JPMorgan European Smaller Companies Trust plc

Annual Report & Financial Statements for the year ended 31st March 2020

J.P.Morgan
Asset Management

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 20.

Benchmark

MSCI Europe (ex UK) small cap net total return index (until 31st March 2020 Euromoney Smaller European Companies (ex UK) net total return index (in sterling terms).

Capital Structure

At 31st March 2020, 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').

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

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

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST MARCH

	2020	2019	3 years cumulative	5 years cumulative	10 year cumulative
Return to shareholders[1,A]	-26.7%	-12.6%	-21.2%	+15.4%	+97.2%
Return on net assets[2,A]	-17.6%	-7.5%	-12.9%	+28.8%	+103.3%
Benchmark return[3]	-12.8%	-3.6%	-7.5%	+27.9%	+78.9%
Net asset return compared to benchmark return[3]	-4.8%	-3.9%	-5.4%	+0.9%	+24.4%,
Shareholder return compared to benchmark return	-13.9%	-9.0%	-13.7%	-12.5%	+18.3%
Dividend	6.7p	6.7p			

[1] Source: Morningstar.

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

[3] Source: Morningstar. The Company's benchmark is the MSCI Europe (ex UK) small cap net total return index (until 31st March 2020 Euromoney Smaller European Companies (ex UK) net total return index (in sterling terms).

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 84 and 85.

SUMMARY OF RESULTS

	2020	2019	% change
Total returns for the year ended 31st March			
Share price return[1,A]	**-26.7%**	-12.6%	
Net asset value return[2,A]	**-17.6%**	-7.5%	
Benchmark return[3]	**-12.8%**	-3.6%	
Net asset value, share price, discount and market data at 31st March			
Shareholders' funds (£'000)	**517,253**	637,808	-18.9
Net asset value per share[A]	**324.4p**	400.0p	-18.9
Share price	**251.0p**	349.0p	-28.1
Share price discount to net asset value per share[A]	**22.6%**	12.8%	
Shares in issue	**159,462,885**	159,462,885	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	**15,077**	15,837	-4.8
Net revenue available for shareholders (£'000)	**10,886**	11,680	-6.8
Revenue return per share	**6.83p**	7.31p	-6.6
Dividend per share	**6.7p**	6.7p	
Gearing/(Net cash) at 31st March[A]	**3.8%**	(5.2)%	
Ongoing charges[A]	**1.05%**	1.07%	

1 Source: Morningstar.

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

3 Source: Morningstar. The Company's benchmark is the MSCI Europe (ex UK) small cap net total return index (until 31st March 2020 Euromoney Smaller European Companies (ex UK) net total return index (in sterling terms).

A Alternative Performance Measures ('APM').

A glossary of terms and APMs is provided on pages 84 and 85.

Marc van Gelder
Chairman

The Trust's longer term performance remains strong

Dear Shareholder,

I am pleased to present the Company's results for the year ended 31st March 2020, albeit in a challenging period.

Investment Performance

It would not be right for me to begin a review of the performance of your Company for the year to 31st March 2020 without first acknowledging the impact of the Covid-19 virus on Europe and European companies, with the complete cessation of activity in many sectors of the economies. In the first quarter of 2020 there has been a sharp reversal of the economic growth experienced in the latter part of 2019 and the pandemic has the potential to impact significantly global economies in the future. The actions taken globally in response to Covid-19 have also caused exceptional volatility in equity markets which is likely to continue.

Over the year to 31st March 2020 the total return on net assets was -17.6%, an underperformance of 4.8% compared to the Company's benchmark during the period, the Euromoney Smaller European Companies (ex UK) net total return index. The majority of this decline occurred in the last three months to 31st March 2020. In the nine months to 31st December 2019 the total return on net assets was +10.6%, whereas total return on net assets for the three months to 31st March 2020 was -25.1%. This is a disappointing result in extraordinary times and the reasons for this are explained in detail in the Investment Managers' Report.

On a more positive note, since 31st March 2020 stock markets have experienced a rebound and over the two month period to the end of May net asset total return was +24.5% compared to the Company's new benchmark index return of +20.7%, an outperformance of 3.8%.

Nonetheless, the Trust's longer term performance remains strong, with the 5 year and 10 year total return on net assets rising 28.8% and 103.3%, respectively, whilst the benchmark total return rose 27.9% and 78.9% respectively. From 1st April 2020 the benchmark changed to the MSCI Europe (ex UK) small cap net total return index. This index better reflects the underlying portfolio constituents.

The investment managers explain their investment approach and process on pages 8 and 9. Their investment process essentially is to focus on identifying market leading companies with a catalyst for outperformance. The catalyst can be any one or a combination of Value, Quality and Momentum. Following discussions with the investment managers additional flexibility has been provided to invest in up to 25% in companies outside the benchmark.

Investment Management Fees

Following discussions with the Manager, a reduction in management fees was agreed in March this year and has been effective from 1st April 2020. The investment management fee is now charged at an annual rate of 0.85% of net assets. Previously, the management fee was charged at 1.0% on net assets up to £400 million and 0.85% on net assets over £400 million. This reduction ensures that the Company's fee arrangements remain competitive, provides a saving for our existing shareholders and should make the Company more attractive for new investors.

Gearing

Gearing can be a differentiator for an investment trust and the Board believes that it can be beneficial to performance. The Board sets the overall strategic gearing policy and guidelines and reviews these at each Board meeting. Borrowings during the year consisted of a €140 million revolving credit facility, of which €125 million was drawn down at the year end. During the year gearing varied between 12.2% geared and 4.9% cash. As outlined by the investment managers the spread of Covid-19 was an unprecedented event and at the start of the Covid-19-related market downturn the portfolio was over 10% geared, thus impacting performance.

Revenue and Dividends

The Board's dividend policy is to pay out the majority of the net 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 reduced to £10.9 million (2019: £11.6 million), a marginal decline compared to 2019. An interim dividend of 1.2 pence per share was paid on 17th January 2020. Subject to shareholder approval at the forthcoming Annual General Meeting, a final dividend of 5.5 pence per share will be paid on 31st July 2020 to shareholders on the register as at the close of business on 26th June 2020 (ex-dividend date 25th June 2020).

Discounts and Share Repurchases

Discounts in the European investment trust sector have widened in recent months. The discount of the Company's share price to net asset value widened over the year from 12.8% to 22.6% at the year end, reflecting general market sentiment, with an average discount over the 12 months of 13.9%. As at 5th June 2020 the discount had subsequently widened to 16.1%. The Board continues to monitor the level of the discount carefully and seeks to use its ability to repurchase shares to minimise the short term volatility and the absolute level of the discount when appropriate. No shares were repurchased during the year.

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. During the recent period of market volatility arising as a result of Covid-19 the Board has met more frequently to ensure support has been available to the investment managers. As Chair I have been in regular contact with Francesco Conte and Edward Greaves. The Board agreed with the Committee's recommendation that the continued appointment of the Manager is in the interests of shareholders as a whole.

ESG is integrated in the investment manager's investment process

Environmental, Social and Governance ('ESG')

The investment managers have always considered environmental, social and governance ('ESG') issues in their investment process. ESG issues are considered at every stage of the investment decision and this is outlined on page 8. The investment managers use their regular company meetings with potential and existing portfolio companies to discuss and challenge management on their adherence to best practice.

