than income growth.
- Liquidity and borrowings are managed with the aim of increasing returns to shareholders.
- Further details on investment policy and risk management are contained in the Business Review on page 16.

Gearing

A flexible low cost £25 million borrowing facility is in place and available for the investment manager to utilise. At 31st July 2017, £22 million was drawn down on the facility with the gearing level being 8.1% at that date.

Benchmark

The FTSE Small Cap Index (excluding investment trusts).

Capital Structure

At 31st July 2017, the Company's issued share capital comprised 17,099,806 Ordinary shares of 25p each. The Company's Subscription shares expired during the year. Further details can be found in the Chairman's Statement on pages 3 and 4.

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose an ordinary resolution that the Company shall continue in existence at the Annual General Meeting in 2017 and in every third year thereafter.

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 (UK) Limited ('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, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

Contents

Financial Results

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED) TO 31ST JULY 2017

+28.7%
Return to shareholders[1]
(2016: -10.1%)

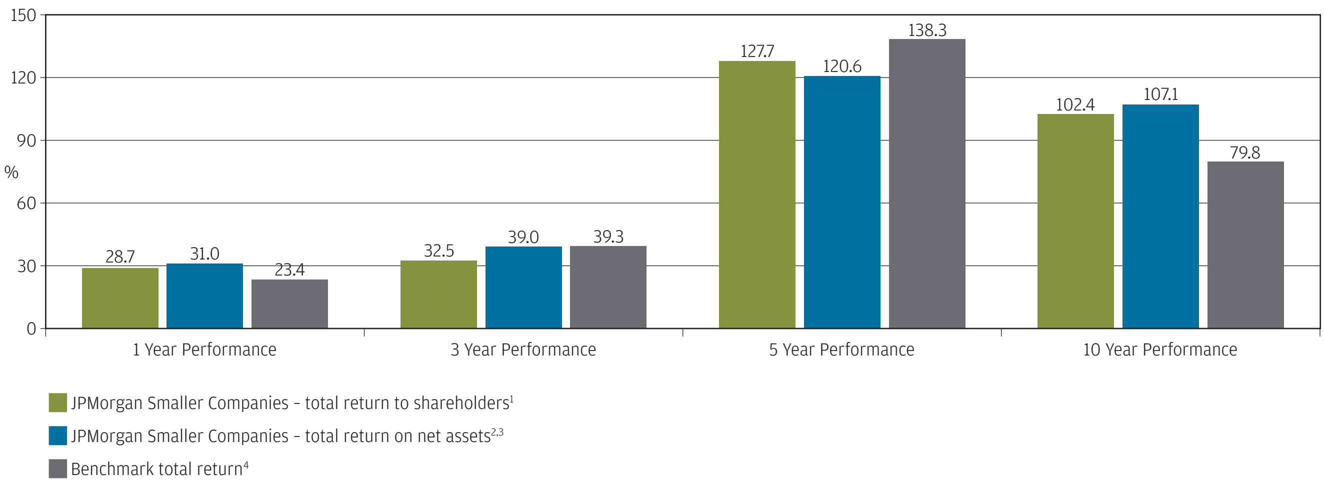
+31.0%
Return on net assets[2,3]
(2016: -6.4%)

+23.4%
Benchmark return[4]
(2016: +2.1%)

23.0p
Ordinary dividend
(2016: 18.3p)

Long-Term Performance

FOR PERIODS ENDED 31ST JULY 2017



[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share. The 10 year performance is using capital only net asset values, due to a lack of historic cum income net asset values.

[3] Based on the diluted net asset value, although there was no dilution effect at 31st July 2017 due to the expiring of the Subscription shares and their rights having lapsed during the year. Further details are given on page 4.

[4] Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

A glossary of terms and alternative performance measures is provided on page 65.

CHAIRMAN'S STATEMENT

Investment Performance

Investment returns were strong in the financial year to 31st July 2017 in marked contrast to the previous year. Despite political surprises at home and abroad, underlying improvements in economic conditions led to steadily rising equity markets. The Company's total return on net assets was +31.0%, compared with +23.4% recorded by the benchmark index. The return to Ordinary shareholders was +28.7% reflecting a widening of the share price discount to diluted net asset value from 20.5% to 22.3%. This outperformance is particularly welcome in the light of last year's underperformance.

It is encouraging to note that since the year end, performance has continued to improve, with the Company's net asset value per share (before dilution) increasing 4.8% to 1,270.2p, and the share price 8.4% to 1,021.0p at 13th October 2017. By comparison, the Company's benchmark has risen 0.88%. The current level of discount is 19.6%.

As set out in the Long-Term Performance table on page 2, although the Company underperformed its benchmark over the 3 and 5 year periods, it retains its strong 10 year record, outperforming by 27.3 percentage points.

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

Revenue and Dividends

The revenue return per share, calculated on the average number of shares in issue, increased significantly to 24.24p (2016: 18.31p). This improvement is a combination of companies increasing their dividends and changes in the composition of the portfolio. The Directors are recommending a final dividend of 23.0p per share, 25.7% higher than the 18.3p paid last year. If approved, the dividend will be paid on 8th December 2017 to shareholders on the register at close of business on 10th November 2017.

The level of income received each year varies according to economic conditions, the Company's investment stance and gearing. It is our policy to distribute substantially all the available income each year, and shareholders should note that dividends may vary accordingly.

Gearing

Gearing is regularly discussed between the Board and the Manager. A borrowing facility of £25 million with Scotiabank is in place until April 2018. This is highly flexible and is used with the aim of enhancing long-term returns at the cost of a small increase in volatility. There is a further option to increase borrowings to £35 million subject to certain conditions. At the year end, £22 million (2016: £19 million) was drawn on the facility with the gearing level of 8.1% (2016: 5.7%) of net assets. Since the year-end gearing has decreased, and as of 13th October 2017 was 7.2%.

Share Repurchases and Issuance

At last year's Annual General Meeting ('AGM'), shareholders granted the Directors authority to repurchase the Company's shares for cancellation. During the financial year the Company repurchased 689,992 Ordinary shares for a total consideration of £5,906,000, representing 4.1% of the issued Ordinary share capital at the beginning of the year.

CHAIRMAN'S STATEMENT *CONTINUED*

The Board's objective remains to use this authority to manage imbalances between the supply and demand of the Company's shares, with the intention of reducing the volatility of the discount. To date the Board believes this mechanism has been helpful and therefore proposes and recommends that powers to repurchase up to 14.99% of the Company's shares for cancellation be renewed.

During the year, 859,774 Ordinary shares were issued upon exercise of Subscription shares, giving a total consideration received of £7,867,000. On 14th July 2017, the Company announced that a Final Subscription Trustee had been appointed to act on behalf of those Subscription Shareholders who had not exercised their Subscription Share Rights on or by the Final Subscription Date, representing a total of 2,695,905 Subscription Shares. These Subscription Shares were redesignated as Deferred Shares and were then repurchased by the Company for a nominal value and cancelled in accordance with the terms of the Subscription Shares. In the days immediately prior to the final subscription share exercise date, the shares unfortunately traded below the exercise price, despite having traded above in the month before and after the exercise date.

Since the year end, and as at the date of this report, an additional 68,432 shares were repurchased for cancellation. The Company's issued share capital now comprises 17,031,374 Ordinary Shares and nil Subscription Shares.

Board of Directors and Corporate Governance

Ivo Coulson will retire from the Board immediately after the forthcoming AGM. Accordingly, he will not stand for reappointment at that meeting. Ivo has served as a non-executive Director of the Company since 2005 and the Board is very grateful to him for his valuable contribution during his tenure.

As part of the Board's succession planning, the Nomination Committee carried out a search process using an independent recruitment consultancy which led to the appointment of Alice Ryder as an independent non-executive Director with effect from 1st February 2017. Alice has more than 25 years of investment experience, a good part of which included the management of smaller UK companies, and the Board is already benefiting from her contribution. We will continue to refresh the Board's composition in an orderly manner and developments will be reported as appropriate.

In accordance with corporate governance best practice, all Directors will stand for reappointment at the forthcoming AGM.

Shareholders who wish to contact the Chairman or other members of the Board directly may do so through the Company Secretary or the Company's website.

Continuation of the Company

The Company's Articles of Association require that shareholders vote on the continuation of the Company at every third AGM. The seventh of these votes falls this year. The Board has evaluated the performance and progress of the Company over the last year and, in particular, the three years since the last continuation vote was passed.

Over the last three years, the total return from the Company's net assets has been +39.0%, compared with a +39.3% return on its benchmark, the FTSE Small Cap Index (excluding investment trusts). During the last twelve months, the Board has undertaken a detailed review of the Manager and their approach, and challenged them on past periods of underperformance. Whilst there has been a marginal level of underperformance over the last three years, the Board has accepted that this is consistent with the Manager's style and approach, and is part of the cyclical nature of markets. The Board has encouraged the Manager to place greater commitment behind their best ideas, and to this end has decided to increase the stock, sector and underwriting limits to ensure that these are not an impediment to backing their judgement.

The Directors believe that long-term investment in UK smaller companies should deliver strong average returns, and that the Company provides access to investments that individual investors would find difficult to replicate on their own. Whilst all investment approaches will deliver cyclical returns, the Board believes that the Manager's approach continues to be appropriate for the Company. The Board therefore recommends that shareholders vote in favour of the resolution at the AGM on 28th November 2017, as the Directors intend to do so in respect of their own holdings.

Annual General Meeting

The Company's twenty seventh AGM will be held on Tuesday, 28th November 2017 at 3.00 p.m. at 60 Victoria Embankment, London EC4Y 0JP. In addition to the formal part of the meeting, there will be a presentation from the Investment Manager who will answer questions on the portfolio and performance. Shareholders who are unable to attend the AGM in person are encouraged to use their proxy votes.

Outlook

Domestic considerations are dominated by negotiations over our withdrawal from the EU, and their ebb and flow will affect the sentiment of investors and companies alike. Inevitably this will result in greater than normal volatility in market levels until arrangements are settled. Despite this uncertainty, well managed, high quality smaller companies can innovate, develop and grow, and deliver strong returns. By giving access to these opportunities, the Board believes that the Company is attractive for long-term investors.

Michael Quicke OBE
Chairman — 18th October 2017

INVESTMENT MANAGERS' REPORT

Georgina Brittain

Katen Patel

Performance & Market Background

The last twelve months have seen very strong returns for the UK stock market. In part this was due to the rebound following the significant market falls in June 2016 post the Referendum. This was also due to the resilience of the UK economy post the vote. To date, the economy has disproved the doomsayers, (although this may be because as yet nothing has fundamentally changed, aside from a decrease in the value of sterling and an increase in volatility), and this has outweighed wider political concerns. These wider political concerns include the recent UK election, the US election of Donald Trump, the French election, the triggering of article 50 in the UK and the growing nuclear threat by the North Koreans, to name but some of the tumultuous events of the last 12 months.

Despite this backdrop, over the year the FTSE Small Cap (ex Investment Trusts) Index rose by 23.4%. We are very pleased to report that your Company significantly outperformed its benchmark in this period and provided a total return on net assets of 31.0%.

