

JPMorgan European Smaller Companies Trust plc

Annual Report & Financial Statements for the year ended 31st March 2019



Your Company

Objective

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

Investment Policies

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

Risk

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

Further details on investment policies and risk management are given in the Strategic Report on page 19.

Benchmark

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

Capital Structure

At 31st March 2019, the Company's issued share capital comprised 159,462,885 ordinary shares of 5p each.

Management Company

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

AIC

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

Website

More information about the Company can be found online at www.jpmeuropeansmallercompanies.co.uk

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Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST MARCH

	2019	2018	3 years cumulative	5 years cumulative
Return to shareholders ^{1,A}	-12.6%	+23.1%	+31.6%	+55.3%
Return on net assets ^{2,A}	-7.5%	+14.4%	+34.1%	+56.7%
Benchmark return ³	-3.6%	+10.0%	+36.8%	+46.7%
Net asset return (under)/overperformance compared to benchmark return ³	-3.9%	+4.4%	-2.7%	+10.0%
Shareholder return (under)/overperformance compared to benchmark return	-9.0%	+13.1%	-5.2%	+8.6%
Dividend	6.7p	6.7p		

¹ Source: Morningstar.

² Source: Morningstar/J.P. Morgan using cum income net assets values per share.

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

^A Alternative Performance Measures ('APM')

A glossary of terms and APMs is provided on pages 81 and 82.

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	2019	2018	% change
Total returns for the year ended 31st March			
Share price return ^{1A}	-12.6%	+23.1%	
Net asset value return ^{2A}	-7.5%	+14.4%	
Benchmark return ³	-3.6%	+10.0%	
Net asset value, share price, discount and market data at 31st March			
Net asset value per share	400.0p	438.9p	-8.9
Share price	349.0p	406.0p	-14.0
Share price discount to net asset value per share ^A	12.8%	7.5%	-9.2
Shareholders' funds (£'000)	637,808	702,175	
Shares in issue	159,462,885	159,987,885	
Euromoney Smaller European Companies (ex UK) Index in sterling terms (capital only) ³	541.7	572.3	-5.3
Revenue for the year ended 31st March			
Gross revenue return (£'000)	15,837	13,251	+19.5
Net revenue available for shareholders (£'000)	11,680	9,575	+22.0
Revenue return per share	7.31p	5.98p	+22.2
Dividend per share	6.7p	6.7p	
(Net cash)/Gearing at 31st March^A	(5.2)%	7.9%	
Ongoing charges^A	1.07%	1.03%	

¹ Source: Morningstar.

² Source: Morningstar/JPMorgan, using cum income net asset value per share.

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

^A Alternative Performance Measures ('APM')

A glossary of terms and APMs is provided on pages 81 and 82.



Carolan Dobson
Chairman

**The Trust's
excellent longer
term
performance
remains intact**

Dear Shareholder,

I am pleased to present the Company's results for the year ended 31st March 2019.

Performance

The year under review proved to be a volatile period for equity investors both in Europe and in global stock markets. Whilst I was able to report a positive return on both the Company's net assets and relative performance to the benchmark index (the Euromoney Smaller European Companies (ex UK) index) in the first half of this year, this positive market return and relative outperformance sharply reversed in the second half of the year. Disappointingly, for the year to 31st March 2019 the Company's net asset total return was -7.5% while the return from the Company's benchmark index was -3.6%. Active management goes through periods of volatility, but the Trust's excellent longer term performance remains intact with the five year total return on net assets rising 56.7% whilst the benchmark total return rose 46.7%.

The Investment Managers' Report on pages 8 to 12 reviews the markets and provides more detail on performance and the stocks in which the Company is invested.

Revenue and Dividends

The Board's dividend policy is to pay out the majority of the revenue available each year. This is set against the Company's objective of maximising capital growth and the investment managers are therefore not constrained to deliver income in any one financial year.

Net revenue return for the year increased to £11.6 million (2018: £9.8 million), reflecting an increase in dividend receipts as well as exchange rate differences. An interim dividend of 1.2 pence per share was paid on 18th January 2019. Subject to shareholder approval at the forthcoming Annual General Meeting, a final dividend of 5.5 pence per share will be paid on 18th July 2019 to shareholders on the register as at the close of business on 14th June 2019 (ex-dividend date 13th June 2019).

Discount Management and Share Repurchases

The discount of the Company's share price to net asset value widened over the year from 7.5% to 12.8% at the year end as Europe remained out of favour with investors. In line with the Board's policy to monitor the level of the discount carefully and seek to use its ability to repurchase shares to minimise the short term volatility and the absolute level of the discount the Board took steps to repurchase shares at a time when the discount widened. 525,000 shares were repurchased between mid November and mid January 2019 at an average discount of 12.7%. No shares have been repurchased since the year end.

Manager Evaluation

During the year, the Management Engagement Committee undertook a formal review of the Manager, covering the investment management, company secretarial, administrative and marketing services provided to the Company. The review took into account the Manager's investment performance record, management processes, investment style, resources and risk control mechanisms. The Board agreed with the Committee's recommendation that the continued appointment of the Manager is in the interests of shareholders as a whole.

Environmental, Social and Governance ('ESG')

While the investment managers have always considered environmental, social and governance ('ESG') issues in their investment process, over the last 12 months it has been rigorously integrated into their investment process so that ESG issues are considered at every stage along the decision making process. Company reporting on ESG issues is at an early shape of development so that the investment managers use their regular company meetings with potential and existing investments to discuss and challenge management on their adherence to best practice.

Gearing

The Board believes that gearing can be beneficial to performance and sets the overall strategic gearing policy and guidelines and reviews these at each Board meeting. Taking into account borrowings, net of cash balances held, the Company ended the year holding approximately 5.2% net cash. Gearing is managed actively and during the year varied between 7.9% geared and 5.2% net cash. Borrowings consisted of a revolving credit facility of €105 million, of which none was drawn down at the year end. Over most time periods this active use of gearing has added considerably to performance.

Change of Auditor

The current auditor firm PricewaterhouseCoopers LLP has audited the Company's financial statements since 1998. An audit tender was undertaken during the year and Ernst & Young LLP has been selected as the new auditor on the basis of the experience demonstrated of the investment trust business and the strength of the audit team. Approval will be put to shareholders at the forthcoming Annual General Meeting.

Board of Directors

It has been an honour to be a Director and subsequently Chairman of the Company for the last nine years, and in line with good corporate governance principles, I will step down as Chairman at the Annual General Meeting. I would like to thank my fellow Directors for their commitment and skill in managing our Company and to all the JP Morgan team, particularly the fund managers that have made chairing this Company such a pleasure. I am pleased that Marc van Gelder has agreed to replace me. A recruitment process is underway to appoint a new non-executive Director and it is expected that an announcement will be made shortly in relation to the appointment. All Directors, other than myself, will stand for re-appointment at the Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 10th July 2019 at 12.00 noon. The Investment Managers will make a presentation covering the past year and give their outlook for the current year. Shareholders are invited to join the Investment Managers and the Board for lunch following the Annual General Meeting when there will be an opportunity for informal questions.

If you have any detailed or technical questions, it would be helpful if you could raise them in advance with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP or via the 'Ask a Question' link on the Company's website. Shareholders who are unable to attend the Annual General Meeting are encouraged to use their proxy votes.

Outlook

Valuations for European smaller companies are around their long term average and our companies earnings prospects continue to look strong. However globally there are a number of issues such as the trade friction between the US and China, the Brexit negotiations and the sheer length of the economic upturn that warrant caution so our managers are maintaining a prudent stance.

Carolyn Dobson

Chairman

4th June 2019



Francesco Conte
Investment Manager

“ Stocks we invest in are big enough to be global leaders, but still small enough to grow and generate ever increasing profits ”

“ European smaller companies are an exciting and rewarding investment opportunity that are often overlooked by investors ”



Edward Greaves
Investment Manager

Why invest in the JPMorgan European Smaller Companies Trust

The J.P.Morgan Asset Management team and philosophy

JPMorgan European Smaller Companies Trust plc (the Company) is managed by J.P.Morgan Asset Management (JPMAM). JPMAM is a leading European equity investment manager, managing total assets of £38.5 billion within their International Equity Group - Behavioural Finance investment platform, reflecting the range of solutions and high quality service they can provide.

The Company is co-managed by Francesco Conte and Edward Greaves who are both European small cap specialists with 40 years combined experience. They are supported by a broader team of 41 investment professionals.

Our Investment Approach

The team believe that attractively valued, high quality companies with positive momentum outperform the market. The disciplined investment approach involves detailed fundamental analysis and aims to exploit the predictable behavioural biases of investors. By combining three investment styles - Value, Quality, and Momentum - in a single portfolio, the team aim to outperform on a consistent basis through different market cycles. As a result, the Company's portfolio will be comprised of investments that have some or all of those characteristics. At the overall portfolio level, the magnitude of the exposure to each characteristic may vary according to market conditions.

Over 20
Years' experience
investing in the region

41
Investment
professionals in Europe

700+
European company
meetings in 2018

84.5%
Active share¹

¹ Active share is a measurement of the difference in the Company's portfolio compared to the benchmark index.



Francesco Conte
Investment Manager



Edward Greaves
Investment Manager

ESG has been rigorously integrated into the investment process

Investment Scope and Process

The objective of the Company is to achieve capital growth from a portfolio of quoted smaller companies in Europe, excluding the United Kingdom. The investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark index, the Euromoney Smaller European Companies (ex UK) Total Return Index. At the end of March 2019 the index consisted of 1,036 companies with a market value of between £83 million and £5.3 billion across 14 countries. This universe of potential investments is screened using a proprietary multi-factor model, and to these results we apply fundamental analysis.

The investment process is driven by bottom-up stock selection with a focus on identifying market leading growth companies with a catalyst for outperformance. Stock position sizing is determined by investment conviction and trading liquidity. Investments are sold when there is a fundamental deterioration in business prospects or the market capitalisation has significantly outgrown the benchmark index. The Board has set a liquidity range of between 20% cash and 20% gearing within which the Managers may operate. The policy is not to hedge the currency exposure of the portfolio's assets.

While the investment managers have always considered environmental, social and governance ('ESG') issues in their investment process, over the last 12 months it has been rigorously integrated into their investment process so that ESG issues are considered at every stage along the decision making process.

To assess a company's ESG characteristics, the investment managers use a proprietary methodology to rank companies that examines both the exposure to, and performance against, sustainability issues. The Investment managers focus on those issues that are material to a firm's business activities on a company by company basis, using a combination of third-party research and data, in-house proprietary models, fundamental analysis, and information gained from meeting and engaging with company management throughout our investment process.

Market Review

2018 started in ebullient mood as the world celebrated the first synchronised global recovery since the mid-noughties. However, by late summer 2018 the mood became progressively more cautious - US tax cuts risked overheating an already strong US economy, a trade war between the US and China curtailed corporate investment and central banks not only ended quantitative easing ('QE') but in some cases began raising interest rates. Optimism unravelled with fears of a synchronised global slowdown taking hold. In the final quarter of 2018, the Company's benchmark Euromoney Smaller European Companies (ex UK) Total Return Index fell by 16%, peak to trough.

With negative economic data accumulating, the Chinese authorities began aggressive monetary and fiscal easing, which combined with dovish statements by the US Fed Chair about limiting rate rises, reversed the market falls. By the end of the first quarter of 2019, the US S&P 500 index all but recovered the near 20% fall experienced during the final quarter of 2018, making it one of the strongest first quarters on record.

Despite these violent market gyrations, in the twelve months to March 2019, the MSCI Europe (ex UK) Net Return Index rose by a muted 2.2% and the Company's benchmark Euromoney Smaller European Companies (ex UK) Total Return Index fell by 3.6%.

Portfolio Performance

Over the financial year the return on assets of the Company fell by 7.5%, underperforming its benchmark by 3.9%, primarily due to stock selection. While an overweight position in defensive stocks helped mitigate the market weakness of the fourth quarter of 2018, some of our poor stock selections more than outweighed this. Moreover, the overweight position in healthcare had a negative impact in the first quarter of 2019 as markets became increasingly optimistic about the economic outlook.

Top performers over the period included IMCD, Tomra and Royal Unibrew

Top performers over the period included Dutch specialty chemicals distributor, IMCD, as it continued to consolidate its fragmented end markets, generating significant network effect scale benefits, Norwegian recycling and sorting solutions provider, Tomra, due to rising demand for its reverse vending recycling systems as governments attempt to reduce the environmental damage caused by single use plastics. In addition Danish brewer, Royal Unibrew, was a top performer as the company continued its track record of excellent operational execution and accretive bolt-on acquisitions.

Detractors from performance included French IT services provider, Sopra, following execution difficulties in its high margin banking software segment, Dutch agricultural feed supplier, ForFarmers, as a result of raw material price inflation and higher logistics costs, due to the exceptionally hot summer weather in 2018, and Austrian oilfield services provider, Schoeller-Bleckmann, which saw activity in the important US Permian basin depressed due to infrastructure bottlenecks. Another factor for Schoeller-Bleckmann was the sharp fall in the oil price at the end of 2018 which led to reduced capital expenditure expectations generally across the sector.

Set out below is further detail on the performance attribution.

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST MARCH 2019

	%	%
Contributions to total returns		
Benchmark return		-3.6
Asset allocation	0.3	
Stock selection	-3.0	
Gearing/cash effect	-0.1	
Currency effect	-0.1	
Investment Managers' added contribution		-2.9
Portfolio return		-6.5
Management fee/other expenses	-1.0	
Other effects		-1.0
Return on net assets^A		-7.5
Return to shareholders^A		-12.6

Source: Datastream/JPMAM/Morningstar.