Board of Directors

As reported in my statement in the Half Year Report we welcome Tanya Cordrey as a new member of the Board. Tanya has a strong background in the digital environment.

Amendment to Articles of Association

The Board is proposing an amendment to the Company's Articles of Association to enable the Company to hold shareholder meetings whereby shareholders are not required to attend the meeting in person at a physical location. This will facilitate shareholder attendance in situations where they are prevented, through laws or regulations, from attending at a physical location. Having consulted a number of the Company's larger shareholders the Board understands that these shareholders do not object to the proposed change in the articles. The Directors have no present intention of holding 'virtual-only' meetings and would only utilise them where Directors consider it in the best interests of shareholders to do so, for example where shareholders are not permitted to physically attend. Further details of the amendments are set out in the Directors' Report on page 30.

Annual General Meeting

The Company's Annual General Meeting ('AGM') will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 20th July 2020 at 12.30 p.m.

As you would expect, due to the ongoing situation surrounding Covid-19 and the developing advice from the Department of Health & Social Care, the Board has decided to revise the format of this year's AGM. Whilst the formal business of the AGM will be considered, the meeting will be functional only. There will be no presentation from the investment managers Francesco Conte and Edward Greaves. However, a video presentation will be placed on the Company's website. In addition there will be no social event as part of the AGM and therefore no refreshments provided. The Government has, for the time being, prohibited public gatherings of more than two people and therefore shareholders will not be allowed to attend the AGM in person. Anyone seeking to attend the meeting will be refused entry.

In light of the changed format, the Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms. This will ensure that the votes are registered. **In addition, shareholders are encouraged to raise any questions in advance of the AGM with the Company Secretary via the 'Ask US a Question' link which can be found in the 'Contact Us' section on the Company's website. Any questions received will be replied to by the Company Secretary after the AGM.**

Outlook

At the time of writing it is difficult to predict the ultimate impact of the Covid-19 virus spread and the political, economic and societal outcomes and costs are very uncertain. Globally there are also continuing issues to address, not least the Brexit trade negotiations between the United Kingdom and the European Union, but also trade friction between the US and China.

Notwithstanding the uncertainties we have confidence in the investment managers' ability to position the portfolio to weather the storms ahead and reiterate their belief that the pandemic will not change the principal investment themes in the portfolio – environmental improvement, technology and wellness.

Marc van Gelder
Chairman 12th June 2020

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 42 years combined experience. They are supported by a broader team of 49 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. While the objective is to have a positive exposure to all three factors simultaneously, the manager may prioritise one factor to a greater extent than the others depending on particular market conditions. 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.

Environmental, Social and Governance ('ESG')

The investment manager places emphasises and importance on ESG issues, believing that a well-run company that respects its employees, communities, environment and shareholders is likely to have a more sustainable and durable business model. As such the manager rigorously considers environmental, social and governance issues at every stage of the decision making process. To assess a company's ESG characteristics, the investment managers use a proprietary methodology to rank companies that examine both the exposure to, and performance against, sustainability issues. The investment managers focus on those issues that are material to a company'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 the investment process.

42	49	624	90.2%
Years' combined experience investing in the region	Investment professionals in Europe	European company meetings in 2019	Active share[1]

[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

Investment Scope and Process

The objective of the Company is to achieve capital growth from a portfolio of quoted smaller European companies, 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) net total return Index (until the end of March). At the end of March 2020 this index consisted of 1,000 companies with a market value of between £91 million and £4.9 billion. This universe of potential investments is screened using a proprietary multi-factor model, to the results of which we apply fundamental analysis. From 1st April 2020 we have changed the benchmark index to the more widely used MSCI Europe (ex UK) small cap net total return index. At the end of March 2020 the new benchmark consisted of 705 companies with a market value of between £43 million and £6.3 billion.

The investment process is driven by bottom-up stock selection with a focus on identifying market leading growth companies with a catalyst for outperformance. The catalyst could be any one, or a combination of Value, Quality and Momentum. Stock position sizing is determined by investment conviction and trading liquidity. Investments are sold when there is a fundamental deterioration in business prospects, they become overvalued, 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 we may operate. The policy is not to hedge the currency exposure of the portfolio's assets.

Market Review

The 12 month period to March 2020 saw a great deal of uncertainty and financial market volatility, much of it due to the constantly changing US stance on trade with China specifically, and the rest of the world more generally. In Europe, ambiguity surrounding the UK's future relationship with the European Union added to the feeling of unease. With little visibility on how the global tariff regime might evolve, companies became increasingly unwilling to invest and the economic outlook deteriorated. As has become commonplace since the global financial crisis, Central banks quickly stepped in to prop up economies with ever looser monetary policies. As a result, markets seesawed between pessimism due a poor economic outlook and optimism due to loose monetary policies.

The focus of the investment process is on identifying market leading growth companies with a catalyst for outperformance

By late summer, the US and China moved closer to signing phase one of a trade deal and the Conservative Party's resounding election win in the UK dispelled any ambiguities about the UK's Brexit position. As a result of abundant liquidity and moderating political risks, equity markets broke out of their volatile sideways trading range to finish 2019 strongly, even as the outlook for company earnings remained weak.

The 2020 calendar year started strongly and initially markets believed that, like SARS-CoV in 2003, Covid-19 was likely to be a short lived phenomenon. Unfortunately by late February, despite extreme lockdown measures by the Chinese government, it quickly became apparent that the outbreak could not be contained and Covid-19 rapidly became a global pandemic. Equity markets plunged at the sharpest rate since the 1929 financial crisis and volatility rose to levels last seen during the 2008 global financial crisis. The market sell off was compounded by increasingly severe lockdown measures announced by nations across the world and uncertainty around how the crisis could be resolved.

Portfolio Performance

Over the financial year, the net asset value total return of the Company fell by 17.6%, underperforming its benchmark by 4.8%. The biggest detractor from performance was gearing as the portfolio was over 10% geared at the start of the sharp Covid-19 related drawdown in late February. As visibility worsened, we reduced gearing sharply by the end of March.

Detractors from performance also included companies with weaker balance sheets which became a significant concern for investors following the Covid-19 outbreak. These included French technical services provider, Spie, Swiss semiconductor manufacturer, AMS, which needed financing following a large acquisition, and Swedish facilities manager, Coor. We sold all of these positions to reduce gearing.

By contrast, top performing investments over the period included; Swiss aseptic packaging solutions provider, SIG Combibloc, as the company continued to benefit from strong end market demand and market share gains, the French payments business, Ingenico, following the announcement of its acquisition by French peer, Worldline, as well as Italian renewable energy company, Falck Renewables, after announcing its ambition to double installed capacity by 2025.

Top performing investments included SIG Combibloc, Ingenico and Falck Renewables

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST MARCH 2020

	%	%
Contributions to total returns		
Benchmark return		-12.8
Asset allocation	0.7	
Stock selection	-2.4	
Gearing/cash effect	-2.5	
Currency effect	0.4	
Investment Managers' added contribution		-3.8
Portfolio return		-16.6
Management fee/other expenses	-1.0	
Other effects		-1.0
Return on net assets[A]		-17.6
Return to shareholders[A]		-26.7

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.