PERFORMANCE ATTRIBUTION

	12 months to 31st July 2017 %	%	12 months to 31st July 2016 %	%	12 months to 31st July 2015 %	%
Contributions to total returns						
Benchmark return		23.4		2.1		10.5
Sector and stock selection	6.5		-8.9		4.7	
Gearing/net cash	2.0		-0.4		0.8	
Currency	–		0.1		–	
Investment Managers' contribution		8.5		-9.2		5.5
Portfolio total return		31.9		-7.1		16.0
Management fee/other expenses	-1.1		-1.2		-1.1	
Repurchase of shares for cancellation	0.7		0.4		0.8	
Effect of Subscription shares exercised in the period	-0.5		0.2		–	
Other effects		-0.9		-0.6		-0.3
Enhancement/(dilution) effect of potential exercise of remaining Subscription shares	–		1.3		-2.3	
Return on net assets		31.0		-6.4		13.4
Impact of change in discount		-2.3		-3.7		1.2
Return to shareholders		28.7		-10.1		14.6

Source: JPMAM/Morningstar.

All figures are on a total return basis.

A glossary of terms and alternative performance measures is provided on page 65.

Portfolio

The key to your Company's outperformance over the year was stock selection. It is pleasing to be able to report that the process by which we invest, and the factors we focus on, have produced strong returns, after last year's disappointment. Among the strongest performers were our large positions in both Fevertree Drinks and OneSavings Bank (both of which we have owned since the initial public offering ('IPO')). Other strong contributors included our holding in Victoria, the carpet manufacturer, and a more recent purchase, Microgen, a software company. On the negative side, two of our main detractors, Plus500 and NAHL, were both hit by regulatory changes (although it should be noted that we have made over nine times our original investment at IPO in Plus500).

We made significant changes to the portfolio following the Referendum vote. This can be seen in the portfolio analysis on page 13. Most notable are the move from underweight to very overweight in the Industrials sector, and conversely the move from a large overweight to underweight in the Consumer Services sector, as we focussed more on overseas earners and exporters, and underweighted the UK consumer.

Corporate activity, by which we mean take-overs, placings and IPOs (or new companies floating on the market), has played a big part in the last year. Your company has benefitted from take-overs in Cape, Novae, Lavendon, Exova, Ithaca Energy and 32Red this year. At the same time we have made new investments into a number of IPOs and placings, including Eddie Stobart (the eponymous logistics company), Luceco (LED lighting) and Quiz (an online and offline fashion clothing retailer).

Lastly, it would be remiss not to mention the increase in our AIM holdings, following the approval granted at our last AGM to increase significantly the guideline limit. At our last AGM approximately 18% of the fund was invested in AIM-listed companies. At the time of writing we now have 23%, despite both Ithaca Energy and 32Red being taken over, as mentioned above. New additions over the period include Keywords Studios (a service provider to the video gaming industry), ULS Technology (conveyancing solutions) and Nexus Infrastructure (an infrastructure play on new homebuilding) – to name but some.

Outlook

The outlook for the UK economy is mixed. It is all too easy to paint a gloomy picture in the short-term. Consumer confidence is down, consumer spending is down, GDP forecasts have recently been reduced, and business investment is down. Add to this rising inflation and rising consumer debt levels, all against the backdrop of a destabilising UK election which provided a minority Government, and a further 18 months of Brexit negotiations.

However, few of these are surprises (bar the election outcome). On the positive side, it is clear that interest rates will continue to remain accommodating for some time to come. Unemployment is at a 40 year low at 4.3% and the employment rate (the proportion of people of working age who are in employment) is over 75%, which is the highest figure since records began in 1971. Foreign direct investment into the UK continues to be strong; and as predicted, our weakened currency is proving a boon to UK exporters.

As discussed above, we believe we have repositioned the portfolio to take advantage of these positives and reduced our exposure to the potential negatives. We have emphasised the niche growth companies in the portfolio, which we believe to be relatively immune from the economic backdrop, and significantly reduced our exposure to the more consumer-facing companies.

INVESTMENT MANAGERS' REPORT *CONTINUED*

Post the Referendum vote, the smaller companies arena has been extremely sanguine regarding the eventual outcome. While this might raise questions as the eventual outcome is debated and negotiated, a number of factors give us comfort. First and foremost are valuations for smaller companies – the index remains compelling at 12.9x P/E ratio (12 month forward number). Secondly, as mentioned above, the amount of M&A we have seen within the portfolio over the last year provides a strong level of comfort – acquirers clearly see value at this level. And lastly, we would continue to stress that a significant benefit of smaller companies is their comparative immunity to the broader economy. Niche growth companies should be able to continue to grow, and grow significantly, whatever the backdrop, as many of our companies continually demonstrate. We believe we have positioned ourselves to benefit from the growth of such companies and also believe that we will continue to see and hopefully benefit from further M&A.

Georgina Brittain
Katen Patel
Investment Managers

18th October 2017

SUMMARY OF RESULTS

	2017	2016	
Total returns for the year ended 31st July			
Return to shareholders[1]	+28.7%	-10.1%	
Return on net assets[2,3]	+31.0%	-6.4%	
Benchmark return[4]	+23.4%	+2.1%	
Net asset value, share price and discount at 31st July			**% change**
Shareholders' funds (£'000)	207,285	160,633	+29.0
Undiluted net asset value per Ordinary share	1,212.2p	948.8p	+27.8
Diluted net asset value per Ordinary share[3]	1,212.2p	942.9p	+28.6
Ordinary share price	942.0p	750.0p	+25.6
Ordinary share price discount to diluted net asset value per Ordinary share	22.3%	20.5%	
Ordinary shares in issue	17,099,806	16,930,024	
Subscription share price[3]	–	11.0p	
Subscription shares in issue[3]	–	3,555,679	
Revenue for the year ended 31st July			
Net revenue available for shareholders (£'000)	4,050	3,138	+29.1
Revenue return per Ordinary share	24.24p	18.31p	+32.4
Dividend per Ordinary share	23.0p	18.3p	+25.7
Gearing at 31st July	**8.1%**	**5.7%**	
Ongoing Charges	**1.12%**	**1.17%**	

[1] Source: Morningstar.

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

[3] The Company's Subscription shares expired and their rights lapsed during the year. Further details are given on page 4.

[4] Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

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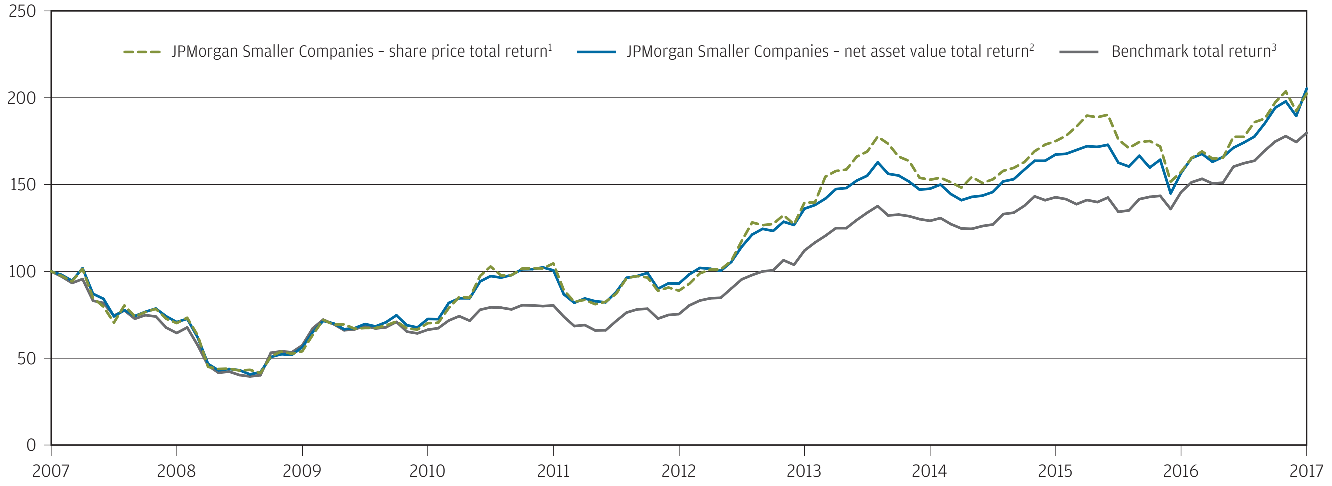
PERFORMANCE

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST JULY 2007



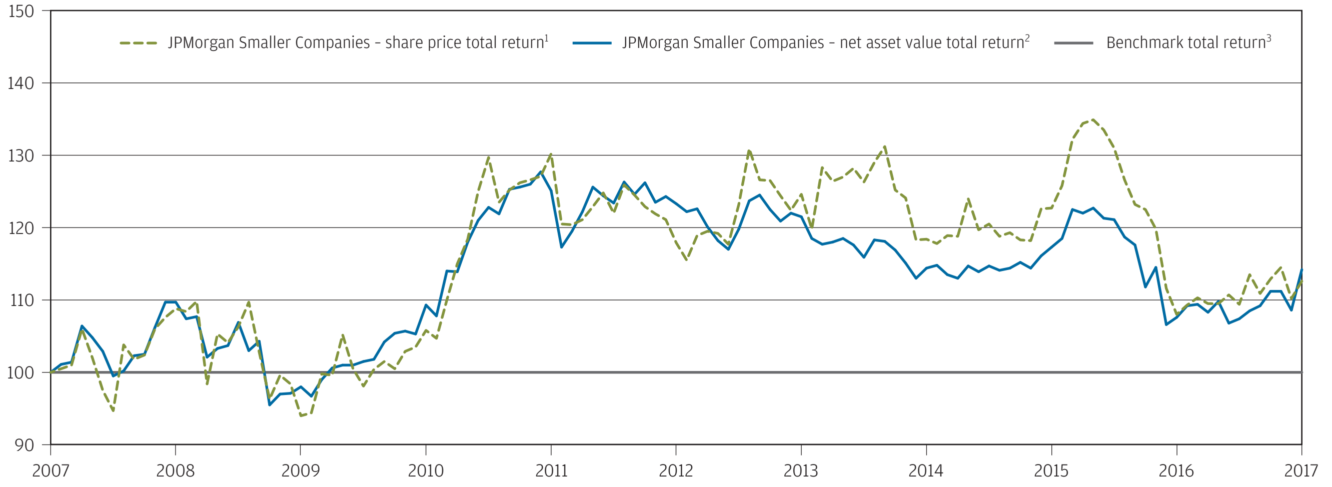
[1]Source: Morningstar.

[2]Source: Morningstar/J.P.Morgan, cum income net asset value. Prior to 30th June 2008, capital only net asset value.

[3]Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

Performance Relative to Benchmark

FIGURES HAVE BEEN REBASED TO 100 AT 31ST JULY 2007



[1]Source: Morningstar.

[2]Source: Morningstar/J.P.Morgan, cum income net asset value. Prior to 30th June 2008, capital only net asset value.