All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

^A Alternative Performance Measures ('APM')

A glossary of terms and APMs is provided on pages 81 and 82.

Portfolio Positioning

Over the period, Health Care Equipment & Services became the largest sector overweight position. We increased our exposure through purchases including French care home operator, Korian, as the benefits of the company's portfolio repositioning strategy began to feed through to better than expected profitability, and Danish audio solutions provider, GN Store Nord, as new product launches in both the hearing aid and consumer audio divisions supported the momentum in the company's market share growth. Software & Computer Services remained the second largest sector overweight position, although the magnitude of the position relative to the benchmark fell as we took profits in a number of positions.

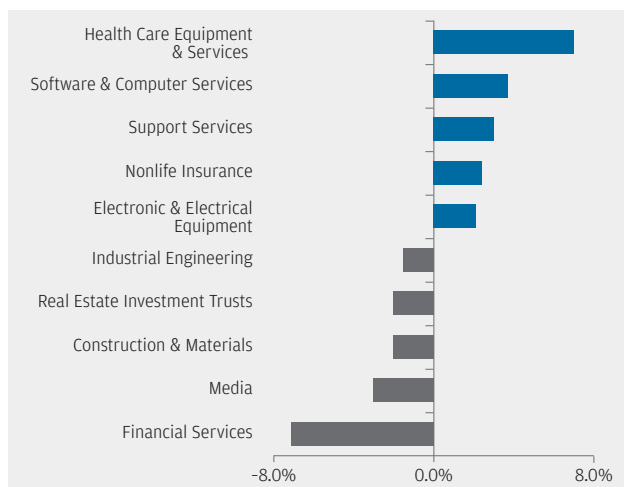
Through 2018 we financed these purchases by reducing our exposure to companies with more cyclical business models including German companies such as forklift truck manufacturer, Jungheinrich, automotive components supplier, Stabilus, and truck and trailer components supplier, SAF Holland, all due to slowing operational momentum.

As economic leading indicators have been improving into 2019 we have been selectively adding cyclical companies back into the portfolio where valuations have become more attractive following underperformance in 2018. An example is the German automotive supplier, Hella, which is significantly outgrowing its depressed automotive end markets as a result of market share gains of LED lighting - where Hella is a market leader - versus traditional lamps.

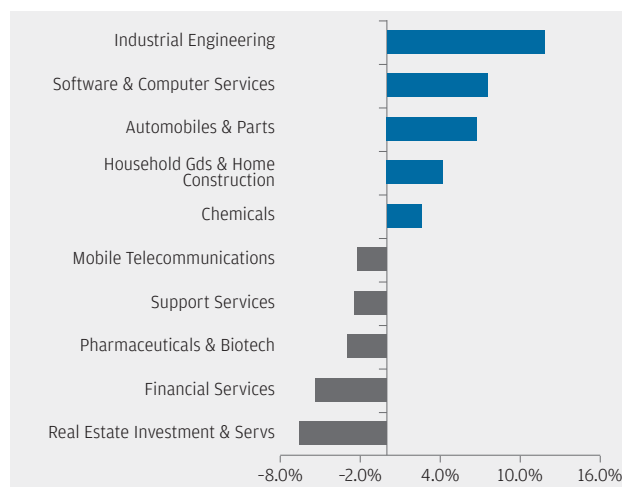
We have been selectively adding cyclical companies back into the portfolio where valuations have become more attractive

Top 10 Sector Active Positions (relative to benchmark)

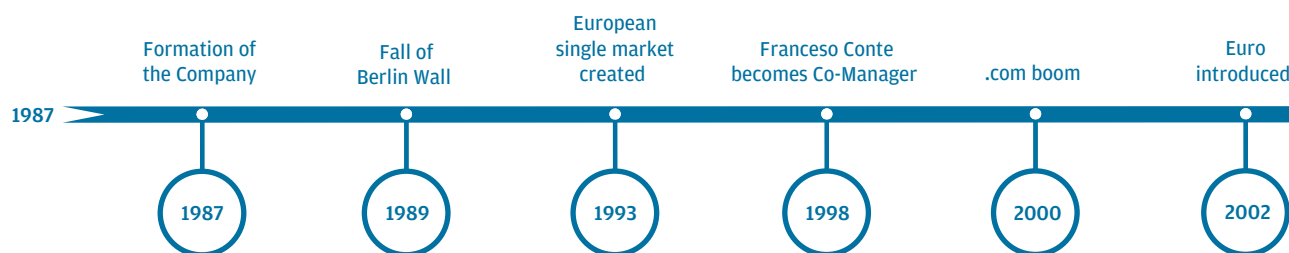
31ST MARCH 2019



31ST MARCH 2018

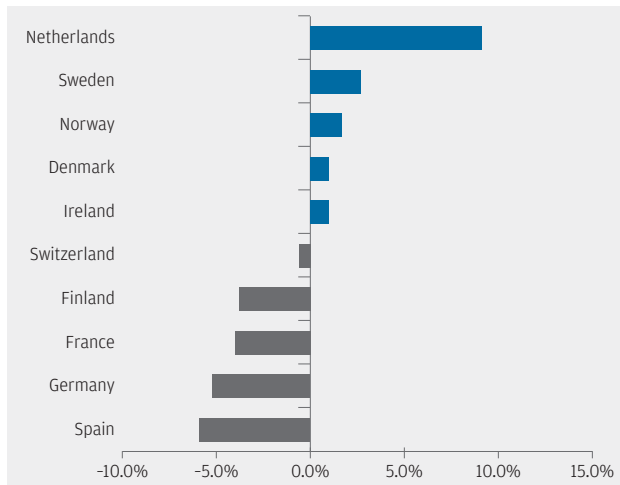


Source: FactSet; including cash/gearing. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. The Fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

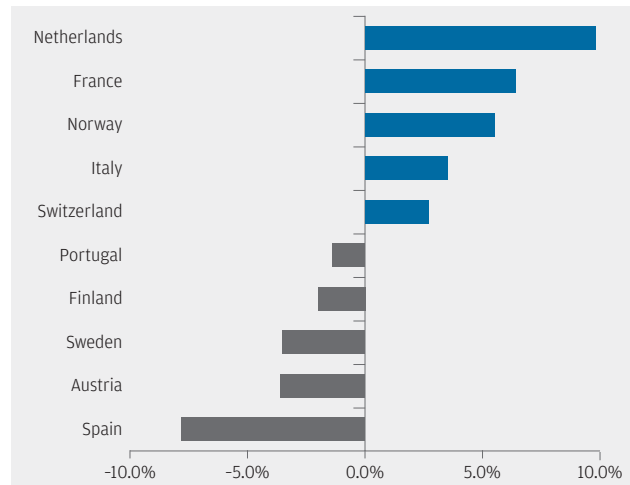


Top 10 Country Active Positions (relative to benchmark)

31ST MARCH 2019



31ST MARCH 2018



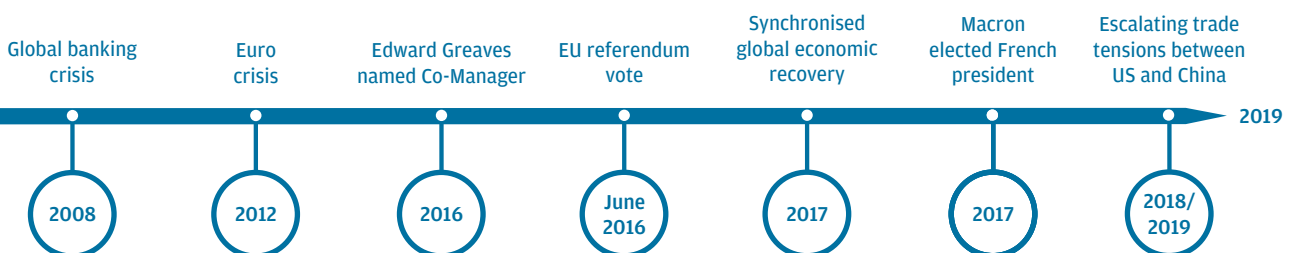
Source: FactSet; including cash/gearing. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. The Fund is an actively managed portfolio, holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.

The Netherlands remained the largest overweight country position as we added new positions including semiconductor equipment manufacturer, BE Semiconductor, the construction firms BAM, and Volkerwessels. Profits were taken in existing holdings.

Sweden became the second largest overweight country position as we found a number of investment opportunities including AAK, a manufacturer of speciality vegetable oils which is benefitting from the global trend towards healthier eating, Bravida, a commercial building technical installation specialist with strong operational momentum and high free cash flow generation, and Coor, a facility management services supplier which continues to consolidate its fragmented end markets, driving margin expansion through economics of scale.

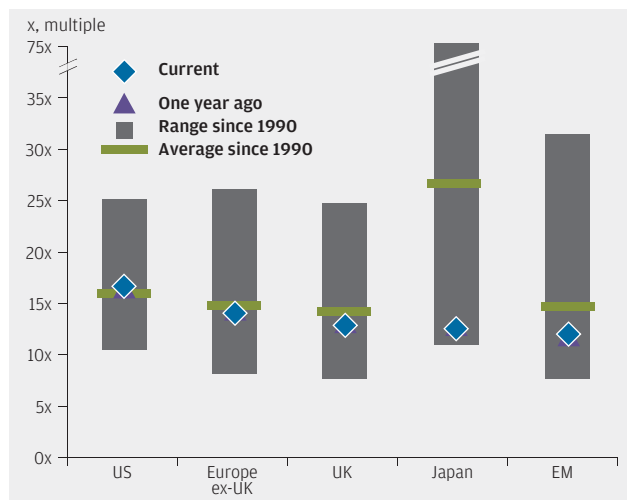
Spain remained the largest underweight country position, while Germany became the second largest underweight country position because we believe that the country is dominated by more cyclical industrial companies that suffered as the global economic outlook deteriorated. France became the third largest underweight country position, after being the second largest overweight country position at the start of the period, as we sold positions with declining operational momentum including Rubis, a liquid and gas storage company, Remy Cointreau, a premium spirit producer, and Vilmorin, an agricultural seed supplier.

The level of gearing fell from 7.9% geared at the start of the period to 5.2% cash by the end of the period as we reduced gearing due to the uncertain economic environment.

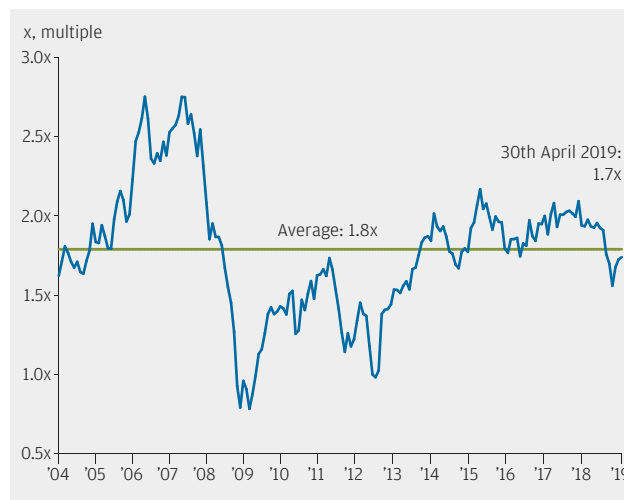


European Smaller Equity Valuations

GLOBAL FORWARD PRICE TO EARNINGS RATIOS



EUROPEAN SMALL CAP PRICE TO BOOK RATIO



Source: (Left) IBES, MSCI, Standard & Poor's, Thomson Reuters Datastream, J.P. Morgan Asset Management. Data as of 31st March 2019. (Right) FactSet, MSCI, J.P. Morgan Asset Management. Data as of 30th April 2019.

Outlook

Valuations remain close to their long term averages which we believe are attractive

European equity markets have made a strong start to 2019 after the weak performance seen in 2018. This has been driven primarily by falling inflation expectations which have reduced the risk of excessive interest rate tightening by the US and by the Chinese economic stimulus which has cemented the view that we could be nearing the bottom of the current economic downturn. Additionally, valuations remain close to their long term averages which we believe are attractive given the continued strong earnings growth outlook for European smaller companies. As such we have reduced our underweight sector positions to industrials and automotive components.

However, we are remaining ungeared as risks remain. Should US economic growth continue to beat expectations it could lead to renewed fears of excessive interest rate rises. Trade war concerns could also resurface between the US and China or even break out between the US and European Union. Finally, the outcome of the UK's vote to leave the European Union remains very uncertain.

On balance, we believe that the balance of risk is to the upside but we prefer to remain prudent at this stage.