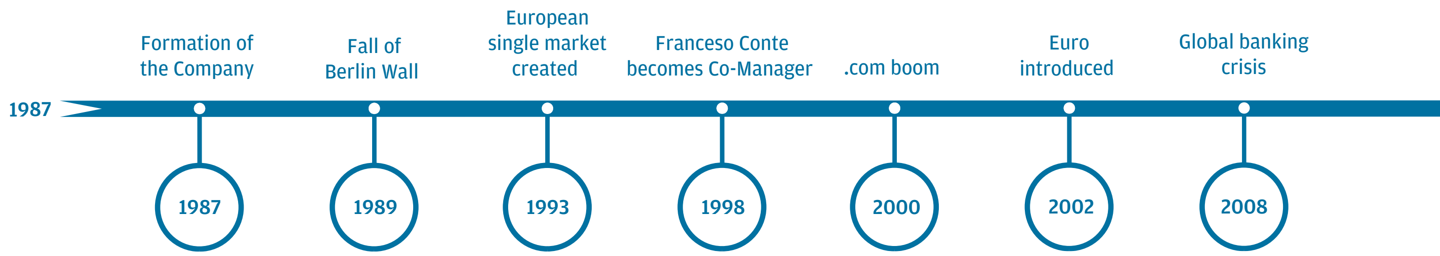
[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 84 and 85.

We further increased the portfolio's exposure to companies benefitting from ESG

Portfolio Positioning

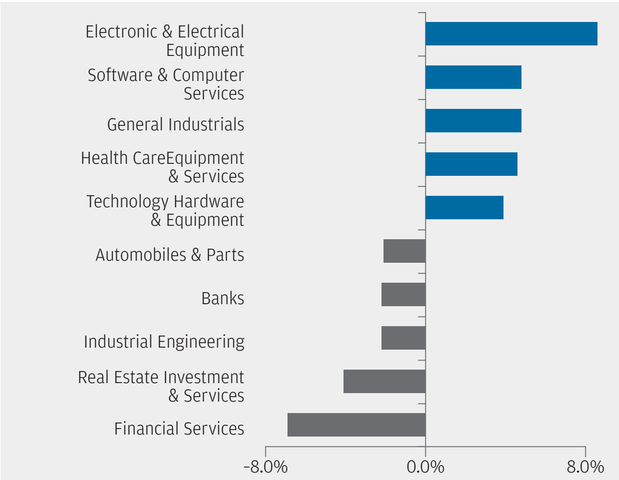
Over the period, we further increased the portfolio's exposure to companies benefitting from Environmental, Social and Governance ('ESG') structural tailwinds. Electricity became the largest sector overweight position, although it is important to note that our exposure here is exclusively to renewable energy companies. We increased our holding in Falck Renewables in Italy and added new companies; Encavis in Germany, Solaria in Spain, and Scatec Solar in Norway. We believe that renewable energy is an attractive investment opportunity due to the increasing demand for clean energy and rapidly falling generation costs. Not only will renewable energy production be encouraged by the European Green Deal, but we are also witnessing a growing corporate appetite for long-term 'green energy' contracts, both for sustainability and risk management reasons. Lastly, renewable companies such as Scatec Solar are taking advantage of the rapid development of new markets for renewable energy, such as South Africa, Bangladesh, Vietnam or Indonesia.



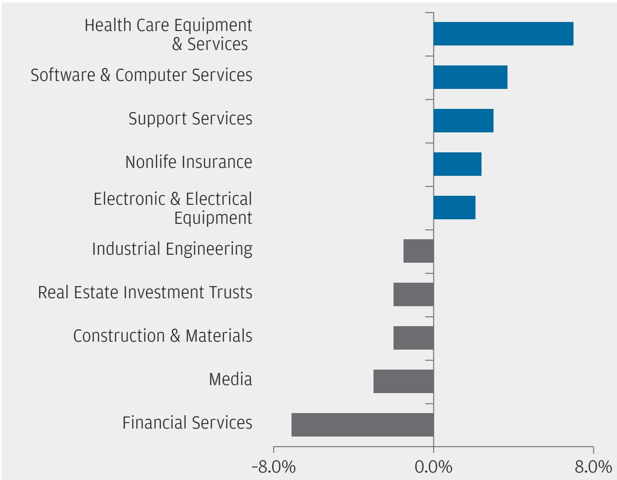
Software & Computer Services remained the second largest overweight sector position while General Industrials became the third largest overweight sector position. However, our exposure to this latter sector is composed of packaging companies that serve the food and pharma industries which have defensive growth characteristics and also offer environmentally friendly solutions. For example, we increased our exposure to Swiss listed SIG Combibloc and added another Swiss company, Aluflexpack, to the portfolio. Aluflexpack is a manufacturer of premium flexible packaging solutions based on aluminium, a more easily recyclable material. Aluflexpack's focus on growing product ranges such as coffee capsules and pet food packaging, as well as their willingness to consolidate a very fragmented market, offers sustainable long-term growth prospects.

Top 10 Sector Active Positions (relative to benchmark)

31ST MARCH 2020



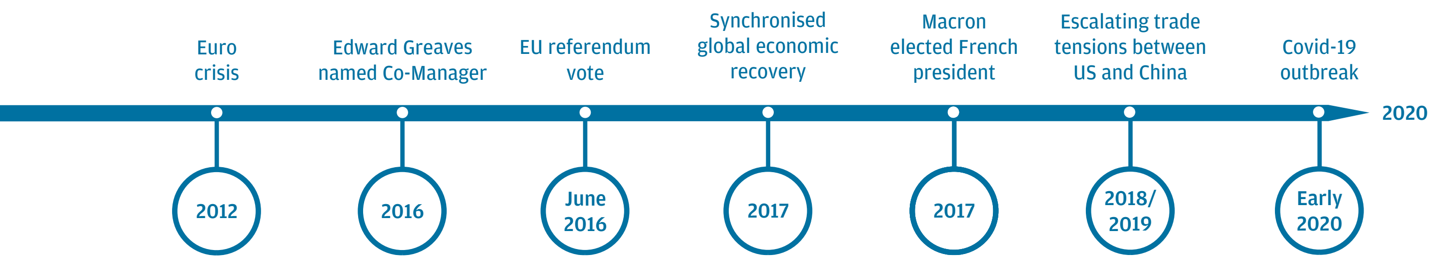
31ST MARCH 2019



Source: FactSet; including cash/gearing.

We financed these purchases by reducing our exposure to companies with declining operational momentum. We sold our position in the Danish IT services provider, NNIT, as they unexpectedly lost two large contracts and suffered from price pressure on their legacy outsourcing business with Novo Nordisk. We also sold our positions in two Dutch companies: animal feed distributor, ForFarmers, following the implementation of new emissions-related regulation which put pressure on cattle herd sizes in the Netherlands, and speciality distributor, B&S, as trade tensions and protests in Hong Kong significantly disturbed their Asian operations. We also reduced our exposure to companies most exposed to the weak global economic environment including the automotive suppliers Hella in Germany and Plastic Omnium in France. Additionally, during the period we sold two French companies whose prices benefited from takeover approaches: Altran, the world leader in R&D outsourcing, and Ingenico, a leading French payments company.