[3]Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

TEN YEAR FINANCIAL RECORD

At 31st July	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Shareholders' funds (£'000)	143,657	96,035	73,016	89,460	120,126	107,282	154,116	165,229	179,597	160,633	207,285
Undiluted net asset value per Ordinary share (p)	676.1	479.6	372.3	472.3	644.5	586.8	845.9	908.0	1,039.1	948.8	1,212.2
Diluted net asset value per Ordinary share (p)[1]	–	–	–	–	–	–	–	–	1,017.9	942.9	1,212.2
Ordinary share price (p)	562.0	391.3	289.0	368.0	538.0	448.0	690.8	746.8	844.5	750.0	942.0
Discount (%)	16.9	18.4	22.4	22.1	16.5	23.7	18.3	17.8	17.0	20.5	22.3
Subscription share price (p)[2]	–	–	–	–	–	–	–	–	41.0	11.0	–
Gearing (%)	7	6	7	6	7	7	8	9	9	6	8
Year ended 31st July											
Gross revenue attributable to shareholders (£'000)	2,540	2,977	2,579	2,355	2,525	2,594	2,937	3,151	3,606	4,284	5,183
Revenue return per share (p)	5.22	8.67	11.43	8.92	8.50	9.01	10.38	10.01	12.20	18.31	24.24
Dividend per share (p)	5.00	7.00	11.00[3]	8.50	8.50	9.00	9.50	9.60	11.00	18.30	23.00
Ongoing Charges (%)	1.33	1.15	1.39	1.26	1.16	1.21	1.15	1.13	1.19	1.17	1.12
Rebased to 100 at 31st July 2007											
Return to shareholders[4]	100.0	70.3	47.1	77.3	126.3	111.3	168.3	177.7	192.3	182.2	210.9
Return on net assets[5]	100.0	70.9	50.6	80.1	119.4	111.9	158.2	166.7	180.1	173.7	204.7
Benchmark return[6]	100.0	64.5	53.5	69.1	90.2	84.0	132.5	147.7	158.2	160.3	183.7
Total returns for the year ended 31st July											
Return to shareholders (%)[4]	+28.6	-29.7	-23.2	+30.2	+49.0	-15.0	+57.0	+9.4	+14.6	-10.1	+28.7
Return on net assets (%)[5]	+32.7	-29.1	-20.3	+29.5	+39.3	-7.5	+46.3	+8.5	+13.4	-6.4	+31.0
Benchmark return (%)[6]	+18.7	-35.5	-11.0	+15.6	+21.1	-6.2	+48.5	+15.2	+10.5	+2.1	+23.4

[1] Assumes that all outstanding Subscription shares were converted into Ordinary shares at the year end. As at 31st July 2017, there was no dilution effect due to the expiry of the Subscription shares and their rights having lapsed during the year. Further details are given on page 4.

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

[3] Includes a special dividend of 3.00p per share representing VAT recovered on investment management fees.

[4] Source: Morningstar.

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

[6] Source: Morningstar. The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts).

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TEN LARGEST INVESTMENTS AT 31ST JULY

Company	Sector	2017 Valuation £'000	%[1]	2016 Valuation £'000	%[1]
Fenner[2]	Industrials	7,585	3.4	–	–
4imprint	Consumer Services	7,357	3.3	7,120	4.2
Fevertree Drinks	Consumer Goods	6,680	3.0	3,927	2.3
McBride	Consumer Goods	6,283	2.8	5,468	3.2
OneSavings Bank[3]	Financials	6,145	2.7	2,998	1.8
Victoria[3]	Consumer Goods	6,116	2.7	1,942	1.1
Hill & Smith	Industrials	5,859	2.6	5,409	3.2
Forterra[3]	Industrials	5,247	2.3	943	0.6
MJ Gleeson[3]	Consumer Goods	4,968	2.2	3,564	2.1
JD Sports Fashion	Consumer Services	4,934	2.2	4,208	2.5
Total[4]		**61,174**	**27.2**		

[1] Based on total investments of £224.1m (2016: £169.8m).

[2] Not held in the portfolio as at 31st July 2016.

[3] Not included in the ten largest investments at 31st July 2016.

[4] At 31st July 2016, the value of the ten largest investments amounted to £48.6m representing 28.7% of total investments.

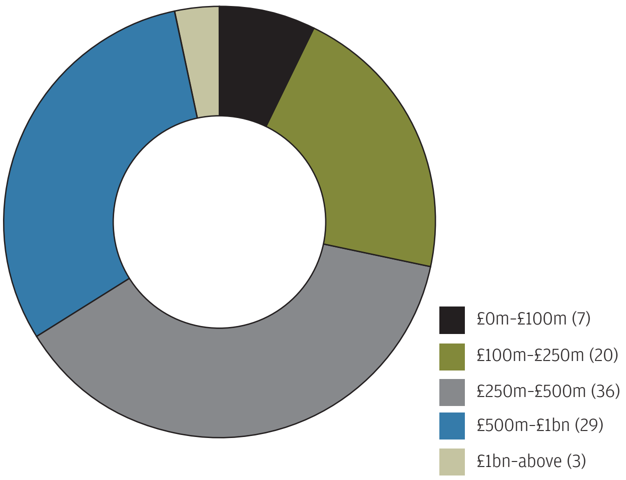
PORTFOLIO ANALYSIS

Sector	31st July 2017 Portfolio %[1]	31st July 2017 Benchmark %	31st July 2016 Portfolio %[1]	31st July 2016 Benchmark %
Industrials	42.3	33.0	36.5	39.1
Consumer Goods	17.2	8.2	12.8	6.6
Consumer Services	13.7	15.9	19.8	12.1
Financials	13.4	24.2	14.3	20.2
Technology	8.5	7.1	8.6	6.6
Oil & Gas	4.4	4.6	4.3	6.8
Basic Materials	0.5	2.6	3.2	5.0
Health Care	–	3.4	0.5	2.1
Telecommunications	–	1.0	–	1.5
Total	**100.0**	**100.0**	**100.0**	**100.0**

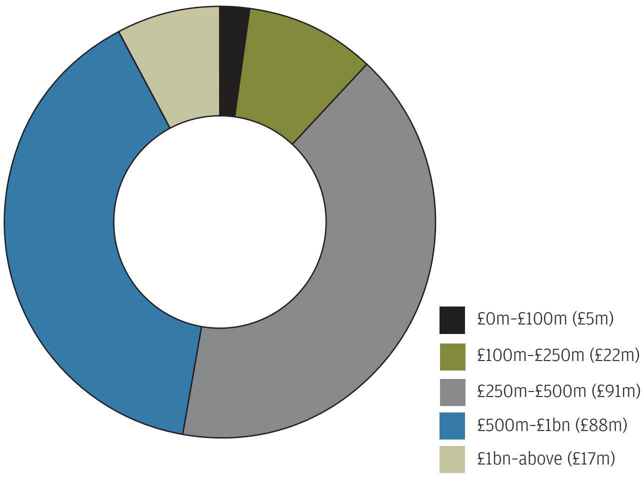
[1] Based on total investments of £224.1m (2016: £169.8m).

HOLDINGS BREAKDOWN BASED ON MARKET CAPITALISATION AS AT 31ST JULY 2017

Number of Companies



Total Value of Companies (£m)



LIST OF INVESTMENTS AT 31ST JULY 2017

Company	Valuation £'000
Industrials	
Fenner	7,585
Hill & Smith	5,859
Forterra	5,247
De La Rue	4,656
Avon Rubber	4,482
Ricardo	4,439
Tyman	4,377
Wincanton	4,140
RPS	3,990
Morgan Sindall	3,705
Oxford Instruments	3,671
Trifast	3,535
John Menzies	3,432
Costain	3,052
Smart Metering Systems[1]	2,564
Robert Walters	2,511
Volution	2,402
Somero Enterprises[1]	2,303
Henry Boot	2,227
Porvair	2,199
Xaar	2,190
Keywords Studios[1]	2,084
Staffline[1]	1,906
Luceco	1,812
Restore[1]	1,752
Renold	1,493
Charles Taylor	1,242
Eddie Stobart Logistics[1]	1,043
Marshalls	977
Hogg Robinson	898
Work[1]	888
Interserve	825
James Fisher & Sons	736
Sanne	635
Total Industrials	**94,857**

Company	Valuation £'000
Consumer Goods	
Fevertree Drinks[1]	6,680
McBride	6,283
Victoria[1]	6,116
MJ Gleeson	4,968
Games Workshop	4,139
Watkin Jones[1]	2,324
Hilton Food	1,977
Warpaint London[1]	1,587
Up Global Sourcing	1,067
Nexus Infrastructure[1]	870
Character[1]	769
Hotel Chocolat[1]	593
Autins[1]	445
Gear4Music[1]	380
Premier Foods	337
Total Consumer Goods	**38,535**
Consumer Services	
4imprint	7,357
JD Sports Fashion	4,934
Trinity Mirror	3,232
Tarsus	2,475
Lookers	2,434
Next Fifteen Communications[1]	1,562
888	1,376
Gocompare.com	1,327
DP Eurasia	1,170
STV	1,165
ULS Technology[1]	1,153
Quiz[1]	1,024
NAHL[1]	761
Quarto	349
Hollywood Bowl	249
Huntsworth	21
Total Consumer Services	**30,589**

Company	Valuation £'000
Financials	
OneSavings Bank	6,145
Arrow Global	4,358
Plus500[1]	4,026
Novae	3,590
TBC Bank	2,516
Mortgage Advice Bureau[1]	2,411
Safestore, REIT	1,795
CLS	1,688
S&U	1,045
Tatton Asset Management[1]	893
Pacific Industrial[1]	782
Urban & Civic	675
Total Financials	**29,924**
Technology	
FDM	4,303
SDL	3,726
Microgen	2,538
Laird	2,254
First Derivatives[1]	1,516
Telit Communications[1]	1,401
Servelec	1,225
PROACTIS[1]	968
Softcat	620
Imagination Technologies	483
Total Technology	**19,034**

Company	Valuation £'000
Oil & Gas	
Cape	3,155
Ophir Energy	2,848
EnQuest	2,209
Soco International	689
Faroe Petroleum[1]	573
Amerisur Resources[1]	464
Total Oil & Gas	**9,938**
Basic Materials	
Anglo Pacific	725
Kenmare Resources	490
Total Basic Materials	**1,215**
Total Investments	**224,092**

[1] AIM listed, totalling 22.2% of total investments.

BUSINESS REVIEW

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

Structure and Objective of the Company

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

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

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

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

Investment Policy

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

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

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

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

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

Investment Restrictions and Guidelines

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

- No investment in the portfolio will be greater than 10% of the Company's gross assets.
- The Company will not normally invest in unlisted securities.
- The Company will not normally invest in derivative instruments.
- The Company will not normally invest greater than 50% of its gross assets in AIM stocks.
- The number of investments in the portfolio will normally range between 60 and 120 (previously 70 and 150).
- The Company's gearing policy is to operate within a range of -10% to +15% invested in normal markets.
- The maximum exposure to an investment will normally range between +/-5% (previously +/-3%) relative to the benchmark index.
- The maximum exposure to an ICB (Industry Classification Benchmark) sector will range between +/-20% (previously +/-10%) relative to the benchmark index.
- No investments in new companies with a capitalisation greater than £1 billion will be made without consultation with the Board.