Francesco Conte
Edward Greaves
Investment Managers

4th June 2019

TEN LARGEST INVESTMENTS

AT 31ST MARCH

Company	Country	2019 Valuation		2018 Valuation	
		£'000	% ¹	£'000	% ¹
Thule² This Swedish group is the market leader in storage solutions for bikes and recreational vehicles. Leveraging off its premium brand, Thule is now expanding its product lines into adjacent markets such as urban strollers and premium luggage.	Sweden	13,910	2.3	16,232	2.1
Atea² The leading supplier of IT infrastructure in the Nordics. Atea is in the process of moving up the value chain using big data and cloud computing to deliver cost saving solutions for their customers.	Norway	13,579	2.2	7,799	1.0
SBM Offshore³ This Dutch offshore oil and gas services company, operates the world's largest fleet of leased floating production, storage and offloading vessels (FPSOs). The long term lease portfolio provides a valuation baseline and allows SBM to optimise its portfolio to take advantage of evolving industry dynamics.	Netherlands	12,855	2.1	–	–
Koninklijke Vopak² Vopak is the world's leading tank storage company and is currently in the process of optimising its portfolio from oil towards more environmentally friendly fuels such as LNG. Based in the Netherlands.	Netherlands	12,515	2.1	11,041	1.5
IMCD A leading company in the sales and distribution of speciality chemicals, focusing on food and pharma ingredients. IMCD offers its customers customised solutions globally by utilising its expertise across its product portfolio.	Netherlands	12,424	2.1	18,062	2.4
Recordati³ Recordati is an Italian pharma company focused on primary care within Europe. It promotes a wide range of innovative pharmaceuticals, both proprietary and licenced, across a number of therapeutic areas, and also has a specialised business dedicated to rare diseases.	Italy	11,845	2.0	–	–
Glanbia³ Glanbia is the global leader in high-performance sport nutrition products, owning premium brands such as Optimum Nutrition, BSN and Body & Fit. In addition, Glanbia also owns highly successful brands such as SlimFast and four strategic stakes in North American and European cheese companies.	Ireland	11,507	1.9	–	–
Fagron² Fagron is the European leader in pharmaceutical compounding and is growing rapidly in both North and Latin America through its extensive product expertise.	Belgium	11,454	1.9	12,328	1.6
TLG Immobilien³ TLG Immobilien is a German based commercial real estate company focused on long-term leased prime office properties. TLG is currently in the process of optimising its portfolio away from retail towards office.	Germany	11,201	1.9	–	–
Bravida³ AF, having recently merged with Poyry, is a leading provider of engineering services in Europe with a strong position within process industries, energy and infrastructure. Based in Sweden.	Sweden	11,106	1.8	–	–
Total⁴		122,396	20.3		

¹ Based on total investments of £604.4m (2018: £757.9m).

² Not included in the ten largest investments at 31st March 2018.

³ Not held in the portfolio at 31st March 2018.

⁴ At 31st March 2018, the value of the ten largest investments amounted to £176.2 million representing 23.3% of total investments.

PORTFOLIO INFORMATION

GEOGRAPHICAL ANALYSIS

	31st March 2019		31st March 2018	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Netherlands	16.5	5.5	14.7	5.5
Sweden	15.9	12.2	8.2	12.5
Switzerland	11.0	11.4	12.5	10.6
Italy	10.5	10.6	14.1	11.9
Germany	9.6	14.9	13.9	15.2
France	9.5	12.7	16.9	11.6
Norway	7.2	5.6	9.6	4.9
Austria	4.8	3.8	–	3.5
Belgium	4.6	5.3	3.7	4.6
Denmark	4.4	3.4	4.0	4.1
Portugal	2.0	1.3	–	1.4
Ireland	1.9	1.3	–	1.2
Finland	1.1	4.8	2.4	4.5
Spain	1.0	6.7	–	8.1
United Kingdom	–	0.5	–	0.3
Greece	–	–	–	0.1
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £604.4m (2017: £757.9m).

SECTOR ANALYSIS

	31st March 2019		31st March 2018	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	25.4	23.5	27.4	23.8
Health Care	14.3	8.6	3.7	8.2
Information Technology	13.8	8.0	17.2	9.3
Real Estate	9.8	10.6	–	8.0
Consumer Discretionary	9.6	9.6	25.6	13.9
Financials	8.5	14.3	6.3	13.5
Energy	5.4	3.0	1.5	3.2
Consumer Staples	5.1	6.4	12.2	6.5
Utilities	3.7	3.8	2.3	3.6
Communication Services	2.3	5.6	–	2.8
Materials	2.1	6.6	3.8	7.2
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £604.4m (2018: £757.9m).

INVESTMENT ACTIVITY DURING THE YEAR ENDED 31ST MARCH 2019

	Value at 31st March 2018		Purchases £'000	Sales £'000	Changes in value £'000	Value at 31st March 2019	
	£'000	%				£'000	%
Netherlands	111,500	14.7	131,048	(129,001)	(13,720)	99,827	16.5
Sweden	62,379	8.2	110,797	(77,285)	62	95,953	15.9
Switzerland	94,698	12.5	145,746	(158,768)	(15,383)	66,293	11.0
Italy	107,157	14.1	130,871	(179,569)	4,890	63,349	10.5
Germany	105,673	13.9	96,470	(134,966)	(9,414)	57,763	9.6
France	127,705	16.9	126,521	(177,499)	(19,376)	57,351	9.5
Norway	73,046	9.6	86,539	(113,931)	(2,108)	43,546	7.2
Austria	–	–	60,871	(20,202)	(11,667)	29,002	4.8
Belgium	27,895	3.7	26,058	(31,915)	5,726	27,764	4.6
Denmark	29,911	4.0	48,535	(63,680)	12,169	26,935	4.4
Portugal	–	–	12,642	–	(286)	12,356	2.0
Ireland	–	–	12,389	(1,068)	186	11,507	1.9
Finland	17,897	2.4	14,669	(21,561)	(4,395)	6,610	1.1
Spain	–	–	32,987	(22,895)	(3,919)	6,173	1.0
Total investments	757,861	100.0	1,036,143	(1,132,340)	(57,235)	604,429	100.0

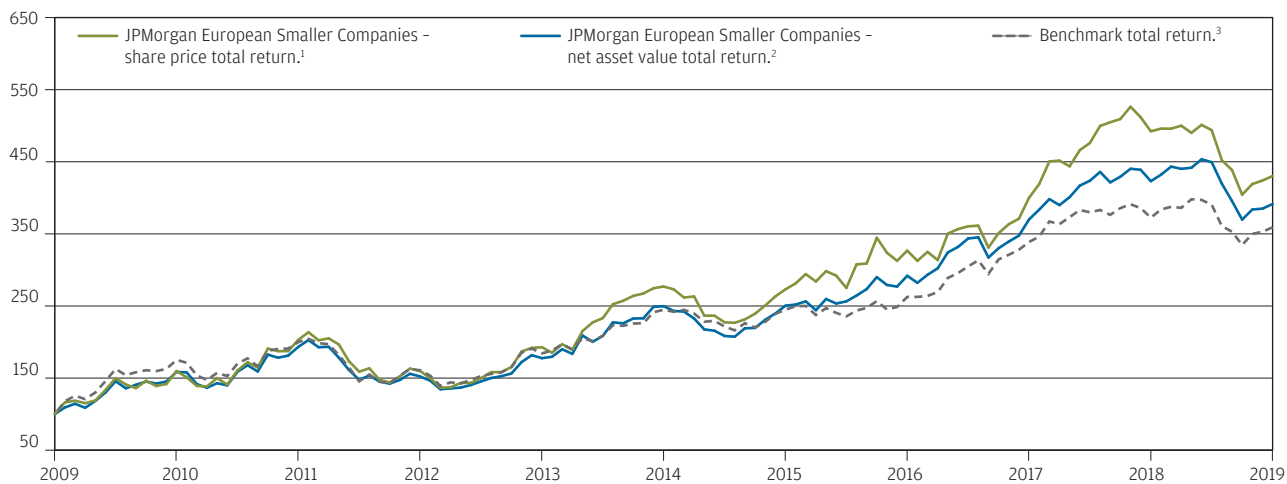
PORTFOLIO INFORMATION

LIST OF INVESTMENTS AT 31ST MARCH 2019

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
NETHERLANDS		ITALY		AUSTRIA	
SBM Offshore	12,855	Recordati	11,845	IMMOFINANZ	6,419
Koninklijke Vopak	12,515	Interpump	9,408	Vienna Insurance	6,365
IMCD	12,424	Reply	8,722	Wienerberger	5,999
TKH	9,568	Infrastrutture Wireless Italiane	7,632	FACC	5,584
Aalberts Industries	9,348	Technogym	7,338	UNIQA Insurance	4,635
ForFarmers	9,046	Datalogic	7,108		29,002
Koninklijke BAM	7,454	Amplifon	6,389	BELGIUM	
Koninklijke Volkerwessels	6,604	Falck Renewables	4,907	Fagron	11,454
Intertrust	6,317		63,349	Shurgard Self Storage Europe	9,726
GrandVision	6,210	GERMANY		Warehouses De Pauw, CVA	6,584
B&S	5,353	TLG Immobilien	11,201		27,764
BE Semiconductor Industries	2,133	Gerresheimer	10,886	DENMARK	
	99,827	S&T	7,053	Topdanmark	9,788
SWEDEN		Hella	6,214	GN Store Nord	9,263
Thule	13,910	Nordex	6,125	NNIT	7,884
AF POYRY	11,745	ADO Properties	6,100		26,935
Bravida	11,106	Jenoptik	5,122	PORTUGAL	
Nobina	10,193	Elmos Semiconductor	5,062	NOS	6,350
Hufvudstaden	8,765		57,763	REN - Redes Energeticas Nacionais	6,006
Coor Service Management	7,213	FRANCE			12,356
Husqvarna	6,979	Korian	9,844	IRELAND	
Hemfosa Fastigheter	6,910	Alten	7,585	Glanbia	11,507
AAK	6,503	Altran Technologies	7,134		11,507
Fabege	6,409	Ingenico	6,886	FINLAND	
AcadeMedia	6,220	Sopra Steria	6,400	Tieto	6,610
	95,953	Cie Plastic Omnium	6,242		6,610
SWITZERLAND		Trigano	4,953	SPAIN	
Helvetia	8,234	SPIE	4,272	Almirall	6,173
BKW	7,712	Neoen	3,732		6,173
SIG Combibloc	6,916	Volitalia	158	TOTAL INVESTMENTS	
Cembra Money Bank	6,909	Virbac	145		604,429
PSP Swiss Property	6,818		57,351		
Bucher Industries	6,758	NORWAY			
Belimo	6,622	Atea	13,579		
Siegfried	6,259	Tomra Systems	7,523		
Tecan	6,211	Aker Solutions	6,914		
Emmi	3,854	Storebrand	6,256		
	66,293	Sbanken	6,197		
		SpareBank	3,077		
			43,546		

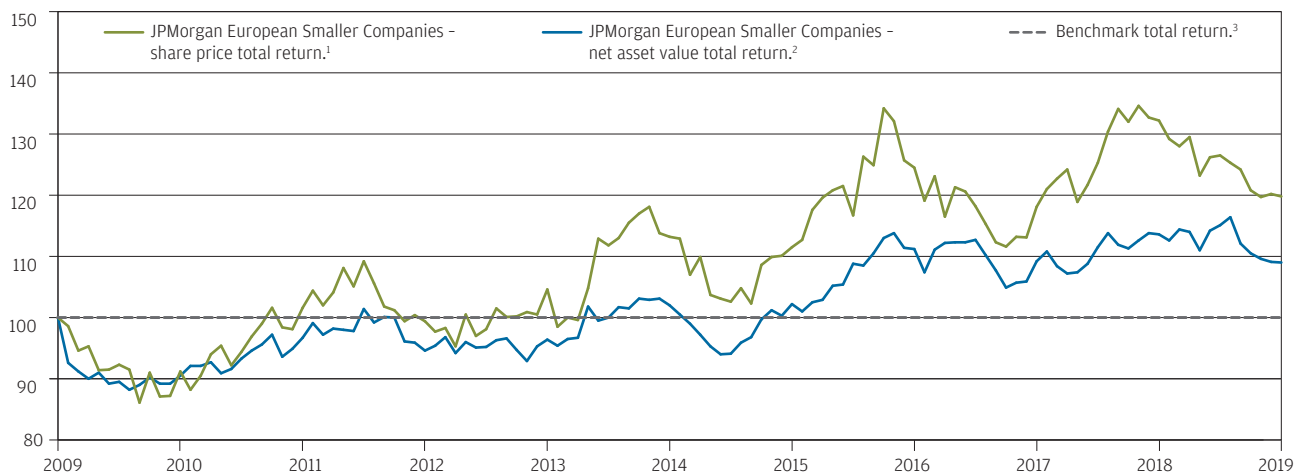
TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2009

¹ Source: Morningstar, share price. JPMorgan, share price total return calculation.² Source: Morningstar, cum income net asset value per share. JPMorgan, net asset value total return calculation.³ Source: Euromoney. The Company's benchmark is the Euromoney Smaller European Companies (ex UK) Index in sterling terms.

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2009

¹ Source: Morningstar, share price. JPMorgan, share price total return calculation.² Source: Morningstar, cum income net asset value per share. JPMorgan, net asset value total return calculation.³ Source: Euromoney. The Company's benchmark is the Euromoney Smaller European Companies (ex UK) Index in sterling terms.

TEN YEAR RECORD

TEN YEAR FINANCIAL RECORD

At 31st March	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assets less current liabilities (£'m)	270.1	415.9	477.4	342.3	366.0	474.8	473.1	495.4	620.8	794.2	637.8
Net asset value per share (p)	114.7	181.5	219.5	170.8	195.1	270.7	268.3	309.3	388.1	438.9	400.0
Share price (p)	92.0	147.0	186.0	144.4	169.8	240.0	233.5	276.0	334.0	406.0	349.0
Share price discount (%) ^a	19.8	18.7	15.2	15.5	13.0	11.3	13.0	10.8	13.9	7.5	12.8
(Net cash)/Gearing (%) ^{1A}	(1.9)	0.2	16.7	7.6	12.9	12.6	7.5	(2.8)	5.3	7.9	(5.2)
Ongoing charges (%) ^a	1.27	1.21	1.21	1.27	1.26	1.31	1.32	1.18	1.15	1.03	1.07

Year ended 31st March

Gross revenue return (£'000)	10,067	8,431	9,241	10,215	8,481	8,016	8,586	8,448	10,771	13,251	15,837
Net revenue available for shareholders (£'000)	7,363	2,167	2,369	7,055	6,134	5,047	5,519	5,732	7,807	9,575	11,680
Revenue return per share (p)	3.08	0.93	1.07	3.42	3.29	2.99	3.45	3.58	4.88	5.98	7.31
Total dividend(s) per share (p)	–	0.6	0.8	3.4	3.2	2.9	3.2	3.2	4.7	6.7	6.7

Rebased to 100 at 31st March 2009

Total return to shareholders ^{1A}	100.0	159.8	203.1	159.9	192.8	277.0	273.1	326.8	400.1	492.3	430.2
Total return on net assets ^{2A}	100.0	158.6	193.3	152.2	177.6	249.7	250.4	291.9	370.0	423.1	391.4
Benchmark total return ³	100.0	175.2	200.0	160.8	184.3	244.8	245.0	262.6	338.7	372.5	359.1

¹ Source: Morningstar, share price. JPMorgan, share price total return calculation.