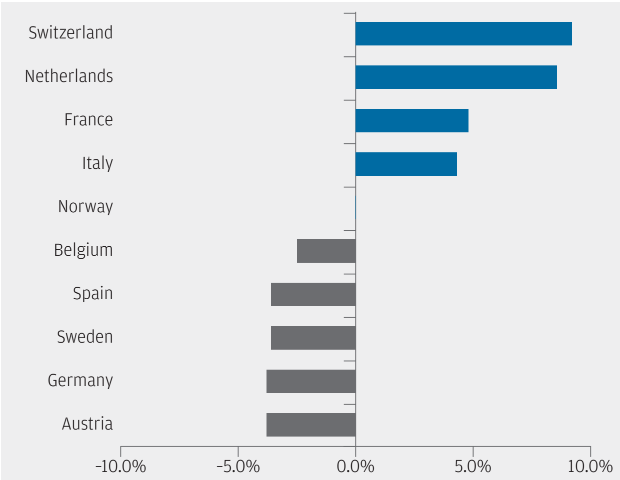
During the period, Switzerland grew to be the Company's largest country overweight position as we built positions in attractive stocks likely to prove resilient to the Covid-19 pandemic. For example, the consumer electronics equipment manufacturer, Logitech, should benefit from more video conferencing and online



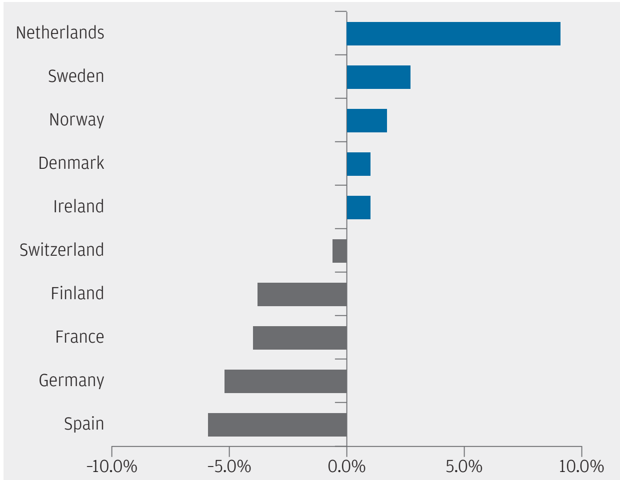
gaming, and the online pharmacy, Zur Rose, should benefit from new regulations allowing consumers to order their prescriptions online.

Top 10 Country Active Positions (relative to benchmark)

31ST MARCH 2020



31ST MARCH 2019



Source: FactSet; including cash/gearing.

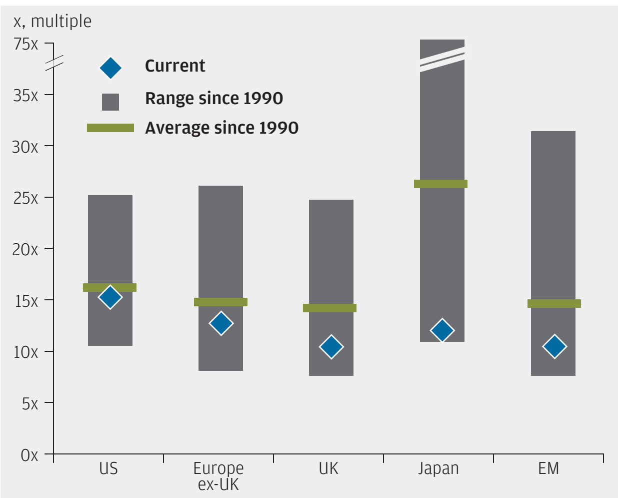
The Netherlands moved to our second largest country overweight position following the disposal of companies such as ForFarmers and NNIT. The proceeds of these divestments were partially reinvested into new opportunities such as the world leader in Atomic Layer Desposition, ASM International, who have pioneered a methodology to produce ever smaller logic based semiconductors.

Austria, Sweden and Germany were our largest country underweights positions as they tend to be large exporting countries whose companies are likely to suffer in a global industrial slowdown.

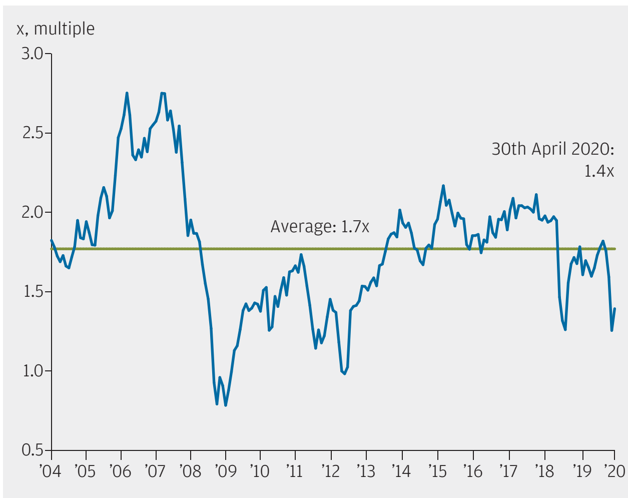
By the end of the financial year we were 3.8% geared.

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 2020. (Right) FactSet, MSCI, J.P. Morgan Asset Management. Data as of 30th April 2020.

The shape of the path to recovery is uncertain but the Trust's investments include many world leaders

Outlook

The world has rarely looked less certain. It is 100 years since we last faced a pandemic and so there are no easy formulas to be followed. Thankfully, as we write the number of new deaths has rapidly declined as a result of the severe lockdown measures, but the economic costs are considerable. Despite record falls in GDP and record rises in unemployment, European markets have recouped about 40% of the fall that took place from mid-February to mid-March as a result of unprecedented government and central bank support. This is a trend we expect to continue albeit with considerable volatility.

We believe that the pandemic will not change the principal investment themes in the portfolio - environmental improvement, technology and wellness - but instead will lead to their acceleration. To that end we have taken advantage of sharp share price falls to purchase new positions in high quality businesses that benefit from these megatrends. We have bought a leading Swedish supplier of heating and ventilation solutions that improve building efficiency, two online pharmacy companies, one Swiss and the other German, that help us in our efforts to socially distance and technology companies that enable working from home.

The shape of the path to recovery is uncertain but the Trust's investments include many world leaders in markets that should grow regardless of the pace of recovery.