These guidelines were amended by the Board on 4th October 2017. All of the above restrictions and guidelines may be varied by the Board at any time.

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

Performance

In the year ended 31st July 2017, the Company produced a total return to Ordinary shareholders of +28.7% and a total return on net assets of +31.0%. This compares with the return on the Company's benchmark index of +23.4%. As at 31st July 2017, the value of the Company's investment portfolio was £224.1 million. The Investment Managers' Report on pages 6 to 8 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £50,139,000 (2016: £11,774,000 loss) and net total return after deducting interest, administration expenses and taxation amounted to £47,746,000 (2016: £14,193,000 loss). Distributable income for the year amounted to £4,050,000 (2016: £3,138,000).

The Directors recommend a final dividend of 23.0p (2016: 18.3p) per share payable on 8th December 2017 to holders on the register at the close of business on 10th November 2017. This distribution will cost £3,933,000 (2016: £3,098,000). Following payment of the final dividend, the revenue reserve will amount to £1,761,000 (2016: £1,601,000).

Gearing

The Board sets the overall gearing policy. A £25 million unsecured floating rate borrowing facility is currently in place with Scotiabank which expires in April 2018. This facility is highly flexible and is used with the aim of enhancing returns. As at 31st July 2017, £22 million had been drawn on the facility. Further details about the loan facility are given in note 13 on page 52.

Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report. Also, please refer to the graphs on page 10.

  The Company outperformed its benchmark index in the year ended 31st July 2017. Over the longer term, performance continues to remain strong. Although the Company underperformed its benchmark over the 3 and 5 year periods, over the 10 years to 31st July 2017, the Company recorded a total return of 107.1% which compares very favourably with the benchmark return of 79.8%.

  The principal objective is to achieve total return relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

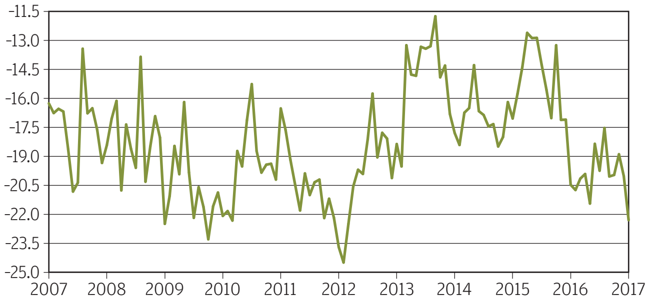
- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as sector allocation and stock selection. Details of the attribution analysis for the year ended 31st July 2017 are given in the Investment Manager's Report on page 6.

- **Share price discount to net asset value ('NAV') per share**
  The Board operates a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby reduce the volatility of the discount to NAV per share at which the Company's shares trade. In the year to 31st July 2017, the discount ranged between 17.5% and 22.3% based on month end data.

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

Discount Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST JULY 2007



Source: Morningstar.

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

- **Ongoing Charges**
  The ongoing charges represent the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st July 2017 were 1.12% (2016: 1.17%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

BUSINESS REVIEW *CONTINUED*

Share Capital

The Directors have, on behalf of the Company, the authority both to repurchase shares in the market for cancellation and issue new shares for cash.

During the year, the Company repurchased a total of 689,992 Ordinary shares at nominal value of approximately £172,000, for cancellation for a total consideration of £5,906,000. This amount represented 4.1% of the issued share capital at the beginning of the year. As the shares were repurchased at a discount to the underlying net asset value ('NAV') per share, they enhanced the NAV per share of the remaining shares. Since the year end, the Company has repurchased a further 68,432 Ordinary shares for cancellation.

A resolution to renew the authority to repurchase shares will be put to shareholders at the forthcoming AGM.

During the year, holders of 859,774 Subscription shares exercised their right to convert those shares into Ordinary shares at a price of 915.0p per share respectively, giving a total consideration received of £7,867,000. All Subscription Shareholders were reminded, via an announcement to the market on 9th June 2017 and a subsequent letter, that the final deadline for exercising their Subscription Share Rights was 30th June 2017. As at this date 2,695,905 Subscription shares had not been exercised. Therefore, the Company appointed a Final Subscription Trustee to act on behalf of those Subscription Shareholders who had not exercised their Subscription Share Rights. The right of the Final Subscription Trustee to exercise the outstanding Subscription shares expired on 14th July 2017. It was determined that it was not in the Subscription Shareholders' interest to exercise the outstanding Subscription Share Rights and they lapsed on 14th July 2017.

The Company does not currently hold any shares in Treasury and does not have authority to reissue shares from Treasury at a discount to NAV per share.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. The Board believes diversity is important in bringing an appropriate range of skills, knowledge and experience to the Board and gives that consideration when recruiting new Directors. At 31st July 2017, there were four male Directors and two female Directors on the Board.

Employees, Social, Community and Human Rights Issues

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

Social, Community, Environmental and Human Rights

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

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

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

Greenhouse Gas Emissions

The Company is managed by the Manager. It has no employees and all of its Directors are non-executive, the day-to-day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or other fuel and consequently does not have a measurable carbon footprint. JPMAM is also a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

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

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

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

- **Investment and Strategy**: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who attend Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing, within a strategic range set by the Board.
- **Discount**: A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. The Board regularly discusses discount management policy and has set parameters for the Manager and the Company's broker to follow.
- **Smaller Company Investment**: Investing in smaller companies is inherently more risky and volatile, partly due to lack of liquidity in some shares, plus AIM stocks are less regulated. The Board discusses these risk factors regularly at each Board meeting with the Investment Managers. The Board has placed investment restrictions and guidelines to limit these risks.
- **Political and Economic**: Changes in financial or tax legislation, including in the European Union, and the impact of the EU Referendum result, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies, and seeks external advice where appropriate.
- **Corporate Governance and Shareholder Relations**: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 25 to 28. The Board receives regular reports from the Manager and the Company's broker about shareholder communications, their views and their activity.
- **Market**: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by the Manager. The Board monitors the implication and results of the investment process with the Manager.
- **Accounting, Legal and Regulatory**: In order to qualify as an investment trust, the Company must comply with Section 1158 of the Income and Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Business of the Company' above. Should the Company breach Section 1158, it may lose its investment trust status and as a consequence capital gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs may result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMorgan Funds Limited, and its professional advisers to monitor compliance with all relevant requirements.
- **Operational and Cybercrime**: Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records may prevent accurate reporting and monitoring of the Company's financial position. On 1st July 2014, the Company appointed BNY Mellon Trust & Depositary (UK) Limited to act as the depositary, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. Details of how the Board monitors the services provided by the Manager, its associates and depositary and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Directors' Report

BUSINESS REVIEW *CONTINUED*

on pages 27 and 28. The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested independently.

- **Financial**: The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Counterparties are subject to daily credit analysis by the Manager and regular consideration at meetings of the Board. In addition the Board receives reports on the Manager's monitoring and mitigation of credit risks on share transactions carried out by the Company. Further details are disclosed in note 21 on pages 58 to 60.

Long-Term Viability

Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next three years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the UK economy and its equity markets.

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

The Directors confirm that, assuming a successful continuation vote at the 2017 AGM, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

For and on behalf of the Board
Michael Quicke OBE
Chairman

18th October 2017

BOARD OF DIRECTORS

Michael Quicke OBE*†‡ (Chairman of the Board and Nomination Committee)
A Director since October 2005.

Last reappointed to the Board: 2016.

Current remuneration: £33,000.

He is chief executive of CCLA Investment Management Limited.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 13,249.

Andrew Robson*†‡ (Chairman of the Audit Committee)
A Director since April 2007.

Last reappointed to the Board: 2016.

Current remuneration: £26,000.

He is a director of Witan Pacific Investment Trust plc, First Integrity Limited, Mobeus Income & Growth 4 VCT plc, Shires Income plc and Peckwater Limited. He is a chartered accountant.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 3,795.

Ivo Coulson*†‡
A Director since October 2005.

Last reappointed to the Board: 2016.

Current remuneration: £23,000.

He is a director of Baring Emerging Europe plc and Squint Limited. He is also an investment partner at Stanhope Capital LLP and a Fellow of the Securities Institute.

Connections with Manager: None.

Connections with other Directors: Partner at Stanhope Capital LLP (Alice Ryder).

Shareholding in Company: Nil.

BOARD OF DIRECTORS *CONTINUED*

Frances Davies*†‡
A Director since March 2013.

Last reappointed to the Board: 2016.

Current remuneration: £23,000.

Since 2007, she has been a partner of Opus Corporate Finance, a corporate finance advisory business providing independent strategic advice to businesses across Europe. She is a director of Aviva Life's With Profits Committee.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 809.

Andrew Impey*†‡
A Director since March 2015.

Last appointed to the Board: 2016.

Current remuneration: £23,000.

He is a director of OLIM Limited, responsible for managing investment portfolios. He has over 30 years' fund management experience including UK smaller companies. Prior to joining OLIM in 2009, he was Chief Investment Officer at Singer & Friedlander Investment Management.

Connections with Manager: None.

Connections with other Directors: None.

Shareholding in Company: 1,500.

Alice Ryder*†‡
A Director since February 2017.

Current remuneration: £23,000.

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

Connections with Manager: None.

Connections with other Directors: Partner at Stanhope Capital LLP (Ivo Coulson).

Shareholding in Company: 1,000.

*** Member of the Audit Committee**

† Member of the Nomination Committee

‡ Considered independent by the Board

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st July 2017.

Management of the Company

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

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

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

The Alternative Investment Fund Managers Directive ('AIFMD')

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

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

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

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

The Company's leverage and JPMF's remuneration disclosures are set out on page 61.

Management Fee

The management fee is paid by monthly instalments based on the total assets less current liabilities at the beginning of each month and is charged at a rate of 0.8% per annum on gross assets up to £200 million; thereafter, 0.7% on gross assets over £200 million. Loans that are drawn down under a loan facility with an original maturity date of one year or more are not classified as current liabilities for the purpose of the management fee calculation. If the Company invests in funds managed or advised by the Manager or any of its associated companies, the investments are excluded from the calculation and therefore attract no fee. The Company invests any surplus liquidity into a non-charging class of the JPMorgan Sterling Liquidity Fund and this Fund is therefore not excluded from the management fee calculation.

Directors

The Directors of the Company who held office at the end of the year are as detailed on pages 21 and 22.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on pages 30 to 32. No changes have been reported to the Directors' shareholdings since the year end.

Alice Ryder was appointed a Director on 1st February 2017 following a thorough search exercise conducted last year.The Company employed Cornforth Consulting Ltd, an agency specialising in Asset Management and Board appointments, as part of the recruitment process. This agency has no connection to the Company or the Manager. In accordance with the Company's Articles of Association, Alice Ryder will stand for reappointment at the forthcoming AGM.

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

Ivo Coulson will retire from the Board at the conclusion of the 2017 AGM.

Director Indemnification and Insurance

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

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

DIRECTORS' REPORT *CONTINUED*

Disclosure of information to Auditor

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

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

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

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

Independent Auditor

Further to a review of audit services, Deloitte LLP will retire as the Company's Auditor at the forthcoming AGM. As explained in the Audit Committee Report on page 29, the Board proposes that Ernst & Young LLP be appointed Auditor to the Company, and there is a resolution being put to shareholders at the forthcoming AGM to effect that change.