² Source: Morningstar, cum income net asset value per share. JPMorgan, net asset value total return calculation.

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

^a Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 81 and 82.

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 amongst other matters:

- the business of the Company and Investment Objective;
- its investment policies and risk management;
- the investment restrictions and guidelines;
- the performance and key performance indicators;
- share capital;
- borrowings;
- Board diversity;
- the Company's employees, social, environmental, community and human rights;
- the principal risks and how the Company seeks to manage those risks; and
- the Company's long term viability.

The Directors' Report on pages 26 to 35 forms part of this Strategic Report.

Business of the Company and Investment Objective

JPMorgan European Smaller Companies Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. The Company is incorporated in England and Wales. Its objective is to achieve capital growth from smaller European companies (excluding the United Kingdom). In seeking to achieve this objective, the Company employs JPMorgan Funds Limited ('JPMF') which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited ('JPMAM') to actively manage the Company's assets. The Board has determined an investment policy and related guidelines and limits as described below. It aims to out perform the Euromoney Smaller Companies (ex UK) Total Return Index (in sterling terms).

The Company is subject to UK and European legislation and regulations including UK company law, UK 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). As a result the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

Investment Policies and Risk Management

In order to achieve its investment objective and to seek to manage investment risks, the Company invests in a diversified portfolio of smaller companies in Europe, excluding the United Kingdom. The investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark index which, at the end of March 2019, consisted of 1,036 companies with a market value of between £83 million and £5.3 billion across 14 countries.

The Company manages liquidity and borrowings with the aim of increasing potential sterling returns to shareholders. The Company borrows in Euros in order to hedge the currency risk in respect of the geared portion of the portfolio. The Company does not normally hedge the foreign currency exposure of the remainder of the portfolio.

The investment policy emphasises capital growth rather than income and shareholders should therefore expect dividends to vary from year to year.

The Board has set no minimum or maximum limits on the number of investments in the portfolio but, in the year under review, the number of investments ranged between approximately 50 to 70. To gain the appropriate exposure, the investment managers are permitted to invest in collective investment schemes. On a day-to-day basis the assets are managed by two investment managers based in London, supported by a 41-strong European equity team.

It should be noted that the Company invests in the shares of smaller companies which tend to be more volatile than those of larger companies and the Company's shares should therefore be regarded as having greater than average risk.

Investment Restrictions and Guidelines

The Board seeks to manage the risks facing the Company by imposing various limits and restrictions;

- The Company will not invest more than 5% of its total assets in any one individual stock at the time of acquisition.
- No more than 15% of assets may be invested outside the benchmark. Any such investments must be in European ex UK companies or a UK investment company that invests in Europe.
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval.
- No more than 25% of the Company's assets may be invested in the aggregate of: (i) securities not listed on a recognised exchange; and (ii) holdings in which the Company has 20% or more of the issued equities. It is unlikely that the Company would invest in companies that fall into either of these categories and did not do so in the year under review.

KEY PERFORMANCE INDICATORS

- In accordance with the Listing Rules of the 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 UK listed closed-ended investment funds that themselves may invest more than 15% of gross assets in UK listed closed-ended investment funds. It is very unlikely that the Company would wish to have substantial positions in such companies and had no such investments in the year under review.
- The Board has set a normal gearing range of 20% net cash to 20% geared.
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval.

These limits and restrictions may be varied by the Board at any time at its discretion.

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 March 2019, the Company produced a share price total return of -12.6% and a net asset value total return of -7.5%. This compares with the total return on the Company's benchmark index of -3.6%. As at 31st March 2019 the value of the Company's investment portfolio was £604.4 million (2018: £757.9 million). The Investment Managers' Report on pages 8 to 12 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 loss for the year amounted to £42.7 million (2018: £97.4 million return) and net total loss after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £51.8 million (2018: £88.8 million return). Net revenue return on ordinary activities after taxation for the year amounted to £11.7 million (2018: £9.6 million). An interim dividend of 1.2p per share (2018: 1.2p) was paid during the year, costing £1.9 million (2018: £1.9 million). The Directors have proposed a final dividend of 5.5p (2018: 5.5p) per share. This dividend will cost £8.8 million and the total revenue reserve will amount to £3.8 million after the payment of this dividend. Further details are set out in note 10(b) to the financial statements.

Key Performance Indicators ('KPIs')

At each Board meeting the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The principal KPIs are performance relative to the benchmark index, performance against the Company's peers, performance attribution, share price discount to net asset value per share and ongoing charges. Unless there is

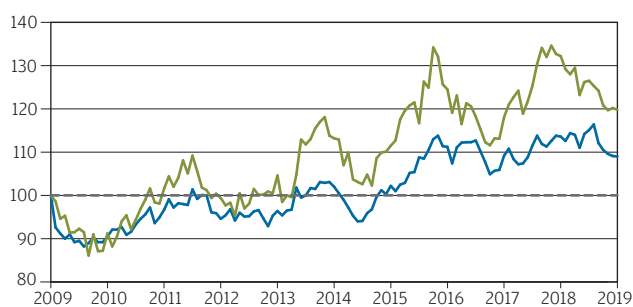
a particular reason for the Board to change the KPIs (which would require an explanation to shareholders), consistency is maintained to provide continuity. Further details of the principal KPIs are given below.

- **Performance relative to 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 on pages 5 to 12.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2009

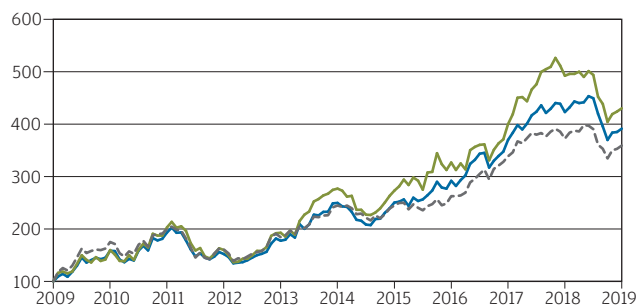


Source: Morningstar/Euromoney.

- JPMorgan European Smaller Companies - share price total return.
- JPMorgan European Smaller Companies - net asset value total return.
- - - Benchmark total return.

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2009



Source: Morningstar/Euromoney.

- JPMorgan European Smaller Companies - share price total return.
- JPMorgan European Smaller Companies - net asset value total return.
- - - Benchmark total return.

- **Performance against the Company's peers**

The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds with similar objectives.

- **Performance attribution**

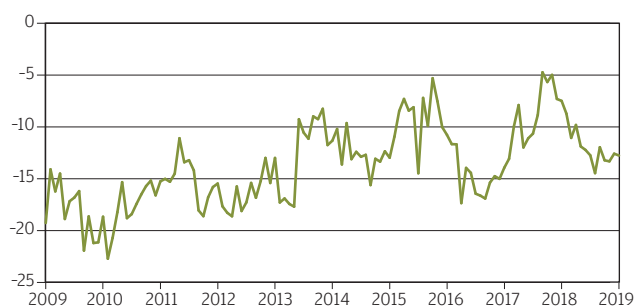
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the

Company's relative performance of the various components such as stock selection and asset allocation. Details of the attribution analysis for the year ended 31st March 2019 are given in the Investment Managers' Report on page 9.

• **Share price discount to net asset value ('NAV') per share**

The Board recognises that the possibility of a short term widening of the discount can be a key disadvantage of investment trusts that can discourage investors, but is of the view that over the long term it is not a material factor in long term shareholder return. The Board has for several years operated a share repurchase programme which seeks to address imbalances in the supply of and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year ended 31st March 2019, the discount ranged between 6.3% and 15.1%. More information on the Board's share repurchase policy is given in the Chairman's Statement on page 5.

Discount



Source: Morningstar (month end data).

— JPMorgan European Smaller Companies - share price discount to net asset value per share.

• **Ongoing charges**

The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st March 2019 were 1.07% (2018: 1.03%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Company has the authority both to issue new shares, or reissue shares out of Treasury, for cash at a premium to net asset value and to repurchase shares in the market for cancellation (or to be held in Treasury) at a discount to net asset value.

525,000 shares have been repurchased during the year for cancellation. The Company did not issue any new shares during the year.

The Company has authority to reissue shares from Treasury at a discount to net asset value and will seek renewal of the authority at the forthcoming Annual General Meeting. It will also seek to renew its authority to reissue shares from Treasury at a premium to net asset value.

Resolutions to renew the authority to issue new shares and reissue shares from Treasury and repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. The full text of these resolutions is set out in the Notice of Meeting on pages 78 and 79.

The issued share capital of the Company is 159,462,885 ordinary shares of 5p each.

Borrowings

The Company has a €105 million unsecured loan facility with Scotiabank. The facility was not drawn at the year end. This facility expires on 17th January 2020.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board and the Board is diverse on a number of bases, namely gender, ethnicity and nationality. As at 31st March 2019, there were four male Directors and one female Director on the Board. Four Directors are British and one is Dutch.

Employees, Social, Environmental, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all 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 policy statements of JPMAM in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

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

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

PRINCIPAL RISKS

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 JPMF with delegation of the active management of the Company's assets to JPMAM. JPMF acts as Company Secretary and provides administrative support. The Company has no employees, all its Directors being 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 diesel fuel and consequently does not have a measurable carbon footprint. JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

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

Corporate Criminal Offence

The Company maintains zero tolerance towards tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company.

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 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 risks that might threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Investment Underperformance and Strategy:** Investment performance could be adversely affected by the loss of one or more of the investment management team. To reduce the likelihood of such an event, the Manager ensures appropriate succession planning and adopts a team-based approach as well as special efforts to retain key personnel.

An inappropriate investment strategy, for example excessive concentration of investments, asset allocation, the level of gearing or the degree of portfolio risk, may lead to underperformance against the Company's benchmark index and peer companies.

The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMF 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 Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Board sets strategic guidelines for gearing as well as investments. Once those are agreed, decisions on levels of gearing are delegated to the Investment Managers, whose decisions are subject to challenge by the Board. The Board holds a separate meeting devoted to strategy each year.

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.

- **Market and Currency:** 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. Investing in smaller companies is inherently more risky and volatile, partly due to the potential lack of liquidity in some shares. The Board discusses these risk factors at each Board meeting and has placed investment restrictions and guidelines to limit these risks.

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 JPMF. The Board monitors the implementation and results of the investment process with the Manager. The majority of the Company's assets, liabilities and income are denominated in Euros rather than in the Company's functional currency of sterling (in which it reports). As a result, movements in the Euro:sterling exchange rate may affect the sterling value of those items. Therefore, there is an inherent

risk from these exchange rate movements. 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 three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in note 22(a) on pages 66 to 67 of this report, together with details of how the Board manages these risks.

The Board has considered, and continues to keep under review the political, economic and investment risks to the Company, associated with the UK's decision to leave the European Union and the associated Brexit process. The outcome of the UK's Brexit negotiations with the European Union remain uncertain at the time of writing. Continued lack of clarity as to the Brexit outcome might lead to a reduced or increased demand for the Company's shares as a result of investor sentiment, which may be reflected in a widening or narrowing of the discount.

- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Business of the Company' on page 19. Were the Company to breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to capital gains tax. The Section 1158 qualification criteria are continually monitored by JPMF and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules, the Market Abuse Regulations ('MAR'), Disclosure Guidance and Transparency Rules ('DTRs') and, as an investment trust, the Alternative Investment Fund Managers Directive ('AIFMD'). A breach of the Companies Act 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 could result in the Company's shares being suspended from listing which in turn would breach Section 1158. Failure of the Manager to comply with the AIFMD could lead to the Manager losing its status as an Alternative Investment Fund Manager ('AIFM') and the Company would then need to change its AIFM. The Board relies on the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act, the UKLA Listing Rules, MAR, DTRs and AIFMD.
- **Operational:** Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary

or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Under the terms of its agreement, the Depositary has strict liability for the loss or misappropriation of assets held in custody. See note 22 for further details on the responsibilities of the Depositary. Details of how the Board monitors the services provided by JPMF and its associates and the key elements designed to provide effective risk management and internal control are included within the Risk Management and Internal Control section of the Corporate Governance Statement on pages 29 to 33.

The risk of fraud or other control failures or weaknesses within the Manager or other service providers could result in losses to the Company. The Audit Committee receives independently audited reports on the Managers and other service providers' internal controls, as well as a report from the Manager's Compliance function. The Company's management agreement obliges the Manager to report on the detection of fraud relating to the Company's investments and the Company is afforded protection through its various contracts with suppliers, of which one of the key protections is the Depositary's indemnification for loss or misappropriation of the Company's assets held in custody.