Francesco Conte
Edward Greaves
Investment Managers

12th June 2020

TEN LARGEST INVESTMENTS

AT 31ST MARCH

Company	Country	2020 Valuation £'000	2020 %[1]	2019 Valuation £'000	2019 %[1]
SIG Combibloc[2] SIG is a Swiss provider of aseptic carton packaging systems and solutions. Substitution from plastics to environmentally-friendly packaging is ongoing, notably in emerging markets, where the group is adding production capacities.	Switzerland	20,036	3.7	6,916	1.1
Logitech International[3] Logitech is a Swiss designer and manufacturer of consumer electronics. Growth in gaming, video collaboration and content creation are supporting demand for their peripherals. Logitech's video conferencing technology reduces the need for travel and hence contributes to a reduction in emissions.	Switzerland	17,666	3.3	–	–
AAK[2] Swedish group AAK is the world leader in the production of vegetable oils and fats. The company is a significant beneficiary of the wellness trend as consumers replace animal fats with plant based alternatives for health and animal welfare reasons.	Sweden	16,208	3.0	6,503	1.1
Falck Renewables[2] Italian group Falck Renewables produces renewable energy in both Europe and in the US, mostly from wind. Falck Renewables plans to double its installed capacity by 2025, with an increasing share of solar.	Italy	14,871	2.8	4,907	0.8
Warehouses De Pauw CVA[2] Belgian group WDP is an expert in logistics real estate, mostly present in the Benelux region. WDP leases storage and distribution facilities, which are a critical part of modern supply chains. The group has sector-leading environmental practices: existing warehouses are mostly LED-lighted and many of their sites are also equipped with solar panels.	Belgium	14,166	2.6	6,584	1.1
Siegfried[2] Siegfried is a Swiss global life sciences company producing pharmaceutical substances and drug administration products. The group benefits from the increasing outsourcing of manufacturing by pharma companies.	Switzerland	13,975	2.6	6,259	1.0
Encavis[3] Encavis is a German group involved In renewable energy. Encavis acquires ready-to-build or existing parks and operates them over their technical and commercial life time. Encavis has a solid development pipeline in Europe, with a focus on solar parks.	Germany	12,971	2.4	–	–
ERG[3] Italian group ERG produces renewable energy from diversified sources (wind, solar, thermoelectric and hydroelectric). The group is increasing its capacity both through repowering and new installations.	Italy	12,819	2.4	–	–
Solaria Energia y Medio Ambiente[3] Solaria is a Spanish solar generation and development company, present in the south of Europe and Latin America. The group has an ambitious development plans, backed by a high-quality pipeline.	Spain	12,511	2.3	–	–
IMCD A leading company in the sales and distribution of specialty chemicals, focusing on food and pharma ingredients. IMCD offers its customers customised solutions globally by utilising its expertise across its product portfolio. The group is actively promoting its 'IMCD Sustainable Solutions', which have better environmental and health performance than mainstream products.	Netherlands	12,241	2.3	12,424	2.1
Total[4]		**147,464**	**27.4**		

[1] Based on total investments of £537.0m (2019: £604.4m).

[2] Not included in the ten largest investments at 31st March 2019.

[3] Not held in the portfolio at 31st March 2019.

[4] At 31st March 2019, the value of the ten largest investments amounted to £122.4m representing 20.3% of total investments.

GEOGRAPHICAL ANALYSIS

	31st March 2020		31st March 2019	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Switzerland	22.0	13.6	11.0	11.4
France	14.2	10.1	9.5	12.7
Italy	13.3	9.7	10.5	10.6
Netherlands	12.8	4.6	16.5	5.5
Germany	11.4	16.0	9.6	14.9
Sweden	9.7	14.2	15.9	12.2
Denmark	4.6	4.5	4.4	3.4
Norway	4.1	4.5	7.2	5.6
Belgium	3.4	6.1	4.6	5.3
Spain	2.3	6.0	1.0	6.7
Finland	2.2	4.8	1.1	4.8
United Kingdom	–	–	–	0.5
Austria	–	3.9	4.8	3.8
Ireland	–	1.0	1.9	1.3
Portugal	–	1.0	2.0	1.3
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £537.0m (2019: £604.4m).

SECTOR ANALYSIS

	31st March 2020		31st March 2019	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Industrials	22.9	22.3	25.4	23.5
Information Technology	18.5	8.8	13.8	8.0
Health Care	14.0	10.9	14.3	8.6
Utilities	12.8	3.4	3.7	3.8
Consumer Staples	7.5	6.3	5.1	6.4
Materials	6.6	7.5	2.1	6.6
Financials	6.4	13.1	8.5	14.3
Real Estate	5.3	10.5	9.8	10.6
Communication Services	3.8	6.1	2.3	5.6
Consumer Discretionary	2.2	9.0	9.6	9.6
Energy	–	2.1	5.4	3.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £537.0m (2019: £604.4m).

INVESTMENT ACTIVITY DURING THE YEAR ENDED 31ST MARCH 2020

	Value at 31st March 2019 £'000	%	Purchases £'000	Sales £'000	Changes in value £'000	Value at 31st March 2020 £'000	%
Switzerland	66,293	11.0	138,747	(84,624)	(2,353)	118,063	22.0
France	57,351	9.5	187,510	(163,014)	(5,672)	76,175	14.2
Italy	63,349	10.5	182,660	(144,380)	(30,364)	71,265	13.3
Netherlands	99,827	16.5	113,296	(121,888)	(22,466)	68,769	12.8
Germany	57,763	9.6	160,566	(131,579)	(25,415)	61,335	11.4
Sweden	95,953	15.9	73,514	(107,436)	(10,074)	51,957	9.7
Denmark	26,935	4.4	44,751	(37,009)	(9,808)	24,869	4.6
Norway	43,546	7.2	45,000	(61,675)	(4,794)	22,077	4.1
Belgium	27,764	4.6	20,344	(31,280)	1,402	18,230	3.4
Spain	6,173	1.0	14,329	(10,714)	2,723	12,511	2.3
Finland	6,610	1.1	24,373	(12,542)	(6,656)	11,785	2.2
Austria	29,002	4.8	–	(29,549)	547	–	–
Portugal	12,356	2.0	163	(12,673)	154	–	–
Ireland	11,507	1.9	–	(10,505)	(1,002)	–	–
Total investments	**604,429**	**100.0**	**1,005,253**	**(958,868)**	**(113,778)**	**537,036**	**100.0**

LIST OF INVESTMENTS AT 31ST MARCH 2020

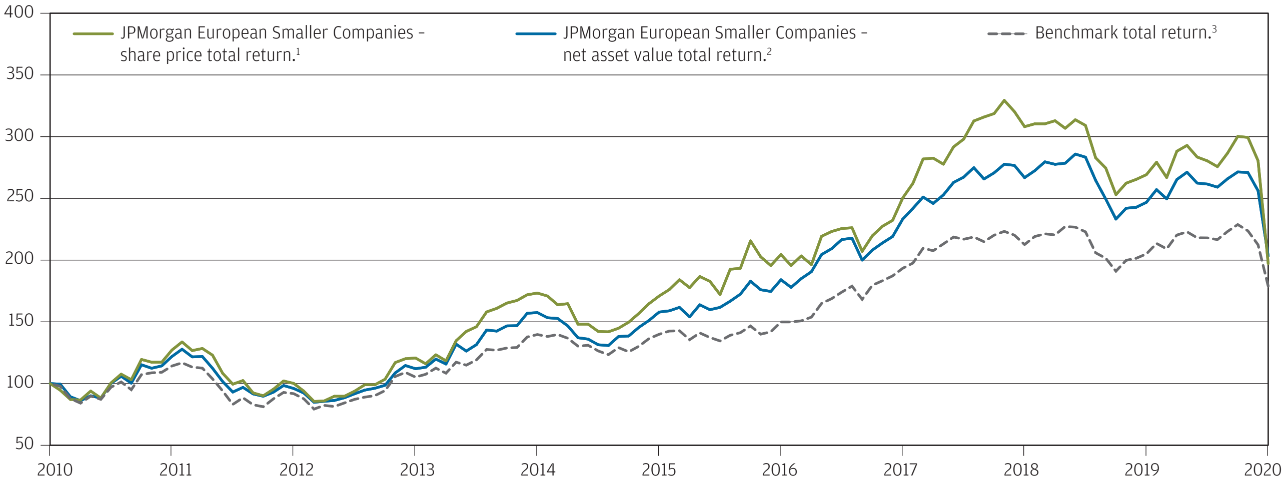
Company	Valuation £'000
SWITZERLAND	
SIG Combibloc	20,036
Logitech International	17,666
Siegfried	13,975
Tecan	11,827
Helvetia	11,456
Cembra Money Bank	10,902
Emmi	8,222
Belimo	7,573
Aluflexpack	5,968
PSP Swiss Property	5,241
Zur Rose	5,197
	118,063
FRANCE	
Sopra Steria	11,812
IPSOS	9,936
Korian	9,907
Alten	9,168
Nexans	8,453
Remy Cointreau	8,079
Ipsen	7,595
Virbac	7,247
Voltalia	3,815
Euronext	163
	76,175
ITALY	
Falck Renewables	14,871
ERG	12,819
Amplifon	10,640
Reply	9,502
Prysmian	8,065
Sanlorenzo	7,642
Interpump	5,857
SAES Getters	1,869
	71,265