Companies Act 2006 Requirements

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

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

Voting Rights in the Company's shares
Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of AGM on page 64.

Notifiable Interests in the Company's Voting Rights
At the year-end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights[1]	%
JPMorgan Asset Management[1]	2,265,539	13.25
East Riding of Yorkshire Council	1,271,816	7.44
Royal London Asset Management Limited	996,830	5.83
City of London Investment Management Co. Ltd.	843,692	4.93
Legal & General Group Plc	782,158	4.57
City of Bradford Metropolitan District Council	755,000	4.42
Investec Wealth & Investment Limited	709,991	4.15
Rensburg Sheppards Investment Management Limited	566,548	3.31

[1] Includes holdings by JPMorgan Elect plc of 450,433 shares (2.63%).

Since the year end, Royal London Asset Management Ltd reduced its holding to 807,719 shares (4.74%). No other changes to these holdings had been notified as at the date of this report.

The Company is also aware that approximately 12.43% of the Company's total voting rights are held by individuals through savings products managed by JPMorgan Asset Management and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMorgan Asset Management has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

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

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

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

Annual General Meeting

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

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

(i) Authority to issue new shares for cash and disapply pre emption rights (Resolutions 11 and 12)

The Directors will seek renewal of the authority at the AGM to issue up to 5% of the present issued share capital for cash. The full text of the resolutions is set out in the Notice of Annual General Meeting on page 62.

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

(ii) Authority to repurchase the Company's ordinary shares (Resolution 13)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2016 AGM, will expire on 28th May 2018. The Board will therefore seek shareholder approval at the AGM to renew this authority which will last until 27th May 2019 or until the whole of the 14.99% has been acquired, whichever is the earlier.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 62 and 63. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate.

(iii) Continuation Vote (Resolution 14)

The Directors recommend that the Company continues in existence as an investment trust for a further three year period.

The resolution on the continuation of the Company is put to shareholders every three years. The Directors' recommendation on this Resolution is explained in the Chairman's Statement on pages 4 and 5. They unanimously recommend that shareholders vote in favour of the Company's continuation.

Recommendation

The Board considers that resolutions 11 to 14 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 20,353 shares representing approximately 0.12% of the voting rights of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 33, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council 2016 UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code, insofar as they are relevant to the Company's business, and with the best practice provisions of the AIC Code throughout the year under review and up to the date of approval of the annual report and accounts.

Role of the Board

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

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

The Board meets at least four times during the year and additional meetings are arranged as necessary. Full and timely information is

DIRECTORS' REPORT *CONTINUED*

provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

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

Board Composition

The Board is chaired by Michael Quicke, and consists of six non executive Directors. All of the Board are regarded as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 21 and 22.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely non executive directors, this is unnecessary. However, the Chairman of the Audit Committee acts in that role. He leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Subject to the performance evaluation carried out each year, the Board agrees whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Board has adopted corporate governance best practice and all Directors stand for annual reappointment.

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

Board Independence

The Board does not believe that tenure of more than 9 years effects the independence of a Director. Therefore, the Board considers Michael Quicke and Andrew Robson to be independent and hence there is sufficient independence on the Board. The majority of the Board has served under 9 years.

Induction and Training

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

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on pages 21 and 22.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were six full Board meetings, including a private meeting of the Directors to evaluate the Manager, two Audit Committee meetings and one meeting of the Nomination Committee.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Ivo Coulson	6	2	1
Richard Fitzalan Howard[1]	3	1	–
Michael Quicke	6	2	1
Andrew Robson	6	2	1
Frances Davies	6	2	1
Andrew Impey	6	2	1
Alice Ryder[2]	3	1	1

[1] Retired 29th November 2016.

[2] Appointed 1st February 2017.

Board Committees

Nomination Committee

The Nomination Committee is chaired by Michael Quicke. The Committee consists of all the independent Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender.

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

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to the remuneration policy.

Audit Committee
The report of the Audit Committee is set out on page 29.

Terms of Reference

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders half yearly each year by way of the Annual Report and Accounts and the Half Year report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares and the Company's level of Gearing.

All shareholders have the opportunity, and are encouraged, to attend the Company's AGM at which the Directors and representatives of the Managers are available in person to meet with shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance.

During the year the Company's broker and the Manager held regular discussions with larger shareholders. The Directors are made fully aware of their views. In addition, on a regular basis the Board invites the Company's brokers, who are independent of the manager, to present to the Directors. Through them, the Board not only receives an independent and well informed report on shareholder views, but also is able to offer shareholders meetings with the Chairman or the Directors as and when required to address any queries. The Directors may be contacted through the Company Secretary whose details are shown on page 69 or via the Company's website.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 69. A formal process is in place for all letters to the Chairman or other Directors to be immediately forwarded to them. As part of this process, any feedback from shareholders is also communicated to the Board.

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

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 19 and 20). This process has been in place for the year under review and up to the date of approval of the annual report and accounts, and it accords with the Financial Reporting Council's guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of the Manager. This arrangement is kept under review.

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

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

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

DIRECTORS' REPORT *CONTINUED*

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

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

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

- reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed;
- reviews independent reports on the internal controls and the operations of JPMAM; and
- reviews quarterly reports from the Company's depositary.

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

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 31st July 2017, and to the date of approval of this Annual Report and Accounts.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of the JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 18.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

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

Stewardship/Engagement

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

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

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

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

AUDIT COMMITTEE REPORT

Composition and Role

The Audit Committee, chaired by Andrew Robson and whose membership is set out on pages 21 and 22, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code. It examines the effectiveness of the Company's internal control systems. It monitors the Company's key risks and controls relating to those risks. It receives controls reports on the Manager and the custodian and monitors the controls and service levels at the Company's other key third party suppliers. It also receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor. The Audit Committee has reviewed the independence and objectivity of the auditor and is satisfied that the auditor is independent. The Audit Committee also has the primary responsibility for making recommendations to the Board on the reappointment and the removal of the external auditor.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st July 2017, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issues	How the issues were addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1b to the accounts on page 44. Controls are in place to ensure that valuations are appropriate and existence is verified through Custodian reconciliations. Given the portfolio comprises smaller companies, the Audit Committee also considers the liquidity of investee company shares, and any impact that it might have on valuation.
Recognition of Investment Income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 44. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st August 2013 has been obtained and ongoing compliance with the eligibility criteria is monitored by the Board on a regular basis.

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

Going Concern

The Directors believe that having considered the Company's investment objective (see page 16), risk management policies (see pages 56 to 60), capital management policies and procedures (page 60), the nature of the portfolio and expenditure 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. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. In its deliberations, the Board has taken account of its expectations of the results of the forthcoming continuation vote, and has not identified any other material matter over a period of at least twelve months from the date of these financial statements.

Risk Management and Internal Control

The Directors' statement on the Company's system of internal control is set out on pages 27 and 28.

Auditor Appointment and Tenure

Representatives of the Company's auditor attended the Audit Committee meeting at which the draft annual report and accounts were considered and also engaged the Directors as and when required.

Details of the auditor's fees charged for audit services are disclosed in note 6 on page 47.

The current audit firm, Deloitte LLP, or predecessor firms have audited the Company's financial statements since its formation in 1990. This financial year ended 31st July 2017 was the current Senior statutory auditor's third of a five year maximum term in accordance with present professional guidelines.

The Committee undertook an audit tender during the year. It was agreed that Deloitte LLP would not be invited to tender due to their length of tenure. The Committee reviewed tender submissions from three audit firms, and, following detailed consideration, recommended to the Board that Ernst & Young LLP be appointed as auditors on the basis of the experience demonstrated of the investment trust sector and the strength of the audit team. The Board supported this recommendation which will be put to shareholders at the forthcoming AGM following receipt of special notice.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the annual report and accounts with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st July 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 33.

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

18th October 2017

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st July 2017, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's opinion is included in their report on pages 34 to 39.

Remuneration of the Directors is considered by the Nomination Committee on a regular basis. The Committee makes recommendations to the Board as and when appropriate.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy vote will be put to shareholders every year. Accordingly, a resolution to approve this policy will be put to shareholders at the 2017 AGM. The policy subject to the vote, is set out in full below and is currently in force.

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

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

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

In the year under review, Directors' fees were paid at the following rates: Chairman £33,000 per annum; Chairman of the Audit Committee £26,000 per annum; and, the other Directors £23,000 per annum.

The Company's Articles of Association stipulate that aggregate fees must not exceed £200,000 per annum.

The Nomination Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's AGM and the Company's registered office. Details of the Board's policy on tenure are set out on page 26.

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

Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM. There have been no changes to the policy during this financial year compared with the year ended 31st July 2017 and no changes are proposed for the year ending 31st July 2018.

At the AGM held on 29th November 2016, of votes cast, 99.5% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the Resolutions to approve both the Directors' Remuneration Policy and the Directors' Remuneration Report and 0.5% voted against both Resolutions.

Details of voting on both the Remuneration Policy and Remuneration Policy Implementation Reports from the 2017 AGM will be given in the annual report for the year ending 31st July 2018.

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

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st July 2017 was £147,083. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

Single total figure table[1]

	Total fees[2] 2017 £	2016 £
Michael Quicke	£33,000	£32,000
Andrew Robson	£26,000	£25,000
Ivo Coulson	£23,000	£22,000
Richard Fitzalan Howard[3]	£7,583	£22,000
Frances Davies	£23,000	£22,000
Andrew Impey	£23,000	£22,000
Alice Ryder[4]	£11,500	–
Total	**£147,083**	**£145,000**

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

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

[3] Retired on 29th November 2016.

[4] Appointed 1st February 2017.

A table showing the total remuneration for the Chairman over the five years ended 31st July 2017 is below:

Remuneration for the Chairman over the five years ended 31st July 2017

Year ended 31st July	Fees	Performance related benefits received as a percentage of maximum payable[1]
2017	£33,000	n/a
2016	£32,000	n/a
2015	£32,000	n/a
2014	£30,000	n/a
2013	£29,000	n/a

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

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings are detailed below.

Directors' Name	31st July 2017	31st July 2016 or as at date of appointment
Ordinary shares		
Michael Quicke	13,249	9,212
Andrew Robson	3,795	2,163
Ivo Coulson[2]	1,400	1,400
Frances Davies	809	809
Andrew Impey	1,500	1,500
Alice Ryder[3]	1,000	–
Total	**20,353**	**22,584**

[1] Audited information.

[2] Non-beneficial holding.

[3] Appointed 1st February 2017.

Directors' Name	2017 Number of shares held	2016 Number of shares held
Subscription shares		
Michael Quicke	–	1,842
Andrew Robson	–	432
Ivo Coulson	–	660
Richard Fitzalan Howard[1]	n/a	1,500
Frances Davies	–	161
Andrew Impey	–	–
Alice Ryder[2]	–	n/a
Total	**–**	**4,595**

[1] Retired on 29th November 2016.