- **Cyber Crime:** The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Board has received the cyber security policies for its key third party service providers and JPMF has provided assurance to the Directors that 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 and reported on every six months against the AAF Standard.
- **Financial:** The financial risks arising from the Company's financial instruments include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 64 to 69.

Poor control of expenses can lead to an escalation of costs and high ongoing charges. The Board monitors the expenses of the Trust and is provided with detailed financial information.
- **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 29 to 33.

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 five 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 European economies and 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. This is consistent with advice provided by investment advisers, that investors should consider investing in equities for a minimum of five years. Thus the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

For and on behalf of the Board
Carolyn Dobson
Chairman
4th June 2019

Directors' Report

BOARD OF DIRECTORS



Carolan Dobson (Chairman)

A Director since September 2010.

Appointed Chairman in 2013.

Last reappointed to the Board: 2018.

Other directorships: Chairman of Brunner Investment Trust plc, Baillie Gifford UK Growth Fund plc, BlackRock Latin American Investment Trust plc and non-executive director of Woodford Patient Capital Trust plc. She has a wealth of investment experience, having previously been a Director of Abbey Asset Managers, Head of Investment Trusts at Murray Johnstone and fund manager of Murray Income plc.

Connections with Manager: None.

Shared Directorships with any other Trust Directors: None.



Marc Van Gelder

A Director since 1st August 2016.

Last reappointed to the Board: 2018.

Other directorships: Chairman of Vastned N.V., listed on Euronext, Amsterdam (AMX) and Stichting Administratiekantoor Fugro N.V. Director of Stichting Administratiekantoor Continuïteit ABN AMRO Group. He has worked for 20 years in business in Europe and his former roles include CEO of Mediq, a Dutch listed pharmaceutical distributor, which was acquired by Advent in 2013.

Connections with the Manager: None

Shared Directorships with other Directors: None.



Ashok Gupta

A Director since 1st January 2013.

Last reappointed to the Board: 2018.

Other directorships: Non-executive Director of New Ireland Assurance plc and Sun Life Financial Inc. Non-executive Chairman of eValue. Formerly Non-executive Chairman of AA Insurance Services Limited and Skandia UK and director of The Pensions Regulator, St James's Place and the Phoenix Group.

Connections with the Manager: None.

Shared Directorships with other Directors: None.



Nicholas Smith (Chairman of the Audit Committee and Senior Independent Director)

A Director since 1st May 2015.

Last reappointed to the Board: 2018.

Other directorships: Non-executive Chairman of Aberdeen New Thai Investment Trust plc, Schroder Asia Pacific Investment Fund PLC and non-executive Director and Audit Committee Chairman of Polarcus Limited. FCA with a long-term career in investment banking and from 1993 to 1997 as CFO of Jardine Fleming.

Connections with the Manager: None.

Shared Directorships with other Directors: None.



Stephen White

A Director since 1st April 2012.

Last reappointed to the Board: 2018.

Other directorships: Head of European and US equities at British Steel Pension Fund, responsible for the day to day management of the Fund's Europe ex-UK and US equity portfolios. Director of Aberdeen New India Investment Trust plc, BlackRock Frontiers Investment Trust plc and of Polar Capital Technology Trust plc and formerly a director of Global Special Opportunities Trust Plc, Head of European Equities at F&C Asset Management and Manager of Foreign & Colonial Eurotrust PLC and Deputy Manager of the Foreign & Colonial Investment Trust Plc. He is a Chartered Accountant.

Connections with Manager: None.

Shared Directorships with other Directors: None.

All Directors are members of the Audit, Management Engagement and Nomination and Remuneration Committees and are considered by the Board to be independent of the Manager.

The Directors present their report and audited financial statements for the year ended 31st March 2019.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'). JPMF is employed under a contract which can be terminated on six months' notice, without penalty. The contract may now also be terminated on three months' notice if Francesco Conte ceases to be one of the named managers of the Company's portfolio. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation. 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, N.A. which, through other subsidiaries, also provides accounting, banking, dealing and custodian services to the Company.

A dedicated Company Secretary is nominated by JPMF to service the Board.

The Management Engagement Committee conducts a formal evaluation of the performance of the contractual relationship with the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received represents value for money for shareholders. The Committee has thoroughly reviewed the performance of the Manager in the course of the year. The review covered consideration of the investment strategy and process of the Manager, resources and risk controls, performance against the benchmark over the long term and the quality of support that the Company received including the marketing support provided. The latest evaluation of the Manager was carried out in early 2019. As a result of that process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out

information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmeuropeansmallercompanies.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.

JPMF's remuneration disclosures are set out on page 72.

Management Fee

The management fee is charged at an annual rate of 1.0% of the Company's net assets on the first £400 million and at 0.85% of net assets above that amount (until 31st March 2018 it was charged at 1.0% of net assets). It is calculated and paid monthly in arrears. An adjustment is made to exclude from the calculation investments in funds on which the Manager charges a management fee and therefore attract no additional management fee. In addition, the Company reimburses the Manager for the costs of administering its shareholders who hold their shares through the JPMorgan savings products.

Directors

All other Directors of the Company, detailed on page 26, held office throughout the year to 31st March 2019. Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 38.

Carolán Dobson, having served a nine year term in line with good corporate governance, will retire at the forthcoming Annual General Meeting. All continuing Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders.

The Nomination and Remuneration Committee, having considered their qualifications, performance and contribution to the Board and its Committees, confirms that each Director standing for reappointment continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. For the Directors who served during the year under review, these indemnities were in place throughout the year and as at the date of this report and remains in place at the date of this report.

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

Disclosure of information to Auditors

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) of which the Company's Auditors are 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 (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Independent Auditors

Further to a review of audit services, PricewaterhouseCoopers LLP will retire as the Company's auditor at the forthcoming Annual General Meeting. As explained in the Audit Committee Report on pages 34 and 35 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 Annual General Meeting to effect that change.

Capital Structure and Voting Rights

Capital Structure

At 31st March 2019, the Company's share capital comprised 159,462,885 ordinary shares of 5p each. There were no shares held in Treasury. 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 Annual General Meeting on page 80.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Wells Capital Management	18,007,308	11.29
Investec Wealth & Investment	15,986,276	10.02
Lazard Asset Management LLC	14,867,015	9.32

As at 30th April 2019 Wells Capital Management had a notifiable interest in 12.01% of the voting rights of the Company.

The Company is also aware that as at 31st March 2019, approximately 8.1% of the Company's total voting rights were held by individuals through savings products managed by JPMorgan 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 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. Information on changes to savings products managed by JPMorgan is set out on page 83.

The rules concerning the appointment, reappointment and replacement of Directors, amendment of the Company's Articles of Association and powers to issue or repurchase 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 to which the Company is party 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 adviser authorised under the financial services and markets act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting. The full text of the resolutions is set out in the Notice of Meeting on pages 78 and 79:

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash or by way of a sale of Treasury shares up to an aggregate nominal amount of £398,657, such amount being equivalent to approximately 5% of the issued share capital (excluding Treasury shares) as at the latest practicable date before the publication of this document or, if different, the number of ordinary shares which is equal to 5% of

the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2020 unless renewed at a prior general meeting.

Resolution 11 will enable the allotment of ordinary shares otherwise than by way of a pro rata issue to existing shareholders. It is advantageous for the Company to be able to issue new shares (or to reissue shares from Treasury) to investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), thereby increasing the NAV per share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's net assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

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

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2018 Annual General Meeting, will expire on 9th January 2020 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 12 gives the Company authority to repurchase its own issued ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum number of ordinary shares, representing approximately 14.99% of the Company's issued ordinary shares as at the latest practicable date before the publication of this document or, if less, the number of ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. The authority also sets minimum and maximum prices.

If resolution 12 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. 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, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate. This authority will expire on 9th January 2021, or when the whole of the 14.99% has been acquired, whichever is the earlier, however it is the Board's intention to seek renewal of the authority at the 2020 Annual General Meeting.

Recommendation

The Board considers that resolutions 10 to 12 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, where voting rights are exercisable, in respect of their own beneficial holdings which, as at the year end, amounted in aggregate to 104,100 shares representing less than 1% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 40, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's 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.

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

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 the AIC Code throughout the year under review.

The revised UK Corporate Governance Code ('the 2018 Code') was published in July 2018 and applies to companies with accounting periods commencing on or after 1st January 2019. The Board will report on compliance with the 2018 code, and the revised code published by the AIC, in 2020.

Role of the Board

A management agreement between the Company and JPMF sets out the matters which have been delegated to the Manager. This includes management of the Company's assets and the provision of accounting, company secretarial, administration 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 the 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.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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

There is an agreed procedure for Directors to take independent professional advice, if necessary, 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, who is responsible to the Board for ensuring that Board procedures are followed and for compliance with applicable rules and regulations.

Board Composition

The Board, chaired by Carolan Dobson, currently comprises five non-executive Directors, all of whom, including the Chairman, are regarded by the Board as independent of the Company's Manager. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 26.

Carolan Dobson will retire as Chairman and Director at the Annual General Meeting on 10th July 2019. Marc van Gelder will become Chairman on the same day.

As part of the succession planning process, Tyzack Partners were appointed to undertake a non-executive director search and it is expected that the recruitment process will be completed shortly.

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. In line with corporate governance practice Mr Nicholas Smith was appointed as the Senior Independent Director during the year and now leads the evaluation of the Chairman and may be contacted by shareholders if they have concerns that cannot be resolved through discussions with the Chairman.

The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. A Director's continued appointment is subject to the performance evaluation carried out each year, Board approval and shareholder reappointment. The Board has adopted corporate governance best practice and all Directors stand for annual reappointment.

The Board believes that Directors should be willing to serve at least two terms of at least three years and serve more than nine years only in exceptional circumstances, except in the case of a serving Chairman where the second term of three years in the role of Chairman would result in the nine year term being exceeded.

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 and the AIC Code, including the need to refresh the Board and its Committees periodically.

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

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 on page 31.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of the membership of these Committees are shown with the Directors' profiles on page 26.

The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings, one Management Engagement Committee meeting and two Nomination and Remuneration Committee meetings. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition, there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Meetings Attended

Director	Board	Nomination and		Management
		Audit Committee	Remuneration Committee	Engagement Committee
Carolan Dobson	5	2	2	1
Marc Van Gelder	5	2	2	1
Ashok Gupta	5	2	2	1
Nicholas Smith	5	2	2	1
Stephen White	5	2	2	1

Board Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, currently chaired by Carolan Dobson, consists of all the 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 Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report.

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. It is usual that 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. In 2019 the Board undertook an externally facilitated evaluation, involving one to one interviews and Board meeting observation.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to the remuneration policy. This review forms only a minimal part of discussions and therefore it has been considered appropriate for Carolan Dobson to act as Chairman to the Committee.

To be more in line with market practice the Board has decided to split the responsibilities of this committee and establish separate Nomination and Remuneration committees, with the appropriate terms of reference and responsibilities. All Directors will be members of the new committees. The Chairman of the Remuneration Committee will be Nicholas Smith.

Management Engagement Committee

The membership of the Management Engagement Committee consists of all the independent Directors and is chaired by Carolan Dobson. The Committee meets at least once a year to review the terms of the management agreement between the Company and the Manager, to review the performance of the Manager, to review the notice period that the Board has with the Manager and to make recommendations to the Board on the continued appointment of the Manager following these reviews.

Audit Committee

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

Terms of Reference

All of the Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

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 twice each year by way of the Annual Report and Financial Statements and the Half Year Report. These are 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 Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance.

During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 85, or via the Company's website. Nicholas Smith, as Senior Independent Director, may be contacted by shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least twenty working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to do so via the Company's website or write to the Company Secretary at the address shown on page 85. A formal process is in

place for all letters to the Directors to be immediately forwarded. 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 Annual General Meeting.

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 the Manager 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 22 and 23). This process has been in place for the year under review and up to the date of the approval of the Annual Report and Financial Statements, 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.

- **Information Technology Systems**

The Manager and the Company's other suppliers have security systems in place to protect the Company's information. Information technology controls are tested and reported on regularly by independent third parties.

- **Management**

Appointment of a manager and depositary, regulated by the FCA, whose responsibilities are clearly defined in written agreements.

- **Management Systems**

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

- **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 risk management and internal control by monitoring the operation of the key operating controls of the Manager 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 risk management and internal control and the operations of its Custodian, JPMorgan Chase Bank, N.A., the latter of which is itself independently reviewed; and
- reviews every six months an independent report on the risk management and internal control and the operations of the Manager.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st March 2019 and to the date of approval of this Annual Report and Financial Statements.

The Board confirms that any failings or weaknesses identified during the course of its review of the system of risk management and internal control were not significant and did not affect the Company.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of 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 pages 21 and 22.

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.

By order of the Board
Faith Pengelly, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

4th June 2019

Audit Committee Report

I am pleased to present my formal report to shareholders as chairman of the Audit Committee for the year ended 31st March 2019.

Composition

Membership of the Audit Committee consists of all the Directors and the Committee 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 Audit Committee and have a combination of financial, investment and other experience gained throughout their careers. Carolan Dobson is a member of the Audit Committee. This is permitted under corporate governance rules because the Chairman was deemed to be independent on appointment. As a Chartered Accountant, I have recent and relevant experience, and the Committee as a whole has competence relevant to the sector.

Role and Responsibility

The Committee is responsible for monitoring and reviewing the principles, policies and practices adopted in the preparation and audit of the accounts of the Company and the integrity of the financial statements. The Committee is also responsible for monitoring the effectiveness of the internal controls and the risk management framework. The Audit 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.