Company	Valuation £'000
NETHERLANDS	
IMCD	12,241
ASM International	12,110
ASR Nederland	11,696
Arcadis	11,504
Aalberts	8,543
Signify	6,787
BE Semiconductor Industries	5,888
	68,769
GERMANY	
Encavis	12,971
Stroeer	10,506
Software	9,926
Eckert & Ziegler Strahlen- und Medizintechnik	6,504
Bechtle	6,093
Nemetschek	5,935
alstria office REIT	5,098
Shop Apotheke Europe	4,302
	61,335
SWEDEN	
AAK	16,208
Bravida	11,424
AF Poyry	8,734
Sweco	7,008
Nibe Industrier	6,949
Vitrolife	1,634
	51,957
DENMARK	
SimCorp	9,449
ROCKWOOL International	7,123
GN Store Nord	5,933
Royal Unibrew	2,364
	24,869

Company	Valuation £'000
NORWAY	
TOMRA Systems	7,045
Scatec Solar	6,487
Fjordkraft	5,472
NEL	3,073
	22,077
BELGIUM	
Warehouses De Pauw CVA	14,166
Shurgard Self Storage	4,064
	18,230
SPAIN	
Solaria Energia y Medio Ambiente	12,511
	12,511
FINLAND	
Huhtamaki	9,235
Caverion	1,919
Uponor	631
	11,785
TOTAL INVESTMENTS	**537,036**

TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2010



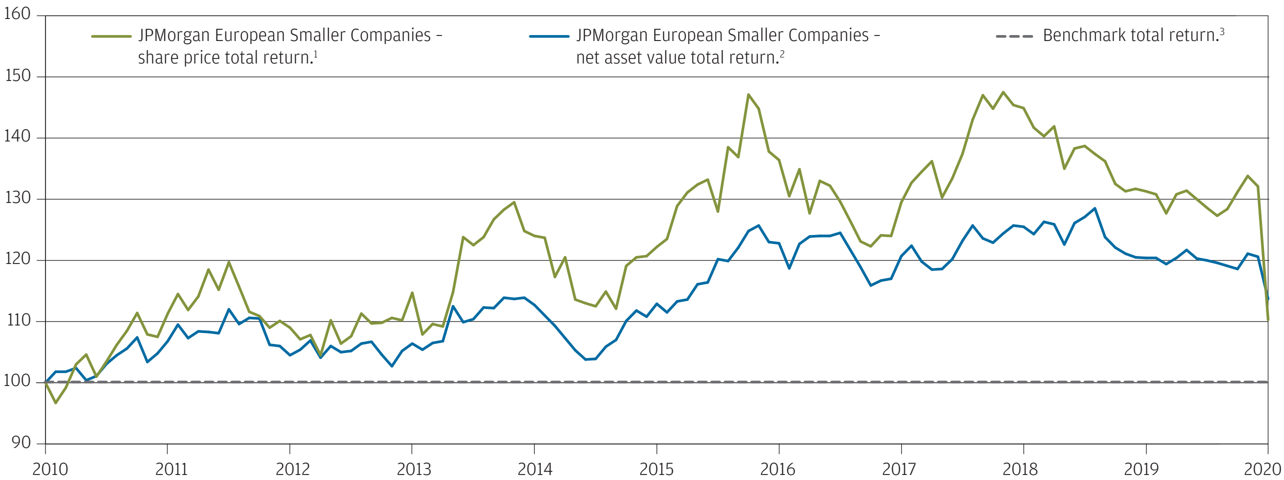
[1] Source: Morningstar, share price. JPMorgan, share price total return calculation.

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

[3] Source: Morningstar. The Company's benchmark is the MSCI Europe ex UK Small Cap Index (Net) (2019 and before: Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms).

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2010



[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: Morningstar. The Company's benchmark is the MSCI Europe ex UK Small Cap Index (Net) (2019 and before: Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms).

TEN YEAR FINANCIAL RECORD

At 31st March	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets less current liabilities (£'m)	415.9	477.4	342.3	366.0	474.8	473.1	495.4	620.8	794.2	637.8	517.3
Net asset value per share (p)[A]	181.5	219.5	170.8	195.1	270.7	268.3	309.3	388.1	438.9	400.0	324.4
Share price (p)	147.0	186.0	144.4	169.8	240.0	233.5	276.0	334.0	406.0	349.0	251.0
Share price discount (%)[A]	18.7	15.2	15.5	13.0	11.3	13.0	10.8	13.9	7.5	12.8	22.6
Gearing/(net cash) (%)[A]	0.2	16.7	7.6	12.9	12.6	7.5	(2.8)	5.3	7.9	(5.2)	3.8
Ongoing charges (%)[A]	1.21	1.21	1.27	1.26	1.31	1.32	1.18	1.15	1.03	1.07	1.05

Year ended 31st March											
Gross revenue return (£'000)	8,431	9,241	10,215	8,481	8,016	8,586	8,448	10,771	13,251	15,837	15,077
Net revenue available for shareholders (£'000)	2,167	2,369	7,055	6,134	5,047	5,519	5,732	7,807	9,575	11,680	10,886
Revenue return per share (p)	0.93	1.07	3.42	3.29	2.99	3.45	3.58	4.88	5.98	7.31	6.83
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	6.7

Rebased to 100 at 31st March 2010											
Total return to shareholders[1,A]	100.0	127.1	100.1	120.7	173.3	170.9	204.5	250.4	308.1	269.2	197.2
Total return on net assets[2,A]	100.0	121.9	96.0	112.0	157.5	157.9	184.1	233.3	266.8	246.8	203.3
Benchmark total return[3]	100.0	114.2	91.8	105.2	139.7	139.9	149.9	193.4	212.6	205.0	178.9

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: Morningstar. The Company's benchmark is the MSCI Europe ex UK Small Cap Index (Net) (2019 and before: Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms).

A Alternative Performance Measure ('APM').

A glossary of terms and APMs definitions is provided on pages 84 and 85.

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 Company, its purpose, values, strategy and culture;
- 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;
- Greenhouse Gas Emissions, Modern Slavery and Corporate Criminal Offence;
- the principal and emerging risks and how the Company seeks to manage those risks; and
- the Company's long term viability.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide a cost effective, investment vehicle for investors who seek capital growth from a portfolio of smaller companies in Europe, excluding the United Kingdom, over the long term. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. The Company consists of the Board and its shareholders and has no employees or customers in the traditional sense. The culture of the Company is embodied in the Board of Directors whose values are trust and fairness. Environmental, Social and Governance issues are also an important consideration for the Board. In seeking to deliver the Company's investment objectives for shareholders they seek to challenge constructively and in a respectful way with the Managers and other stakeholders, which include the Depositary and Custodian. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors from a diverse background who have a breadth of relevant experience and contribute in an open boardroom culture.