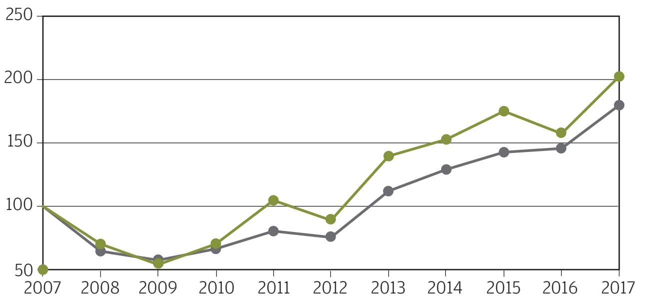
[2] Appointed 1st February 2017.

Ivo Coulson sold his shares in the Company on 8th August 2017. As at the latest practicable date before the publication of this document, there have been no other changes to the Directors' shareholdings in the Company.

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

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

Ten Year Share Price and Benchmark Total Return Performance to 31st July 2017



Source: Morningstar.

Share price total return.

Benchmark total return.

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

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st July 2017	2016
Remuneration paid to all Directors	£147,083	£145,000
Distribution to shareholders		
– by way of dividend	£3,055,000	£1,889,000
– by way of share repurchases	£5,906,000	£2,936,000

For and on behalf of the Board
Michael Quicke OBE
Chairman

18th October 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the accounts in accordance with applicable law and regulations.

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

The Directors confirm that they have done so.

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

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

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

Each of the Directors, whose names and functions are listed on pages 21 and 22 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice) give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

For and on behalf of the Board
Michael Quicke OBE
Chairman

18th October 2017

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN SMALLER COMPANIES INVESTMENT TRUST PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st July 2017 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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' (AIC SORP) issued by the Association of Investment Companies in November 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of JPMorgan Smaller Companies Investment Trust plc (the 'Company') which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) (United Kingdom Generally Accepted Accounting Practice) and AIC SORP.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

Summary of our audit approach

Risk	How the scope of our audit responded to the risk
Key audit matters	The key audit matters that we identified in the current year were: 1. Valuation and ownership of fixed asset investments 2. Recognition of investment income All key audit matters within this report are in line with prior year.
Materiality	The materiality that we used in the current year was £2,070,000 which was determined on the basis of 1% of net assets at 31st July 2017.
Scoping	All audit work for the Company was performed directly by the audit engagement team.
Significant changes in our approach	No significant changes in our approach.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1(a) to the financial statements and the directors' statement on the longer-term viability of the Company contained within the strategic report on page 20.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 19-20 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 19 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 1(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 20 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and ownership of fixed asset investments

Key audit matter description
There is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value or that they may not represent the property of the Company.

The fixed asset investments of the Company at 31st July 2017 were £224.1 million (2016: £169.8 million).

See Accounting policy at note 1(b) and detailed disclosures at note 11.

This key audit matter was included as a significant issue in the Audit Committee Report on page 29.

How the scope of our audit responded to the key audit matter
We reviewed the J.P. Morgan Investor Services (J.P. Morgan) SOC 1 internal control report and J.P. Morgan Asset Management internal control report based on the framework set out in the Technical Release 'Assurance Reports on Internal Controls of Service Organisations Made Available to Third Parties (AAF 01/06)' to evaluate the design and implementation of controls over the ownership and valuation of fixed asset investments.

We obtained a written representation from J.P. Morgan to confirm that there have been no material changes to these controls or their effectiveness from the date of the reports to 31st July 2017.

We agreed 100% of the Company's year-end fixed asset investments to confirmations received directly from the depositary (BNY Mellon) and from the custodian (JP Morgan Chase Bank).

We agreed 100% of the bid prices of fixed asset investments on the investment ledger at year end to closing bid prices published by an independent pricing source, which includes a variety of pricing sources with Bloomberg as the primary source.

We made enquiries of the Manager and Directors regarding their assessment of the portfolio pricing and liquidity, and sample tested for reasonableness.

Key observations
No misstatements were identified which required reporting to those charged with governance in regards to the valuation and ownership of the fixed asset investments.

Recognition of investment income

Key audit matter description
Dividends are accounted for as investment income on an ex-dividend basis, except where, in the opinion of management and the board, the dividend is capital in nature, in which case it is treated as a return of capital.

There is a risk that investment income is incomplete or that it is incorrectly allocated between investment income and capital accounts. We also identified this risk as a fraud risk.

Investment income for the year was £5.1 million (2016: £4.3 million).

See Accounting policy at note 1(d) and detailed disclosures at note 4.

This key audit matter was included as a significant issue in the Audit Committee Report on page 29.

How the scope of our audit responded to the key audit matter
We reviewed the J.P. Morgan SOC 1 internal control report and J.P. Morgan Asset Management internal control report based on the framework set out in the Technical Release 'Assurance Reports on Internal Controls of Service Organisations Made Available to Third Parties (AAF 01/06)' to evaluate the key controls over investment income recognition.

We tested 100% of dividends recorded during the year by recalculating the dividend entitlement on each security using independent market data and the expected holding at the ex-dividend date.

We developed an understanding of managements' control on allocation of income, and for a sample of special dividends and corporate actions, we assessed the Manager's rationale for the classification between revenue and capital.

We assessed the accounting policies for investment income recognition against the requirements of FRS 102 and AIC SORP and tested 100% of the investment income recorded to review their application during the year.

Key observations
No misstatements were identified which required reporting to those charged with governance in regards to the completeness and allocation of investment income.

Accounting policies in relation to investment income recognition were found to be in line with FRS 102, AIC SORP and industry peers.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£2,070,000 (2016: £1,606,000)
Basis for determining materiality	1% (2016: 1%) of net assets.
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £41,000 (2016: £32,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

There were no changes to the scope of our audit since prior year. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work designed to respond to the risks of material misstatement was performed directly by the audit engagement team.

As part of our audit we assessed the controls in place at the administrator who prepares the financial statements of the Company by reviewing a controls report over their activities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including Strategic Report and the Directors' Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

We have nothing to report in respect of these matters.

- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Deloitte LLP, or predecessor firms, have been the auditor of the Company since incorporation in 1990. The financial statements for the period ended 31st July 1991 was the first period of appointment and we have audited each subsequent financial period. As described in the Audit Committee Report on page 29, a tender was conducted during the year and we did not participate due to length of tenure.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Andrew Partridge, CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

18th October 2017

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST JULY 2017

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	–	44,934	44,934	–	(16,063)	(16,063)
Net foreign currency gains		–	22	22	–	5	5
Income from investments	4	5,133	–	5,133	4,263	–	4,263
Interest receivable and similar income	4	50	–	50	21	–	21
Gross return/(loss)		**5,183**	**44,956**	**50,139**	**4,284**	**(16,058)**	**(11,774)**
Management fee	5	(474)	(1,106)	(1,580)	(463)	(1,081)	(1,544)
Other administrative expenses	6	(452)	–	(452)	(487)	–	(487)
Net return/(loss) on ordinary activities before finance costs and taxation		**4,257**	**43,850**	**48,107**	**3,334**	**(17,139)**	**(13,805)**
Finance costs	7	(66)	(154)	(220)	(82)	(192)	(274)
Net return/(loss) on ordinary activities before taxation		**4,191**	**43,696**	**47,887**	**3,252**	**(17,331)**	**(14,079)**
Taxation	8	(141)	–	(141)	(114)	–	(114)
Net return/(loss) on ordinary activities after taxation		**4,050**	**43,696**	**47,746**	**3,138**	**(17,331)**	**(14,193)**
Return/(loss) per share - undiluted	10	**24.24p**	**261.48p**	**285.72p**	**18.31p**	**(101.14)p**	**(82.83)p**
Return/(loss) per share - diluted[1]	10	**24.24p**	**261.48p**	**285.72p**	**18.31p**	**(101.14)p**	**(82.83)p**

[1] As at 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed during the year. As at 31st July 2016, the Subscription shares had no dilutive effect as the conversion price for these shares exceeded the average market price of the Ordinary shares from the date of issue to 31st July 2016.

A final dividend of 23.0p per share (2016: 18.3p per share) is proposed in respect of the year ended 31st July 2017 amounting to £3,933,000 (2016: £3,098,000). Further information on dividends is given in note 9(a) on page 49.

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

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

The notes on pages 44 to 60 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST JULY 2017

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 31st July 2015	4,324	18,190	2,347	151,286	3,450	179,597
Repurchase and cancellation of the Company's own shares	(90)	–	90	(2,936)	–	(2,936)
Issue of Ordinary shares on exercise of Subscription shares	2	52	–	–	–	54
Net (loss)/return on ordinary activities	–	–	–	(17,331)	3,138	(14,193)
Dividend paid in the year	–	–	–	–	(1,889)	(1,889)
At 31st July 2016	4,236	18,242	2,437	131,019	4,699	160,633
Repurchase and cancellation of the Company's own shares	(172)	–	172	(5,906)	–	(5,906)
Conversion of Subscription shares into Ordinary shares	(1)	1	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	215	7,652	–	–	–	7,867
Cancellation of Subscription Shares	(3)	–	–	3	–	–
Net return on ordinary activities	–	–	–	43,696	4,050	47,746
Dividends paid in the year	–	–	–	–	(3,055)	(3,055)
At 31st July 2017	4,275	25,895	2,609	168,812	5,694	207,285

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

The notes on pages 44 to 60 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31ST JULY 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	224,092	169,806
Current assets	12		
Debtors		738	485
Cash and cash equivalents		8,649	10,575
		9,387	**11,060**
Current liabilities	13		
Creditors: amounts falling due within one year		(26,194)	(20,233)
Net current liabilities		**(16,807)**	**(9,173)**
Total assets less current liabilities		**207,285**	**160,633**
Net assets		**207,285**	**160,633**
Capital and reserves			
Called up share capital	14	4,275	4,236
Share premium	15	25,895	18,242
Capital redemption reserve	15	2,609	2,437
Capital reserves	15	168,812	131,019
Revenue reserve	15	5,694	4,699
Total shareholders' funds		**207,285**	**160,633**
Net asset value per Ordinary share – undiluted	16	**1,212.2p**	**948.8p**
Net asset value per Ordinary share – diluted[1]	16	**1,212.2p**	**942.9p**

[1] As at 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed during the year.

The financial statements on pages 40 to 60 were approved and authorised for issue by the Directors on 18th October 2017 and signed on their behalf by:

Michael Quicke
Chairman

The notes on pages 44 to 60 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST JULY 2017

	Notes	2017 £'000	2016 £'000
Net cash outflow from operations before dividends and interest	17	(1,956)	(2,041)
Dividends received		4,696	3,902
Interest received		21	17
Interest paid		(220)	(278)
Taxation		2	1
Net cash inflow from operating activities		**2,543**	**1,601**
Purchases of investments		(77,062)	(78,352)
Sales of investments		70,724	87,897
Settlement of foreign currency contracts		(2)	6
Net cash (outflow)/inflow from investing activities		**(6,340)**	**9,551**
Dividends paid		(3,055)	(1,889)
Repurchase and cancellation of the Company's own shares		(5,941)	(2,574)
Issue of Ordinary shares on exercise of Subscription shares		7,867	54
Drawdown of loans		3,000	–
Net cash inflow/(outflow) from financing activities		**1,871**	**(4,409)**
(Decrease)/increase in cash and cash equivalents		**(1,926)**	**6,743**
Cash and cash equivalents at start of year		10,575	3,832
Cash and cash equivalents at end of year		8,649	10,575
(Decrease)/increase in cash and cash equivalents		**(1,926)**	**6,743**
Cash and cash equivalents consist of:			
Cash and short-term deposits		370	249
Cash held in JPMorgan Sterling Liquidity Fund		8,279	10,326
Total		**8,649**	**10,575**

The notes on pages 44 to 60 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2017

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014 and updated in January 2017.