The Audit Committee keeps under review its Terms of Reference and recommends any necessary changes to the Board.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2019, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 53. The audit includes the determination of the existence and ownership of the investments. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depository. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY remains responsible for the oversight of the custody of the Company's assets.

Significant issue	How the issue was addressed
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 53. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159 of the Corporation Taxes Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st April 2013 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

The Board is required to be 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 19), risk management policies (see pages 64 to 69), capital management policies and procedures (see pages 69 and 70), the nature of the portfolio and expenditure and cash flow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the Company's financial statements. They have not identified 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 these financial statements.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report and Financial Statements for the year ended 31st March 2019, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on any findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 40.

Risk and Internal Control

The Audit Committee also examines the effectiveness of the Company's internal control systems and receives information from the Manager's compliance department. The Directors' statement on the Company's system of Risk Management and Internal Control is set out on page 32. The Audit Committee also reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditors. In the Directors' opinion the Auditors are independent.

The Audit Committee considers the key risks facing the Company and the adequacy and effectiveness of the risk management process.

Auditor Appointment and Tenure

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft Annual Report and Financial Statements are considered and also engage with the Directors as and when required.

Details of the fees paid for audit services are included in note 6 on page 56.

The current auditor firm PricewaterhouseCoopers LLP ('PwC') has audited the Company's financial statements since 1998. A formal tender exercise undertaken in 2014 resulted in the retention of PwC and Alex Bertolotti's fourth audit is in respect of this year ended 31st March 2019. PwC has now audited the Company's financial statements for over 20 years and the Company is required to appoint a new firm. The Committee undertook a further audit tender during the year. It was agreed that PwC 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 business and the strength of the audit team. The Board supported the recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

Provision on non-audit services

The Board reviews and approves any non-audit services provided by the independent Auditors and assesses the impact of any non-audit work on the ability of the auditors to remain independent. No such work was undertaken during the year. As part of its review of the continuing appointment of the auditors, the Audit Committee considered the length of tenure of the audit firm, its fee, its independence from JPMF and the Investment Managers and any matters raised during the audit.

Nicholas Smith
Chairman of the Audit Committee

4th June 2019

The Board presents the Directors' Remuneration Report for the year ended 31st March 2019 which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditors to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditors' opinion is included in their report on pages 42 to 47.

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

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has decided to seek binding approval annually, and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. 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 and retained. 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.

Reviews are based on information provided by the Manager, and industry research carried out by third parties 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. 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 £40,000; Chairman of the Audit Committee £32,000; and other Directors £26,000. With effect from 1st April 2019, the fees have been increased to the following rates: Chairman £40,500; Chairman of the Audit Committee £32,500; and other Directors £26,500.

The Company's Articles of Association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £175,000, requires both Board and shareholder approval.

The Company has not sought shareholder views on its remuneration policy. The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 30.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st March 2017 and no changes are proposed for the year ending 31st March 2019.

At the Annual General Meeting held on 10th July 2018, of votes cast in respect of the Remuneration Policy, 99% were in favour (or granted discretion to the Chairman who voted in favour) and 0.19% were against. Abstentions were received from less than 1% of the votes cast. Of votes cast in respect of the Remuneration Report, 99% were in favour (or granted discretion to the Chairman who voted in favour) and 0.19% were against. Abstentions were received from less than 1% of the votes cast.

Details of the implementation of the Company's remuneration policy are given below.

Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

DIRECTORS' REMUNERATION REPORT

Single total figure table¹

Directors' Name	2019			2018		
	Taxable Fees expenses ²		Total	Taxable Fees expenses ²		Total
	£	£	£	£	£	£
Carolán Dobson	40,000	2,024	42,024	37,000	1,570	38,570
Marc van Gelder	26,000	–	26,000	25,000	–	25,000
Ashok Gupta	26,000	–	26,000	25,000	–	25,000
Nicholas Smith	32,000	–	32,000	30,500	–	30,500
Stephen White	26,000	–	26,000	25,000	–	25,000
Total	150,000	2,024	152,024	142,500	1,570	144,070

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

² Taxable travel and subsistence expenses incurred in attending Board and Committee meetings (gross, including tax and NI).

A table showing the total remuneration for the Chairman over the five years ended 31st March 2019 is below:

Remuneration for the Chairman over the five years ended 31st March 2019

Year ended 31st March	Fees
2019	£40,000
2018	£37,000
2017	£36,500
2016	£36,000
2015	£35,500

Directors' Shareholdings¹

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

Directors' Name	31st March 2019 or as at date of retirement	31st March 2018 or as at date of appointment
Carolán Dobson	10,000	10,000
Marc Van Gelder	50,000	50,000
Ashok Gupta	7,500	7,500
Nicholas Smith	11,600	11,600
Stephen White	25,000	25,000
Total	104,100	104,100

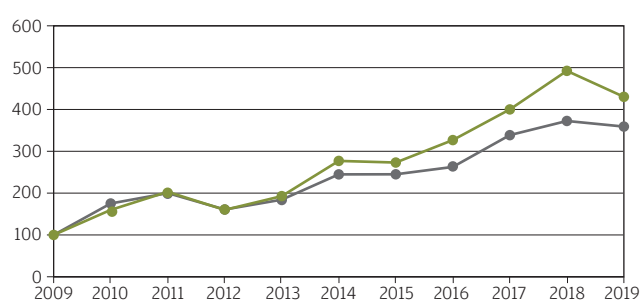
¹ Audited information.

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

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 Euromoney Smaller European Companies (ex UK) Index (the 'Index'), over the last 10 years is shown on page 17. The Board believes that the Index is the most representative comparator for the Company, because the Company's investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the Index.

Ten Year Share Price and Benchmark Total Return Performance to 31st March 2019



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 March	
	2019	2018
Remuneration paid to all Directors	152,024	144,070
Distribution to shareholders		
– by way of dividends paid	10,716,000	7,519,000
– by way of share repurchases	1,857,000	–

For and on behalf of the Board
Carolán Dobson
Chairman

4th June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and 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 position and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping 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 financial statements are published on the www.jpmeuropeansmallercompanies.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 Auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. The financial statements 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, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on page 26 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 provide the information necessary for shareholders to assess the strategy and business model of the Company.

The Board also confirms that it is satisfied that the Strategic Report and Directors' Report include 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 the Company faces.

For and on behalf of the Board
Carolan Dobson
Chairman
4th June 2019

To the members of JPMorgan European Smaller Companies Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, JPMorgan European Smaller Companies Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements for the year ended 31st March 2019 (the 'Annual Report'), which comprise: Statement of financial position as at 31st March 2019; Statement of comprehensive income; Statement of cash flows; Statement of changes in equity for the year then ended 31st March 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

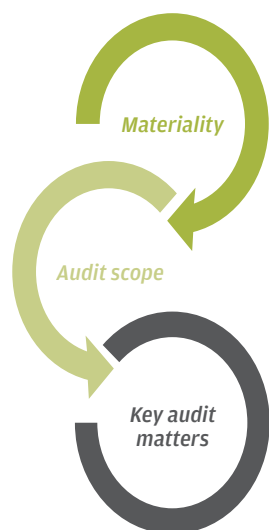
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the Company in the period from 1st April 2018 to 31st March 2019.

Our audit approach

Overview



- Overall materiality: £6,378,077 (2018: £7,021,331), based on 1% of Net Assets.
- The Company is a standalone Investment Trust Company and engages JPMorgan Funds Limited (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements using information from JPMorgan Corporate & Investment Bank (the 'Administrator') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- Income from Investments.
- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the entity and industry, we identified that the principal risks of non-compliance with laws and regulations related to the on-going qualification as an Investment Trust under the Corporation Tax Act 2010 (see page 19 of the Annual Report) and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net asset value of the Trust. We performed the following procedures in response to those risks:

- Discussions with management, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of s1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Identifying and testing unusual journal entries.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter

Income from investments

Refer to page 34 (Audit Committee Report), page 53 (Accounting Policies) and page 53 (Notes to the Financial Statements).

We focused on the accuracy and completeness of dividend income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the Company's net assets value.

We also focused on the accuracy and occurrence of realised and unrealised gains or losses on the investment portfolio.

How our audit addressed the key audit matter

We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.

We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.

We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified which required reporting to those charged with governance.

To test for completeness, we tested all investment holdings in the portfolio, to ensure that all dividends declared in the market by investment holdings had been recorded.

We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements.

We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements which required reporting to those charged with governance.

We also checked that the gains or losses on investments held at fair value comprise realised and unrealised gains or losses, we tested a sample of disposal proceeds to bank statements. For unrealised gains or losses, we tested the valuation of the portfolio at the year-end, and also tested the reconciliation of opening and closing investments.

Our testing did not identify any material misstatements which required reporting to those charged with governance.

Valuation and existence of investments

Refer to page 34 (Audit Committee Report), page 53 (Accounting Policies) and page 53 (Notes to the Financial Statements).

The investment portfolio at the year-end principally comprised of listed equity investments.

We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.

We tested the valuation of the listed investment portfolio by agreeing the prices used in the valuation to independent third party sources.

No misstatements were identified by our testing which required reporting to those charged with governance.

We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JPMorgan Chase Bank, N.A.

No misstatements were identified by our testing which required reporting to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£6,378,077 (2018: £7,021,331).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £318,904 (2018: £351,067) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are

INDEPENDENT AUDITORS' REPORT

required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31st March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (*Companies Act 2006*)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (*Companies Act 2006*)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 22 of the Annual Report 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 Disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 24 of the Annual Report 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.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the company and statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. (*Listing Rules*)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 40, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
 - The section of the Annual Report on pages 34 and 35 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
 - The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
-

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (*Companies Act 2006*)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1st April 1997 to audit the financial statements for the year ended 31st March 1998 and subsequent financial periods. The period of total uninterrupted engagement is 22 years, covering the years ended 31st March 1998 to 31st March 2019.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

4th June 2019

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	–	(57,332)	(57,332)	–	82,036	82,036
Net foreign currency (losses)/gains		–	(1,194)	(1,194)	–	2,099	2,099
Income from investments	4	15,717	–	15,717	13,129	–	13,129
Interest receivable and similar income	4	120	–	120	122	–	122
Gross return/(loss)		15,837	(58,526)	(42,689)	13,251	84,135	97,386
Management fee	5	(1,938)	(4,520)	(6,458)	(1,931)	(4,506)	(6,437)
Other administrative expenses	6	(863)	–	(863)	(739)	–	(739)
Net return/(loss) on ordinary activities before finance costs and taxation		13,036	(63,046)	(50,010)	10,581	79,629	90,210
Finance costs	7	(183)	(428)	(611)	(153)	(356)	(509)
Net return/(loss) on ordinary activities before taxation		12,853	(63,474)	(50,621)	10,428	79,273	89,701
Taxation	8	(1,173)	–	(1,173)	(853)	–	(853)
Net return/(loss) on ordinary activities after taxation		11,680	(63,474)	(51,794)	9,575	79,273	88,848
Return/(loss) per share	9	7.31p	(39.71)p	(32.40)p	5.98p	49.55p	55.53p

A final dividend of 5.5p per share (2018: 5.5p per share) is proposed in respect of the year ended 31st March 2019, costing £8,770,000 (2018: £8,799,000). More details can be found in note 10(a) on page 58.

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

The 'Total' column of this statement is the profit and loss account of the Company and the revenue and capital columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The net return/(loss) on ordinary activities after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 53 to 70 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
At 31st March 2017	8,000	1,312	7,636	594,327	9,571	620,846
Net return on ordinary activities	–	–	–	79,273	9,575	88,848
Dividends paid in the year (note 10)	–	–	–	–	(7,519)	(7,519)
At 31st March 2018	8,000	1,312	7,636	673,600	11,627	702,175
Repurchase and cancellation of the Company's own shares	(26)	–	26	(1,857)	–	(1,857)
Net (loss)/return on ordinary activities	–	–	–	(63,474)	11,680	(51,794)
Dividends paid in the year (note 10)	–	–	–	–	(10,716)	(10,716)
At 31st March 2019	7,974	1,312	7,662	608,269	12,591	637,808

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

The notes on pages 53 to 70 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION**AT 31ST MARCH 2019**

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	604,429	757,861
Current assets	12		
Debtors		7,871	18,186
Cash and cash equivalents		28,596	21,998
		36,467	40,184
Current liabilities	13		
Creditors: amounts falling due within one year		(3,084)	(3,805)
Derivative financial liabilities		(4)	(10)
Net current assets		33,379	36,369
Total assets less current liabilities		637,808	794,230
Creditors: amounts falling due after more than one year	14	–	(92,055)
Net assets		637,808	702,175
Capital and reserves			
Called up share capital	15	7,974	8,000
Share premium	16	1,312	1,312
Capital redemption reserve	16	7,662	7,636
Capital reserves	16	608,269	673,600
Revenue reserve	16	12,591	11,627
Total shareholders' funds		637,808	702,175
Net asset value per share	17	400.0p	438.9p

The financial statements on pages 49 to 52 were approved and authorised for issue by the Directors on 4th June 2019 and were signed on their behalf by:

Stephen White
Director

The notes on pages 53 to 70 form an integral part of these financial statements.