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 outperform the Euromoney Smaller Companies (ex UK) net total return Index (in sterling terms) (from 1st April 2020 the MSCI Europe (ex UK) small cap net total return index).

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the FCA 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 2020, consisted of 1,000 companies with a market value of between £91 million and £4.9 billion across 11 countries. At the end of March 2020 the new benchmark consisted of 705 companies with market value of between £43 million and £6.3 million, across 11 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 49-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 (amended to 25% at the beginning of June 2020).
- 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.
- In accordance with the FCA Listing Rules, 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 2020, the Company produced a share price total return of -26.7% and a net asset value total return of -17.6%. This compares with the total return on the Company's benchmark index of -12.8%. As at 31st March 2020 the value of the Company's investment portfolio was £537.0 million (2019: £604.4 million). The Investment Managers' Report on pages 8 to 13 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 £100.9 million (2019: £42.7 million loss) and net total loss after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £109.9 million (2019: £51.8 million loss). Net revenue return after taxation for the year amounted to £10.9 million (2019: £11.7 million). An interim dividend of 1.2p per share (2019: 1.2p) was paid during the year, costing £1.9 million (2019: £1.9 million). The Directors have proposed a final dividend of 5.5p (2019: 5.5p) per share. This dividend will cost £8.8 million and the total revenue reserve will amount to £4.0 million after the payment of this dividend. Further details are set out in note 10(b) to the financial statements.

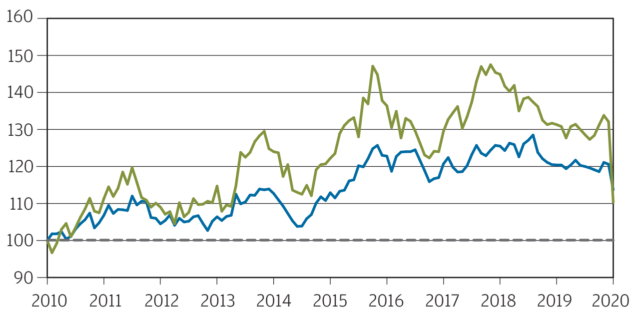
Key Performance Indicators ('KPIs')

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 13.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2010



Source: Morningstar/Euromoney.

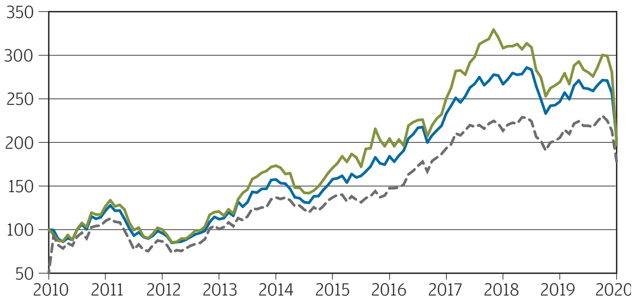
JPMorgan European Smaller Companies - share price total return.

JPMorgan European Smaller Companies - net asset value total return.

Benchmark total return.

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2010



Source: Morningstar/Euromoney.

JPMorgan European Smaller Companies - share price total return.

JPMorgan European Smaller Companies - net asset value total return.

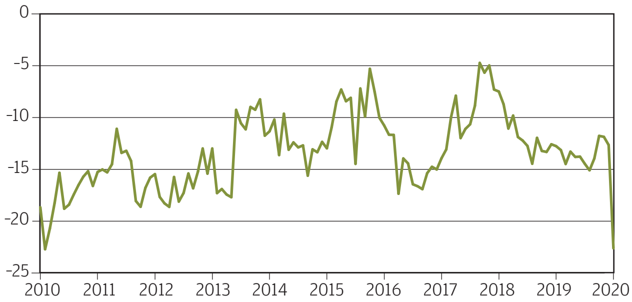
Benchmark total return.

- **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 2020 are given in the Investment Managers' Report on page 10.

- **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 2020, the discount ranged between 11.1% and 25.5%. More information on the Board's share repurchase policy is given in the Chairman's Statement on page 6.

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 2020 were 1.05% (2019: 1.07%). 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.

Resolutions to renew the authority to issue new shares, 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 81 and 82.

No shares have been repurchased during the year and the Company did not issue any new shares during the year.

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

Borrowings

The Company has a €140 million unsecured loan facility with Scotiabank. The facility was €125 million drawn down at the year end. This facility was renewed in January 2020 for a further three years and expires on 17th January 2023.

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 2020, there were four male Directors and one female Director on the Board. Four Directors are British and one is Dutch.

Employees, Social, 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.

Environmental, Social and Governance ('ESG')

The Board notes the policy statements of JPMAM in respect of Environmental, Social and Governance issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. We believe environmental, social and governance ('ESG') considerations, particularly those related to governance, can play a critical role in long-term investment strategy. As an active investment manager, engagement is an important and ongoing component of our investment process, and we view frequent and direct contact with company management as critically important. When considering investment options, we supplement our proprietary thinking with research from a variety of third-party specialist providers and engage directly with companies on a wide array of ESG issues. Our governance specialists regularly attend scheduled one-on-one company meetings alongside investment analysts to help identify and discuss relevant issues. Although our priority at all times is the best economic interests of our clients, we recognise that ESG issues have the potential to impact the share price, as well as the reputation of companies.

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

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

Greenhouse Gas Emissions

The Company is managed by 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 and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging 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, as well as emerging risks. 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 investment 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 21(a) on pages 67 to 70 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 ongoing trade negotiations. The outcome of these negotiations with the European Union remain uncertain at the time of writing. Continued lack of clarity as to the 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 20. 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 FCA 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 FCA 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 FCA 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 21 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 30 to 35.

  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 21 on pages 67 to 72.

  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 30 to 35.
- **Pandemic Risk:** Covid-19 has developed rapidly to become a pandemic which has delivered a major shock to the global economy and become a principal risk. The Company is exposed to the risk of market volatility and falling equity markets brought about by the pandemic. The resilience of the operational services to the Company could be reduced as a result of the effects of the pandemic, representing a risk to the Company. The Board regularly reviews the mitigation measures which JPMorgan Asset Management and other key service providers have in place to maintain operational resilience and is satisfied that these are appropriate even in the current conditions. Relevant business continuity plans have been invoked at those service providers and the Board had been given updates. Working from home arrangements have been implemented where appropriate and government guidance is being followed. The Board does not anticipate a fall in the level of service.

  The pandemic has triggered a sharp fall in global stock markets and created uncertainty around future dividend income. Whilst the Board notes the fall in the Company's NAV per share and share price it also notes that the Investment Managers' investment process is unaffected by the Covid-19 pandemic and they continue to focus on long-term company fundamentals and detailed analysis of current and future investments.

  At the time of writing it is uncertain as to whether there will be a second wave of the Covid-19 virus outbreak.

  Further information on Covid-19 is set out in the Chairman's Statement on page 5, the Investment Managers' Report on page 8 and note 23 on page 73.
- **Emerging Risks:** The Board assesses and keeps under review emerging risks, including but not limited to the impact of climate change, natural disasters and social inequality and pandemics. Increasingly these risks have the potential to combine and in doing so heighten geopolitical risk.