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

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 29 of the Audit Committee Report form part of these financial statements.

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

(b) Valuation of investments

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

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

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

(c) Accounting for reserves

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

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

(d) Income

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

UK dividends are included net of tax credits.

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

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

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

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

Interest receivable is taken to revenue on an accruals basis.

(e) Expenses

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

- The management fee is allocated 30% to revenue and 70% to capital, in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio; and
- Expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 50.

(f) Finance costs

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

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

(g) Financial instruments

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

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

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

(h) Taxation

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

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

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

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

(i) Value added tax ('VAT')

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

(j) Foreign currency

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(j) Foreign currency *continued*

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

(k) Dividends

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

(l) Repurchase of Ordinary shares for cancellation

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

(m) Share issue costs

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

(n) Conversion of Subscription shares

When the holders of Subscription shares exercise their right to convert their shares into Ordinary shares, the nominal value of those Subscription shares is transferred to share premium. The nominal value of the Ordinary shares created is credited to called up share capital with the balance of the consideration credited to share premium.

2. Significant accounting judgements, estimates and assumptions

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

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

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

	2017 £'000	2016 £'000
Gains on investments held at fair value through profit or loss based on historic cost	7,166	14,217
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(3,226)	(26,234)
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	3,940	(12,017)
Net movement in investment holding gains and losses	41,008	(4,039)
Other capital charges	(14)	(7)
Total capital gains/(losses) on investments held at fair value through profit or loss	**44,934**	**(16,063)**

4. Income

	2017 £'000	2016 £'000
Income from investments		
UK dividends	4,054	3,423
Property income distribution	39	43
Overseas dividends	913	586
Scrip dividends	127	211
	5,133	**4,263**
Interest receivable and similar income		
Underwriting commission	34	–
Interest from liquidity fund	16	21
	50	**21**
Total income	**5,183**	**4,284**

5. Management fee

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	474	1,106	1,580	463	1,081	1,544

Details of the management fee are given in the Directors' Report on page 23.

6. Other administrative expenses

	2017 £'000	2016 £'000
Directors' fees[1]	147	145
Savings scheme costs[2]	54	90
Depositary fees[3]	37	40
Professional fees	15	14
Auditor's remuneration for audit services[4]	29	28
Auditor's remuneration for all other services[5]	6	6
Registrar fees	26	21
Printing costs	25	27
Irrecoverable VAT	15	15
AIC Subscription	17	17
Postage	16	13
Broker fees	14	14
Other administration expenses	51	57
	452	**487**

[1] Full disclosure is given in the Directors' Remuneration Report on pages 30 to 32.

[2] Paid to the Manager for administration of saving scheme products. Includes £9,000 (2016: £15,000) irrecoverable VAT.

[3] Includes £6,000 (2016: £7,000) irrecoverable VAT.

[4] Includes £5,000 (2016: £5,000) irrecoverable VAT.

[5] Comprises the Company's contribution to the audit of the JPMAM control procedures.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

7. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	66	154	220	82	192	274

8. Taxation

(a) Analysis of tax charge in the year

	2017 £'000	2016 £'000
Overseas withholding tax	141	114
Total tax charge for the year	**141**	**114**

(b) Factors affecting the total tax charge for the year

The tax charge for the year is lower (2016: higher) than the Company's applicable rate of corporation tax of 19.67% (2016: 20.00%) The factors affecting the total tax charge for the year are as follows:

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return/(loss) on ordinary activities before taxation	4,191	43,696	47,887	3,252	(17,331)	(14,079)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 19.67% (2016: 20.00%)	824	8,595	9,419	650	(3,466)	(2,816)
Effects of:						
Non taxable capital (gains)/losses	–	(8,843)	(8,843)	–	3,212	3,212
Non taxable UK dividends	(797)	–	(797)	(685)	–	(685)
Non taxable overseas dividends	(84)	–	(84)	(55)	–	(55)
Non taxable scrip dividends	(25)	–	(25)	(42)	–	(42)
DTR expensed	(73)	–	(73)	–	–	–
Unrelieved expenses	155	248	403	132	254	386
Overseas withholding tax	141	–	141	114	–	114
Total tax charge for the year	**141**	**–**	**141**	**114**	**–**	**114**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £5,122,000 (2016: £5,054,000) based on a prospective corporation tax rate of 17% (2016: 18%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. In March 2016 a further cut to 17% in 2020 was announced. These reductions in the standard rate of corporation tax were substantively enacted on 15th September 2016 and became effective from 1st April 2017. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

9. Dividends

(a) Dividends paid and proposed

	2017 £'000	2016 £'000
Dividend paid		
2016 final dividend of 18.3p (2015: 11.0p) per share	3,055	1,889
Dividend proposed		
2017 final dividend proposed of 23.0p (2016: 18.3p) per share	3,933	3,098

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

The dividend proposed in respect of the year ended 31st July 2016 amounted to £3,098,000. However the amount paid amounted to £3,055,000 due to shares repurchased after the balance sheet date but prior to the share register record date.

The dividend proposed in respect of the year ended 31st July 2017 is subject to shareholder approval at the forthcoming AGM. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st July 2018.

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £4,050,000 (2016: £3,138,000). The revenue reserve after payment of the final dividend will amount to £1,761,000 (2016: £1,601,000).

	2017 £'000	2016 £'000
Final dividend of 23.0p (2016: 18.3p) per share	3,933	3,098

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

10. Return/(loss) per share

	2017 £'000	2016 £'000
Revenue return	4,050	3,138
Capital return/(loss)	43,696	(17,331)
Total return/(loss)	**47,746**	**(14,193)**
Weighted average number of shares in issue during the year used for the purposes of the undiluted calculation	16,710,754	17,136,321
Weighted average number of shares in issue during the year used for the purposes of the diluted calculation	16,710,754	17,136,321
Undiluted		
Revenue return per share	24.24p	18.31p
Capital return/(loss) per share	261.48p	(101.14)p
Total return/(loss) per share	**285.72p**	**(82.83)p**
Diluted[1,2]		
Revenue return per share	24.24p	18.31p
Capital return/(loss) per share	261.48p	(101.14)p
Total return/(loss) per share	**285.72p**	**(82.83)p**

[1] As at 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed during the year. Further details are given on page 4.

[2] As at 31st July 2016, the Subscription shares had no dilutive effect as the conversion price for these shares exceeded the average market price of the Ordinary shares from the date of issue to 31st July 2016.

The diluted return/(loss) per share represents the return/(loss) on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the year as adjusted in accordance with IAS 33, as required by FRS 102.

11. Investments

	2017 £'000	2016 £'000
Investments listed on a recognised stock exchange	224,092	169,272
Unlisted investments	–	534
	224,092	**169,806**

	2017 Listed £'000	2017 Unlisted £'000	2017 Total £'000	2016 Listed £'000	2016 Unlisted £'000	2016 Total £'000
Opening book cost	146,581	534	147,115	143,283	45	143,328
Opening investment holding gains/(losses)	22,691	–	22,691	53,009	(45)	52,964
Opening valuation	169,272	534	169,806	196,292	–	196,292
Movements in the year:						
Purchases at cost	80,165	–	80,165	77,158	534	77,692
Sales – proceeds	(70,827)	–	(70,827)	(88,122)	–	(88,122)
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	3,940	–	3,940	(12,017)	–	(12,017)
Transfer to/from unquoted investments (cost)	534	(534)	–	–	–	–
Net movement in investment holding gains and losses	41,008	–	41,008	(4,039)	–	(4,039)
	224,092	**–**	**224,092**	**169,272**	**534**	**169,806**
Closing book cost	163,619	–	163,619	146,581	534	147,115
Closing investment holding gains	60,473	–	60,473	22,691	–	22,691
Total investments held at fair value through profit or loss	**224,092**	**–**	**224,092**	**169,272**	**534**	**169,806**

Transaction costs on purchases during the year amounted to £360,000 (2016: £352,000) and on sales during the year amounted to £75,000 (2016: £93,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding losses amounting to £3,226,000 have been transferred to gains on sales of investments as disclosed in note 15.

12. Current assets

Debtors

	2017 £'000	2016 £'000
Securities sold awaiting settlement	306	216
Overseas tax recoverable	14	1
Dividends and interest receivable	404	254
Other debtors	14	14
	738	**485**

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

13. Current liabilities

	2017 £'000	2016 £'000
Creditors: amounts falling due within one year		
Bank loan	22,000	19,000
Securities purchased awaiting settlement	3,732	756
Repurchase of the Company's own shares awaiting settlement	327	362
Loan interest payable	16	16
Other creditors	119	99
	26,194	**20,233**

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

The Company has a £25.0 million loan facility with Scotiabank which expires in April 2018. Under the terms of this agreement the Company may draw down up to £25.0 million, or the equivalent in euros, at an interest rate of the interbank offer rate for the relevant currency and period, plus a margin per annum, plus the mandatory cost, which is the lender's cost of complying with certain regulatory requirements of the Bank of England, FCA, or the European Central Bank. There is also a further option to increase the facility commitment amount by £10.0 million to £35.0 million in two increments of £5.0 million subject to certain conditions.
At 31st July 2017, the Company had £22.0 million drawn down on the facility at an interest rate of 0.98%.

14. Called up share capital

	2017 £'000	2016 £'000
Ordinary shares allotted and fully paid:		
Opening balance of 16,930,024 (2016: 17,283,355) shares of 25p each	4,232	4,320
Repurchase and cancellation of 689,992 (2016: 359,194) shares	(172)	(90)
Issue of 859,774 (2016: 5,863) shares on exercise of Subscription shares	215	2
Closing balance of 17,099,806 (2016: 16,930,024) shares of 25p each	**4,275**	**4,232**
Opening balance of 3,555,679 (2016: 3,561,542) shares of 0.1p each	4	4
Exercise of 859,774 (2016: 5,863) Subscription shares into Ordinary shares	(1)	–
Cancellation of 2,695,905 (2016: nil) shares at their expiry date	(3)	–
Closing balance of nil (2016: 3,555,679) subscription shares	**–**	**4**
Total called up share capital	**4,275**	**4,236**

Further details of transactions in the Company's shares are given in the Business Review on page 18.

15. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	4,236	18,242	2,437	108,328	22,691	4,699	160,633
Net foreign currency gains on cash and cash equivalents	–	–	–	22	–	–	22
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	3,940	–	–	3,940
Net movement in investment holding gains and losses	–	–	–	–	41,008	–	41,008
Transfer on disposal of investments	–	–	–	3,226	(3,226)	–	–
Repurchase and cancellation of the Company's own shares	(172)	–	172	(5,906)	–	–	(5,906)
Conversion of Subscription shares into Ordinary shares	(1)	1	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	215	7,652	–	–	–	–	7,867
Cancellation of Subscription shares	(3)	–	–	3	–	–	–
Management fee and finance costs charged to capital	–	–	–	(1,260)	–	–	(1,260)
Other capital charges	–	–	–	(14)	–	–	(14)
Dividend paid in the year	–	–	–	–	–	(3,055)	(3,055)
Retained revenue for the year	–	–	–	–	–	4,050	4,050
Closing balance	**4,275**	**25,895**	**2,609**	**108,339**	**60,473**	**5,694**	**207,285**

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

16. Net asset value per share

	2017	2016
Undiluted		
Net assets (£'000)	207,285	160,633
Number of shares in issue	17,099,806	16,930,024
Net asset value per Ordinary share	**1,212.2p**	**948.8p**
Diluted[1]		
Net assets (£'000)	207,285	193,168
Number of potential Ordinary shares in issue	17,099,806	20,485,703
Net asset value per Ordinary share	**1,212.2p**	**942.9p**

[1] As at 31st July 2017 there was no dilution effect as the rights attached to the Subscription shares lapsed during the year. Further details are given on page 4.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

	2017 £'000	2016 £'000
Net return/(loss) on ordinary activities before finance costs and taxation	48,107	(13,805)
(Less capital return)/Add capital loss on ordinary activities before finance costs and taxation	(43,850)	17,139
Scrip dividends included in income	(127)	(211)
Increase in accrued income and other debtors	(150)	(66)
Increase/(decrease) in accrued expenses	19	(10)
Management fee charged to capital	(1,106)	(1,081)
Tax on unfranked investment income	(156)	(87)
Dividends received	(4,696)	(3,902)
Interest received	(21)	(17)
Realised gain/(loss) on foreign exchange transactions	24	(1)
Net cash outflow from operations before dividends and interest	**(1,956)**	**(2,041)**

18. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2016: nil).

19. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £1,580,000 (2016: £1,544,000) of which £nil (2016: £nil) was outstanding at the year end.

During the year £54,000 (2016: £90,000), including VAT, was payable to the Manager for the administration of savings scheme products, of which £16,000 (2016: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 47 are safe custody fees amounting to £3,000 (2016: £3,000) payable to JPMorgan Chase of which £1,000 (2016: £1,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £3,000 (2016: £15,000) of which £nil (2016: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £8.3 million (2016: £10.3 million). Interest amounting to £16,000 (2016: £21,000) was receivable during the year of which £nil (2016: £4,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £14,000 (2016: £7,000) were payable to JPMorgan Chase during the year of which £3,000 (2016: £2,000) was outstanding at the year end.

At the year end, total cash of £370,000 (2016: £249,000) was held with JPMorgan Chase. A net amount of interest of £167 (2016: £102) was receivable by the Company during the year from JPMorgan Chase of which £85 (2016: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on pages 30 to 32 and in note 6 on page 47.

20. Disclosures regarding financial instruments measured at fair value

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

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

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

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

The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

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

When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

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

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 44.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st July.

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	224,092	–	169,272	–
Level 3[1]	–	–	534	–
Total	**224,092**	**–**	**169,806**	**–**

[1] Autins Group which was admitted to AIM subsequent to 31st July 2016.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

20. Disclosures regarding financial instruments measured at fair value *continued*

	2017	
	Equity investments £'000	Total £'000
Level 3		
Opening balance	534	534
Transfers out of Level 3	(534)	(534)
Closing balance	–	–

	2016	
	Equity investments £'000	Total £'000
Level 3		
Opening balance	–	–
Change in fair value of unquoted investment during the year	534	534
Closing balance	**534**	**534**

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

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

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

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

The Company's financial instruments are as follows:

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

(a) Market risk

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

(i) Interest rate risk

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

Management of interest rate risk

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

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

Interest rate exposure

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

	2017 £'000	2016 £'000
Exposure to floating interest rates		
JPMorgan Sterling Liquidity Fund	8,279	10,326
Cash and short-term deposits	370	249
Bank loan	(22,000)	(19,000)
Total exposure	**(13,351)**	**(8,425)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2016: same). The target interest earned on the JPMorgan Sterling Liquidity Fund is the 7 day Sterling London Interbank Bid Rate. Details of the bank loan are given in note 13 on page 52.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2016: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2017		2016	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	20	(20)	49	(49)
Capital return	(154)	154	(133)	133
Total return after taxation for the year	(134)	134	(84)	84
Net assets	**(134)**	**134**	**(84)**	**84**

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

(ii) Other price risk

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(ii) Other price risk *continued*

Management of other price risk

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

Other price risk exposure

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

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	224,092	169,806

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 14 and 15. This shows that all of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2016: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2017		2016	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(47)	47	(41)	41
Capital return	22,299	(22,299)	16,886	(16,886)
Total return after taxation for the year	22,252	(22,252)	16,845	(16,845)
Net assets	**22,252**	**(22,252)**	**16,845**	**(16,845)**

(b) Liquidity risk

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

Management of the risk

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

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

Liquidity risk exposure

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

	2017			
	Three months or less £'000	More than three months but no more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	3,732	–	–	3,732
Repurchase of the Company's own shares awaiting settlement	327	–	–	327
Other creditors	119	–	–	119
Bank loan including interest	69	22,093	–	22,162
	4,247	22,093	–	26,340

	2016			
	Three months or less £'000	More than three months but no more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	756	–	–	756
Repurchase of the Company's own shares awaiting settlement	362	–	–	362
Other creditors	99	–	–	99
Bank loan including interest	72	19,101	–	19,173
	1,289	19,101	–	20,390

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

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(c) Credit risk *continued*

Exposure to JPMorgan Chase

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

Credit risk exposure

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

(d) Fair values of financial assets and financial liabilities

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

22. Capital management policies and procedures

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

	2017 £'000	2016 £'000
Debt:		
Bank loan	22,000	19,000
Equity:		
Called up share capital	4,275	4,236
Reserves	203,010	156,397
Total debt and equity	**229,285**	**179,633**

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

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

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	224,092	169,806
Net assets	207,285	160,633
Gearing	**8.1%**	**5.7%**

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

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

23. Subsequent events

The Directors have evaluated the period since the year end and have not rated any subsequent events.

Regulatory Disclosures

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

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 31st July 2017, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	175%	175%
Actual	112%	113%

JPMF Remuneration

JPMF is the authorised manager of the Company and is part of the JPMorgan Chase & Co. group of companies. In this disclosure, the terms 'JPMorgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, the 'Guidelines on sound remuneration policies' under the AIFMD issued by the European Securities and Markets Authority under the AIFMD. The disclosure has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5 and COLL 4.5.7).

JPMF Remuneration Policy

The current remuneration policy for the Management Company (the 'Remuneration Policy') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/adv/legal/emea-remuneration-policy. This policy includes details of how remuneration benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company. The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the funds it manages ('Identified Staff'). The Identified Staff include members of the Board of the Management Company (the 'Board'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

JPMF reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of Identified Staff.

JPMF Quantitative Disclosures

Disclosures in accordance with FUND 3.3.5, Article 22(2)e and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the Company's website at www.jpmsmallercompanies.co.uk

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

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st July 2017.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty seventh Annual General Meeting of JPMorgan Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP at 3.00 p.m. on Tuesday, 28th November 2017 for the following purposes.

1. To receive the Directors' Report, the Annual Accounts and the Independent Auditor's Report for the year ended 31st July 2017.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st July 2017.
4. To approve a final dividend of 23.0p per Ordinary share.
5. To reappoint Frances Davies a Director of the Company.
6. To reappoint Michael Quicke a Director of the Company.
7. To reappoint Andrew Robson a Director of the Company.
8. To reappoint Andrew Impey a Director of the Company.
9. To reappoint Alice Ryder a Director of the Company.

To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

10. THAT Ernst & Young LLP be appointed as Auditor of the Company in place of the retiring Auditor, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £212,892, representing approximately 5% of the Company's issued Ordinary share capital as at the date of this notice and shall expire at the conclusion of the AGM of the Company to be held in 2018 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570, of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560(i) of the Act) pursuant to the authority conferred by Resolution 11 as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £212,892, representing approximately 5% of the total Ordinary share capital as at the date of this notice at a price of not less than the net asset value per share and shall expire, upon the expiry of the general authority conferred by Resolution 11 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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

    PROVIDED ALWAYS THAT

    (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 2,553,002, or if less, that number of Ordinary shares which is equal to 14.99% of the Company's Ordinary issued share capital of the relevant share class as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for an Ordinary share shall be 25p;

    (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

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

(v) the authority hereby conferred shall expire on 27th May 2019 unless the authority is renewed at the Company's AGM in 2018 or at any other general meeting prior to such time; and

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

Continuation Vote – Ordinary Resolution

14. THAT the Company continues in existence as an investment trust for a further three year period.

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

23rd October 2017

Notes

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

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

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

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

4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

6. Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

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

   Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.

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

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting; no answer need be given if it is undesirable in the interests of the Company or the good order of the meeting.

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

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

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

13. The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the AGM.

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

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

16. As at 18th October 2017 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 17,031,374 Ordinary shares of 25 pence each, carrying one vote each. Therefore the total voting rights in the Company are 17,031,374.

Electronic appointment – CREST members

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

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

Return to shareholders
Total return to the investor, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend (see page 2).

Return on net assets
Return on the NAV per Ordinary 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 (see page 2).

Diluted NAV per Ordinary share
The diluted NAV per Ordinary share assuming that all outstanding Subscription shares were converted into Ordinary shares at the year end.

Benchmark return
Total return on the benchmark, on a closing market value to closing market value basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time the shares were quoted ex-dividend (see page 2).

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

Gearing/Net Cash
Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position (see page 17).

Ongoing charges
Management fees and all other operating expenses excluding interest, 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 (see page 17).

Share price discount to diluted NAV per Ordinary 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 (see page 17). 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.

Performance attribution
Analysis of how the Company achieved its recorded performance relative to its benchmark (see page 6).

Performance Attribution Definitions:

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

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

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

Repurchase of shares for cancellation
Measures the effect on relative performance of repurchasing and cancelling the Company's own shares at a price which is less than the net asset value per share.

Exercise of Subscription Shares
Measures the negative impact on the Net Asset Value ('NAV') per share arising from the exercise of Subscription shares into Ordinary shares at a price less than the NAV per share.

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 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. 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
FundsNetwork	The Share Centre
Hargreaves Lansdown	Trustnet Direct

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 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.

Company Numbers

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

Market Information

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

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

Website

www.jpmsmallercompanies.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. 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 and administrative matters please contact Divya Amin.

Depositary

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

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

Registrars

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

Lines open 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 1139. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

Deloitte LLP
Statutory Auditor
2 New Street Square
London EC4A 3BZ
United Kingdom

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 and, J.P. Morgan ISA call the JPMorgan Helpline on Freephone 0800 20 40 20 or +44 (0)20 7742 9995.

aic
The Association of Investment Companies

A member of the AIC

www.jpmsmallercompanies.co.uk

J.P. MORGAN HELPLINE

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday,
9am to 5.30pm.

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

J.P.Morgan
Asset Management

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