Company registration number: 2431143.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £'000	2018 £'000
Net cash outflow from operations before dividends and interest	18	(6,805)	(3,591)
Dividends received		12,613	12,377
Overseas tax recovered		168	66
Interest paid		(659)	(459)
Net cash inflow from operating activities		5,317	8,393
Purchases of investments and derivatives		(1,035,910)	(597,508)
Sales of investments and derivatives		1,143,506	563,457
Settlement of forward currency contracts		(133)	291
Net cash inflow/(outflow) from investing activities		107,463	(33,760)
Dividends paid		(10,716)	(7,519)
Repurchase and cancellation of the Company's own shares		(1,857)	–
Drawdown of bank loans		66,704	79,613
Repayment of bank loans		(160,313)	(49,015)
Net cash (outflow)/inflow from financing activities		(106,182)	23,079
Increase/(decrease) in cash and cash equivalents		6,598	(2,288)
Cash and cash equivalents at start of year		21,998	24,285
Exchange movements		–	1
Cash and cash equivalents at end of year		28,596	21,998
Decrease in cash and cash equivalents		6,598	(2,288)
Cash and cash equivalents consist of:			
Cash and short term deposits		266	2,175
Cash held in JPMorgan Euro Liquidity Fund		28,330	19,823
Total		28,596	21,998

The notes on pages 53 to 70 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST MARCH 2019**1. Accounting policies****(a) Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014, and updated in February 2018.

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 34 of the Directors' 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 including the related foreign exchange gains and losses, realised gains and losses on foreign currency cash balances and loans, realised gains and losses on foreign currency contracts, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and 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 including the related foreign exchange gains and losses, plus unrealised gains and losses on foreign currency contracts or foreign currency loans are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

(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.

Overseas dividends are included gross of any withholding tax.

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.

Deposit interest receivable is taken to revenue on an accruals basis.

Stock lending income is taken to revenue on an accruals basis.

1. Accounting policies *continued*

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Statement of Comprehensive Income 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.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. 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 59.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate 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 at amortised cost. They are initially measured as proceeds and subsequently measured at amortised cost. Interest payable on bank loans is accounted for on an accruals basis in the Statement of Comprehensive Income.

Derivative financial instruments, including short term forward currency contracts, are valued at fair value, which is the net unrealised gain or loss, and are included in current assets or current liabilities in the Statement of Financial Position. Any profits or losses on the closure or revaluation of positions are recognised in the statement of Comprehensive Income and taken to capital reserves.

(h) Taxation

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

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.

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 payable

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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Directors are of the opinion that the Company is engaged in a single segment of investment business. The Directors manage the business in this way.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires management 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. (Losses)/gains on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on investments held at fair value through profit or loss based on historical cost	25,518	109,215
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(81,721)	(59,587)
(Losses)/gains on sales of investments based on carrying value at previous balance sheet date	(56,203)	49,628
Net movement in investment holding gains and losses	(1,032)	32,450
Other capital charges	(97)	(42)
Total capital (losses)/gains on investments held at fair value through profit or loss	(57,332)	82,036

4. Income

	2019 £'000	2018 £'000
Income from investments		
Overseas dividends	14,889	12,827
Scrip dividends	828	302
	15,717	13,129
Interest receivable and similar income		
Stock lending	120	122
	120	122
Total income	15,837	13,251

5. Management fee

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Management fee	1,938	4,520	6,458	1,931	4,506	6,437

Details of the management fee are given in the Directors' Report on page 27.

6. Other administrative expenses

	2019 £'000	2018 £'000
Administration expenses	533	469
Directors' fees ¹	152	143
Depository fees ²	100	101
Savings scheme costs ³	51	–
Auditors' remuneration for audit services ⁴	27	26
	863	739

¹ Full disclosure is given in the Directors' Remuneration Report on pages 37 and 38.

² Includes £14,000 (2018: £14,000) irrecoverable VAT.

³ Paid to the Manager for the administration of savings scheme products. Includes £8,000 (2018: £nil) irrecoverable VAT. A change of the fee structure has resulted a £nil fee in the 2018 financial year.

⁴ Includes £4,000 (2018: £4,000) irrecoverable VAT.

7. Finance costs

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Interest on bank loans and overdrafts	183	428	611	153	356	509

8. Taxation

(a) Analysis of tax charge for the year

	2019 £'000	2018 £'000
Overseas withholding tax	1,173	853
Total tax charge for the year	1,173	853

(b) Factors affecting total tax charge for the year

The tax charged for the year is higher (2018: lower) than the Company's applicable rate of corporation tax for the year of 19% (2018: 19%).

The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	12,853	(63,474)	(50,621)	10,428	79,273	89,701
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2018: 19%)	2,442	(12,060)	(9,618)	1,981	15,062	17,043
Effects of:						
Non taxable capital losses/(gains)	–	11,120	11,120	–	(15,986)	(15,986)
Non taxable overseas dividends	(2,829)	–	(2,829)	(2,437)	–	(2,437)
Non taxable scrip dividends	(157)	–	(157)	(57)	–	(57)
Overseas withholding tax	1,173	–	1,173	853	–	853
Unrelieved expenses and charges	544	940	1,484	513	924	1,437
Total tax charge for the year	1,173	–	1,173	853	–	853

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £14,556,000 (2018: £13,228,000) based on a prospective corporation tax rate of 17% (2018: 17%). The UK corporation tax rate is enacted to fall to 17% with effect from 1st April 2020. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	11,680	9,575
Capital (loss)/return	(63,474)	79,273
Total (loss)/return	(51,794)	88,848
Weighted average number of shares in issue during the year	159,839,186	159,987,885
Revenue return per share	7.31p	5.98p
Capital (loss)/return per share	(39.71)p	49.55p
Total (loss)/return per share	(32.40)p	55.53p

10. Dividends
(a) Dividends paid and proposed

	2019 £'000	2018 £'000
Dividends paid		
2018 final dividend of 5.5p (2017: 3.5p) per share	8,799	5,600
2019 Interim dividend of 1.2p (2018: 1.2p) per share	1,917	1,919
Total dividends paid in the year	10,716	7,519
Dividend proposed		
2019 final dividend of 5.5p (2018: 5.5p) per share	8,770	8,799

All dividends paid and declared in the period have been funded from the revenue reserve.

The final dividend has been proposed in respect of the year ended 31st March 2019 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st March 2019.

(b) Dividends 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 £11,680,000 (2018: £9,575,000). The revenue reserve after payment of the final dividend will amount to £8,770,000 (2018: £2,828,000).

	2019 £'000	2018 £'000
Interim dividend of 1.2p (2018: 1.2p) per share	1,917	1,919
Final dividend of 5.5p (2018: 5.5p) per share	8,770	8,799
	1,917	10,718

11. Investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Investments listed on a recognised stock exchange	604,429	757,861
Opening book cost	656,612	525,232
Opening investment holding gains	101,249	128,387
Opening valuation	757,861	653,619
Movements in the year:		
Purchases at cost	1,036,143	596,029
Sales proceeds	(1,132,340)	(573,865)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(56,203)	49,628
Net movement in investment holding gains and losses	(1,032)	32,450
	604,429	757,861
Closing book cost	585,933	656,612
Closing investment holding gains	18,496	101,249
Total investments held at fair value through profit or loss	604,429	757,861

Transaction costs on purchases during the year amounted to £1,236,000 (2018: £807,000) and on sales during the year amounted to £586,000 (2018: £393,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £81,721,000 have been transferred to gains on sales of investments as disclosed in note 16 on page 61.

12. Current assets

	2019 £'000	2018 £'000
Debtors		
Securities sold awaiting settlement	6,095	17,357
Overseas tax recoverable	1,101	803
Dividends and interest receivable	637	–
VAT recoverable	8	–
Other debtors	30	26
	7,871	18,186

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

Cash and cash equivalents

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

13. Current liabilities

	2019 £'000	2018 £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	2,874	3,469
Other creditors and accruals	124	202
Loan interest payable	86	134
	3,084	3,805

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

	2019 £'000	2018 £'000
Derivative financial liabilities		
Forward foreign currency contracts	4	10

14. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Floating rate loan facility	–	92,055

In January 2018, the Company arranged a Euro 105 million two year multicurrency floating rate facility with Scotiabank Ireland. Under the terms of this agreement, the Company may draw down up to Euro 105 million, or its equivalent in another currency.

At the year end the Company had no loan draw down. The amount previously draw down has been paid back in full during the course of the year.

15. Called up share capital

	2019 £'000	2018 £'000
Ordinary shares allotted and fully paid		
Opening balance of 159,987,885 (2018: 159,987,885) shares of 5p each	8,000	8,000
Repurchase of 525,000 shares (2018: nil) shares for cancellation	(26)	–
Closing balance of 159,462,885 (2018: 159,987,885) shares of 5p each	7,974	8,000

Further details of transactions in the Company's shares are given in the Strategic Report on page 21.

16. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve ¹ £'000	Total £'000
				Gains and losses on sales of investments £'000	Investment holding gains and losses £'000		
Opening balance	8,000	1,312	7,636	571,904	101,696	11,627	702,175
Net foreign currency gains on cash and cash equivalents	–	–	–	354	–	–	354
Net unrealised gains on foreign currency contracts	–	–	–	–	6	–	6
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(56,203)	–	–	(56,203)
Realised gain on foreign currency contracts	–	–	–	10	(10)	–	–
Net movement in investment holding gains and losses	–	–	–	–	(1,032)	–	(1,032)
Transfer on disposal of investments	–	–	–	81,721	(81,721)	–	–
Repurchase and cancellation of the Company's own shares	(26)	–	26	(1,857)	–	–	(1,857)
Realised losses on repayment of loans	–	–	–	(1,554)	–	–	(1,554)
Transfer loans repaid in period	–	–	–	456	(456)	–	–
Management fee and finance costs allocated to capital	–	–	–	(4,948)	–	–	(4,948)
Other capital charges	–	–	–	(97)	–	–	(97)
Dividends paid in the year	–	–	–	–	–	(10,716)	(10,716)
Retained revenue for the year	–	–	–	–	–	11,680	11,680
Closing balance	7,974	1,312	7,662	589,796	18,483	12,591	637,808

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

17. Net asset value per share

	2019	2018
Net assets (£'000)	637,808	702,175
Number of shares in issue	159,462,885	159,987,885
Net asset value per share	400.0p	438.9p

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

	2019 £'000	2018 £'000
Net (loss)/return on ordinary activities before finance costs and taxation	(50,010)	90,210
Add capital loss/(less capital return) on ordinary activities before finance costs and taxation	63,046	(79,629)
Scrip dividends received as income	(828)	(302)
(Increase)/decrease in accrued income and other debtors	(648)	822
(Decrease)/increase in accrued expenses	(79)	63
Overseas withholding tax	(1,639)	(1,273)
Management fee charged to capital	(4,520)	(4,506)
Dividends received	(12,613)	(12,377)
Realised gain on foreign exchange transactions	1,432	586
Exchange (gain)/loss on Liquidity Fund	(946)	2,815
Net cash outflow from operations before dividends and interest	(6,805)	(3,591)

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2018: same).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 27. The management fee payable to the Manager for the year was £6,458,000 (2018: £6,437,000) of which £nil (2018: £nil) was outstanding at the year end.

During the year £51,000 (2018: £nil), including VAT, was payable to JPMAM for the administration of savings scheme products, of which £nil (2018: £11,000) was outstanding at the year end.

Included in administration expenses in note 6 on page 56 are safe custody fees payable to JPMorgan Chase amounting to £90,000 (2018: £93,000) excluding VAT of which £14,000 (2018: £25,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2018: £26,000) of which £nil (2018: £nil) was outstanding at the year end.

The Company also holds cash in JPMorgan Euro Liquidity Fund, which is managed by JPMF. At the year end, this was valued at £28.3 million (2018: £19.8 million). Interest amounting to £160,000 were payable (2018: £133,000) during the year of which £nil (2018: £nil) was outstanding at the year end. This is included in other administrative expenses in note 6.

Stock lending income amounting to £120,000 (2018: £122,000) were receivable by the Company during the year. JPMAM commissions in respect of such transactions amounted to £21,000 (2018: £21,000).

Handling charges on dealing transactions amounting to £97,000 (2018: £42,000) were payable to JPMorgan Chase during the year of which £10,000 (2018: £9,000) was outstanding at the year end.

At the year end, a bank balance of £266,000 (2018: £2,175,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £nil (2018: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2018: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 38.

21. Disclosures regarding financial instruments measured at fair value

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**
- (2) **Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly**
- (3) **Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability**

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 53.

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

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	604,429	–	757,861	–
Level 2 ¹	–	(4)	–	(10)
Total	604,429	(4)	757,861	(10)

¹ Includes forward currency contracts.

There have been no transfers between Levels 1, 2 or 3 during the year (2018: nil).

22. 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 currency risk, 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 classes of financial instruments are as follows:

- investments in European equity shares, 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;
- short term forward currency contracts for the purpose of settling short term liabilities; and
- loan facilities, the purpose of which are to finance the Company's operations.

22. Financial instruments' exposure to risk and risk management policies *continued*
(a) Market risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) 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) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates may affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least five occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the sterling value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31st March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2019						
	Euro £'000	Swedish krona £'000	Swiss francs £'000	Norwegian krone £'000	Danish krone £'000	US Dollar £'000	Total £'000
Current assets	34,548	–	623	2,294	197	1	37,663
Creditors	(2,819)	–	(508)	(921)	–	–	(4,248)
Foreign currency exposure on net monetary items	31,729	–	115	1,373	197	1	33,415
Investments held at fair value through profit or loss	371,703	95,951	66,293	43,547	26,935	–	604,429
Total net foreign currency exposure	403,432	95,951	66,408	44,920	27,132	1	637,844

NOTES TO THE FINANCIAL STATEMENTS

	Euro £'000	Swedish krona £'000	Swiss francs £'000	2018 Norwegian krone £'000	Danish krone £'000	US Dollar £'000	Total £'000
Current assets	38,618	72	7,148	2,081	3,275	1	51,195
Creditors	(95,660)	(72)	(6,185)	(1,817)	(3,022)	–	(106,756)
Foreign currency exposure on net monetary items	(57,042)	–	963	264	253	1	(55,561)
Investments held at fair value through profit or loss	497,828	62,379	94,698	73,046	29,910	–	757,861
Total net foreign currency exposure	440,786	62,379	95,661	73,310	30,163	1	702,300

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk throughout the year.

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against the Euro, Swiss francs, Danish krone, Swedish krona, Norwegian krone and US dollar to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2019		2018	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(1,572)	1,572	(1,313)	1,313
Capital return	(3,342)	3,342	5,556	(5,556)
Total return after taxation	(4,914)	4,914	4,243	(4,243)
Net assets	(4,914)	4,914	4,243	(4,243)

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the current and comparative year.

(ii) 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.

Derivatives are not used to hedge against the exposure to interest rate risk.

22. Financial instruments' exposure to risk and risk management policies *continued*
(a) Market risk *continued*
(ii) Interest rate risk *continued*
Interest rate exposure

The Company has a loan carrying a fixed rate of interest and the exposure is therefore already quantifiable. 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.

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash and short term deposits	266	2,175
JPMorgan Euro Liquidity Fund	28,330	19,823
Floating rate loan facility	–	(92,055)
Total exposure	28,596	(70,057)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2018: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2018: 1%) increase or decrease in interest rates with regard 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.

	2019		2018	
	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	286	(286)	(56)	56
Capital return	–	–	(644)	644
Total return after taxation	286	(286)	(700)	700
Net assets	286	(286)	(700)	700

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 facilities.

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	604,429	757,861

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 13 to 16. This shows that all of the investments' value is in European companies and there is no concentration of exposure to any one country. It should also 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% (2018: 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.

	2019		2018	
	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	(154)	154	(193)	193
Capital return	60,083	(60,083)	75,335	(75,335)
Total return after taxation	59,929	(59,929)	75,142	(75,142)
Net assets	59,929	(59,929)	75,142	(75,142)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting 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.

22. Financial instruments' exposure to risk and risk management policies *continued*
(b) Liquidity risk *continued*
Liquidity risk exposure

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

	2019			Total £'000
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	
Creditors				
Securities purchased awaiting settlement	2,874	–	–	2,874
Other creditors and accruals	124	–	–	124
Derivative financial instruments: forward foreign currency contracts	4	–	–	4
Bank loan, including interest	157	160	–	317
	3,159	160	–	3,319
	2018			Total £'000
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	
Creditors				
Securities purchased awaiting settlement	3,469	–	–	3,469
Other creditors and accruals	202	–	–	202
Derivative financial liabilities: forward foreign currency contracts	10	–	–	10
Bank loan, including interest	299	503	92,589	93,391
	3,980	503	92,589	97,072

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

(c) Credit risk

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

Management of credit risk
Portfolio dealing

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

Cash and cash equivalents

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

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 were to cease trading. The Depository, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

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

The aggregate value of securities on loan at 31st March 2019 amounted to £31.3 million (2018: £40.3 million) and the maximum value of stock on loan during the year amounted to £77.5 million (2018: £57.7 million). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency.

(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.

23. Capital management policies and procedures

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

	2019 £'000	2018 £'000
Debt:		
Bank loans	–	92,055
Equity:		
Called up share capital	7,974	8,000
Reserves	629,834	694,175
	637,808	702,175
Total debt and equity	637,808	794,230

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 20% net cash to 20% geared.

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	604,429	757,861
Net assets	637,808	702,175
(Net cash)/Gearing	(5.2)%	7.9%

23. Capital management policies and procedures *continued*

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, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the opportunity for issues of new shares, including issues from Treasury; and
- the level of dividend distributions in excess of that which is required to be distributed.

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

The Company's maximum and actual leverage levels at 31st March 2019 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	100%	100%

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

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

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

Remuneration Policy

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

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

The JPM Fund's Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. As at 31st December 2018, the Board last reviewed and adopted the Remuneration Policy in June 2018 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2018 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds and two UCITS (with 32 sub-funds) as at 31st December 2018, with a combined AUM as at that date of £12,595 million and £13,316 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff (\$'000s)	14,408	8,631	23,039	107

The aggregate 2018 total remuneration paid to AIFMD Identified Staff was USD \$68,884,000, of which USD \$12,470,000 relates to Senior Management and USD \$56,414,000 relates to other Identified Staff¹.

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

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

The Company engages 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-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFT for the accounting period ended 31st March 2019 are detailed below.

Global Data

Amount of securities on loan

The total value of securities on loan as a proportion of the Fund's total lendable assets, as at the balance sheet date, is 5.37%. Total lendable assets represents the aggregate value of assets types forming part of the Fund's securities lending programme.

Amount of assets engaged in securities lending

The following table represents the total value of assets engaged in securities lending:

	Value £'000	% of AUM
Securities lending	31,284	4.90%

Concentration and Aggregate Transaction Data

Counterparties

The following table provides details of the counterparties (based on gross volume of outstanding transactions with exposure on a gross absolute basis) in respect of securities lending as at the balance sheet date:

Collateral	County of Incorporation	Value £'000
Morgan Stanley	United States of America	12,601
Deutsche Bank	Germany	6,660
Barclays	United Kingdom	3,266
J.P. Morgan	United States of America	3,132
Goldman Sachs	United States of America	2,984
UBS	Switzerland	2,488
HSBC	United Kingdom	92
Nomura	Japan	61
Total		31,284

Maturity tenure of security lending transactions

The Company's securities lending transactions have open maturity.

Collateral issuers

The following table lists the issuers by value of non-cash collateral received by the Fund by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Collateral Value £'000
United Kingdom Treasury	15,158
United States of America Treasury	7,648
French Republic Government	7,071
Republic of Austria Government	1,735
Republic of Finland Government	837
Kingdom of Netherlands Government	652
Kingdom of Belgium Government	436
Federal Republic of Germany	119
Total	33,656

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Type, quality and currency of collateral

The following table provides an analysis of the type, quality and currency of collateral received by the Fund in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Sovereign Debt	Investment Grade	GBP	15,158
Sovereign Debt	Investment Grade	EUR	10,850
Treasury Notes	Investment Grade	USD	4,576
Treasury Bonds	Investment Grade	USD	2,880
Treasury Bills	Investment Grade	USD	192
Total			33,656

Maturity tenure of collateral

The following table provides an analysis of the maturity tenure of collateral received in relation to securities lending transactions as at the balance sheet date.

Maturity	Value £'000
1 day to 1 week	55
1 week to 1 month	–
1 to 3 months	137
3 to 12 months	680
more than 1 year	32,784
	33,656

Settlement and clearing

The Company's securities lending transactions including related collaterals are settled and cleared either bi-laterally, tri-party or through a central counterparty.

Re-use of collateral

Share of collateral received that is reused and reinvestment return

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Cash collateral received in the context of securities lending transactions may be reused in accordance with the provisions contained within the Prospectus, however the Fund does not currently reinvest cash collateral received in respect of securities lending transactions.

Safekeeping of collateral

All collateral received (£33,656,000) by the Fund in respect of securities lending transactions as at the balance sheet date is held by the Depository.

Return and cost

JPMorgan Chase Bank, N.A. (JPMCB), the lending agent, receives a fee of 10% of the gross revenue for its services related to the Stock Lending Transactions. The remainder of the revenue, 90%, is received by the Company, i.e. for the benefit of Shareholders.

Shareholder Information

Notice is hereby given that the Thirtieth Annual General Meeting of JPMorgan European Smaller Companies Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 10th July 2019 at 12 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2019.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2019.
4. To declare a final dividend of 5.5 pence per share.
5. To reappoint Marc Van Gelder as a Director of the Company.
6. To reappoint Ashok Gupta as a Director of the Company.
7. To reappoint Nicholas Smith as a Director of the Company.
8. To reappoint Stephen White as a Director of the Company.

To consider the following resolution as an ordinary resolution:

9. 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 annual 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

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £398,657 or, if different the aggregate nominal amount representing approximately 5% of the Company's issued ordinary share capital (excluding Treasury shares) as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 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 shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

11. THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £398,657 or, if different, the aggregate nominal amount representing approximately 5% of the issued share capital as at the date of the passing of this resolution (excluding Treasury shares) at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the 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 on such terms and in such manner as the Directors may from time to time determine:

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be the number of ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be the nominal value of such ordinary share;
- (iii) the maximum price which may be paid for an ordinary 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 ordinary share is contracted to be purchased; or

- (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 9th January 2021 unless the authority is renewed at the Company's Annual General Meeting in 2020 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary 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 ordinary shares pursuant to any such contract.

By order of the Board
 Faith Pengelly, for and on behalf of
 JPMorgan Funds Limited,
 Secretary

11th June 2019

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 Annual General Meeting (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 12.00 noon two business days prior to the Meeting (i.e. 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 received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
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. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

NOTICE OF ANNUAL GENERAL MEETING

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies. Guests will not be admitted.
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, each such representative(s) may exercise (on behalf of the corporation) 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 Auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous Meeting, 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 Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
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 of Meeting 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 cannot 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 Meeting, the total voting rights members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of Meeting will be available on the Company's website www.jpmeuropeansmallercompanies.co.uk
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). They will also be available for inspection at the Meeting. No Director has any contract of service with the Company.
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 Instruction 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 Instruction 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 31st May 2019 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 159,462,885 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 159,462,885.

Electronic appointment – CREST members

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

Return to Shareholders (APM)

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

Total return calculation	Page	Year ended 31st March 2019	Year ended 31st March 2018	
Opening share price (p)	4	406.0	334.0	(a)
Closing share price (p)	4	349.0	406.0	(b)
Total dividend adjustment factor ¹		1.016588	1.012262	(c)
Adjusted closing share price (d = b x c)		354.8	411.0	(d)
Total return to shareholders (e = d / a - 1)		-12.6%	23.1%	(e)

¹ The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets (APM)

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

Total return calculation	Page	Year ended 31st March 2019	Year ended 31st March 2018	
Opening cum-income NAV per share (p)	4	438.9	388.1	(a)
Closing cum-income NAV per share (p)	4	400.0	438.9	(b)
Total dividend adjustment factor ²		1.014804	1.011243	(c)
Adjusted closing cum-income NAV per share (d = b x c)		405.9	443.8	(d)
Total return on net assets (e = d / a - 1)		-7.5%	14.4%	(e)

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

Benchmark total return

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

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

Gearing/Net Cash (APM)

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

		31st March 2019 £'000	31st March 2018 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	51	604,429	757,861	(a)
Net assets	51	637,808	702,175	(b)
Gearing/(Net Cash) (c = a / b - 1)		(5.2)%	7.9%	(c)

Ongoing Charges (APM)

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

		31st March 2019 £'000	31st March 2018 £'000	
Ongoing charges calculation	Page			
Management fee	49	6,458	6,437	
Other administrative expenses	49	863	739	
Total management fee and other administrative expenses		7,321	7,176	(a)
Average daily cum-income net assets		687,188	694,012	(b)
Ongoing charges (c = a / b)		1.07%	1.03%	(c)

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

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

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

J.P. Morgan investment trusts are eligible investments within a stocks & shares individual savings account (ISA) and Junior ISA. For the 2019/20 tax year, from 6th April 2019 and ending 5th April 2020, the annual ISA allowance is £20,000 and the Junior ISA annual allowance is £4,368.

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

1. Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Smart Investor	Selftrade
Charles Stanley Direct	The Share Centre
FundsNetwork	

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

2. Through a professional adviser

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

You may also buy J.P. Morgan 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 for J.P. Morgan Investment Account, Stock & Shares ISA account holders

On 8th April 2019, J.P. Morgan Asset Management informed holders of J.P. Morgan investment accounts and stocks & shares ISA savings products that it had decided to cease managing these accounts. Investors are able to remain invested in J.P. Morgan managed investment trusts by transferring to another service provider.

Information regarding the transfer arrangements has been provided, detailing the options to; transfer to an alternative third party provider, re-register the investment into certificated form or sell the investment. Where no alternative instruction is received the account will be transferred later in the year, in line with the correspondence sent by J.P. Morgan on 8th April 2019.

For full details of all the options available to investors, please refer to correspondence sent by J.P. Morgan on 8th April 2019, contact your financial adviser or contact J.P. Morgan's Client Administration Centre on 0800 20 40 20/+44 (0) 1268 44 44 70.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

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

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

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

2 Check the FCA Warning List

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

3 Get impartial advice

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

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

Report a Scam

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

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

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



FINANCIAL CALENDAR

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

History

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

Company Numbers

Company registration number: 2431143
 London Stock Exchange number: 0341969
 ISIN: GB00BMTS0Z37
 Bloomberg code: JESC LN
 LEI: 54930049CEWDI46Y3U28

Market Information

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

Website

www.jpmeuropeansmallercompanies.co.uk

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

For company secretarial issues and administrative matters, please contact Faith Pengelly.

Depository

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

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

Registrars

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

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1083.

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

Independent Auditors

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

Brokers

Cenkos Securities plc
 6.7.8 Tokenhouse Yard
 London EC2R 7AS

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

The Company currently conducts its affairs so that the shares it issues can be recommended by financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the COB sourcebook.



The Association of
 Investment Companies

A member of the AIC

www.jpmeuropeansmallercompanies.co.uk

J.P. MORGAN HELPLINE

Freephone **0800 20 40 20** or +44 (0) 1268 444470.

Telephone lines are open Monday to Friday,
9.00am to 5.30pm.

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