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 risk of breaching the Company's debt covenants as a result of a reduction in its asset base, 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 addition, and in particular, the Directors have considered the potential and continuing impact of Covid-19 and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience, particularly in light of Covid-19. Although the total cost of Covid-19 is currently hard to predict with any certainty, the Directors do not believe that it calls into question the long term viability of the Company, particularly as the Company has no loan covenants or liabilities that cannot be readily met. The Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment.

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
Marc van Gelder
Chairman

12th June 2020

Directors' Report

BOARD OF DIRECTORS

Marc Van Gelder (Chairman)

A Director since 1st August 2016.

Last reappointed to the Board: 2019.

Other directorships: Chairman of Vastned N.V., listed on Euronext, Amsterdam (AMX) and Stichting Administratiekantoor Fugro N.V. Director of Stichting Administratiekantoor Continuiteit 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.

Tanya Cordrey

A Director since 10th July 2019.

Last reappointed to the Board: n/a.

Other directorships: Non-executive Director of Clarks and an Advisory Board member of Palamon Capital Partners. Previously a non-executive Director of Schibsted PLC. A career of over 20 years in digital including leadership roles at eBay UK and on the executive team of Guardian News and Media as Chief Digital Officer. Currently a Partner at technology and product consultancy AKF Partners.

Connections with the Manager: None.

Shared Directorships with other Directors: None.

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

Ashok Gupta

A Director since 1st January 2013.

Last reappointed to the Board: 2019.

Other directorships: Non-executive Director of Sun Life Financial Inc and 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, Remuneration Committee and Senior Independent Director)

A Director since 1st May 2015.

Last reappointed to the Board: 2019.

Other directorships: Non-executive Chairman of Aberdeen New Thai Investment Trust plc and Schroder Asia Pacific Investment Fund PLC. 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: 2019.

Other directorships: Non-executive Director and Audit Committee Chairman of Aberdeen New India Investment Trust plc and of BlackRock Frontiers Investment Trust plc and Non-executive Director of Polar Capital Technology Trust plc. Formerly a Non-executive Director of Global Special Opportunities Trust plc. A career of over 30 years in investment management as Head of European equities at F&C Asset Management, where he was Manager of F&C Eurotrust plc and Deputy Manager of the F&C Investment Trust plc, and subsequently head of European and US equities at British Steel Pension Fund until March 2020. He is a Chartered Accountant.

Connections with Manager: None.

Shared Directorships with other Directors: None.

The Directors present their report and audited financial statements for the year ended 31st March 2020.

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 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. 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 75.

Management Fee

With effect from 1st April 2020 the management fee is being charged at the annual rate of 0.85% of the Company's assets (until 31st March 2020 it was charged at 1.0% of the Company's assets on the first £400 million and at 0.85% of net assets above that amount). The fee 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.

Directors

All Directors of the Company, other than Tanya Cordrey, detailed on page 27, held office throughout the year to 31st March 2020. Tanya Cordrey became a Director on 10th July 2019 and will be reappointed at the Annual General Meeting on 20th July 2020. Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 40.

All continuing Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders.

The Nomination 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

Ernst & Young LLP were appointed as Auditors in 2019 and have expressed their willingness to continue in office as the Auditors. A resolution to reappoint Ernst & Young LLP for the ensuing year is being put to shareholders at the forthcoming Annual General Meeting and to authorise the Directors to determine their remuneration.

Capital Structure and Voting Rights

Capital Structure
At 31st March 2020, 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 83.

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	20,574,933	12.90
Lazard Asset Management LLC	14,116,847	8.85
City of London Investment Management	10,694,948	6.71
1607 Capital Partners	8,105,353	5.08

As at 31st May 2020 Wells Capital Management has a notifiable interest in 14.1% of the voting rights of the Company.

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 81 and 82:

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 11 and 12)

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 2021 unless renewed at a prior general meeting.

Resolution 12 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 13)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2019 Annual General Meeting, will expire on 9th January 2021 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 13 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 13 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 19th January 2022, 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 2021 Annual General Meeting.

(iii) Adoption of new Articles of Association (resolution 14)

Resolution 14, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles will enable the Company to hold shareholder meetings using electronic means, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of virtual-only or hybrid shareholder meetings.

Nothing in the revised Articles of Association will prevent the Company from holding physical general meetings. The amendments are being sought in response to challenges posed by government restrictions on social interactions as a result of the Covid-19 pandemic, which have made it impossible for shareholders to attend physical general meetings. The Board is cognisant of the importance to shareholders of the ability to meet the members of the Board and representatives of the Manager face to face, and is committed to ensuring that future general meetings (including AGMs) incorporate a physical meeting where law and regulation permits. The potential to hold a general meeting through wholly electronic means is intended as a solution to be adopted as a last resort to ensure the continued smooth operation of the Company in extreme operating circumstances where physical meetings are prohibited. The Company has no present intention of holding a wholly electronic general meeting but wants to be prepared for the future.

A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, www.jpmeuropeansmallercompanies.co.uk, and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00 a.m. and 5.00 p.m. (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Recommendation

The Board considers that resolutions 11 to 14 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which, as at the year end, amounted in aggregate to 164,100 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 42, indicates how the Company has applied the principles of good governance. The Board has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code'), as they apply to investment trust companies. It considers that reporting against the AIC Code, therefore, provides more appropriate information to the Company's shareholders. The Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far has they apply to the Company's business, throughout the year under review.

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.

Directors' Duties/Promoting the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers with appropriate performance records, resources and controls in place to deliver the services that the Company requires. Their performance is monitored by the Board and its committees, who have oversight of the Company's operations. The principal supplier is the Manager, in particular the investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. Whilst strong long term investment performance is essential, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society at large. Environmental, social and governance considerations are included in the Manager's investment process and will continue to evolve.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. The Directors have considered this duty when making the strategic decisions during the year that impact shareholders, including the new Director appointment, the recommendation that shareholders vote in favour of the resolutions to renew the allotment and buy back authorities at the Annual General Meeting and the amendments to the Articles of Association. When considering the renewal of the loan facilities the Directors took account of the needs of the investment managers. The Directors liaised with the representatives of the Manager when considering a change to the investment management fee and assessed the potential benefits to shareholders.

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 Marc van Gelder, 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, marketing and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 27.

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

As part of the succession planning process, Tyzack Partners were appointed to undertake a non-executive director search and after a short list for interview the decision was made to appoint Tanya Cordrey as a Director. Tyzack Partners has no other connection with the Company.

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, the Senior Independent Director, 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.

Reappointment of Directors

The Directors of the Company standing for re-appointment and their brief biographical details are set out on page 27. The skills and experience that each of these Directors brings to the Board, and hence why their contributions are considered important to the long term success of the Company, are summarised below.

Resolution 5 relates to the reappointment of newly appointed Director Tanya Cordrey. Tanya has extensive experience in the digital marketing environment.

Resolution 6 relates to the reappointment of Marc van Gelder. Marc has over 20 years working knowledge of European business.

Resolution 7 relates to the reappointment of Ashok Gupta. Ashok has a background in pensions, savings and risk management.

Resolution 8 relates to the reappointment of Nicholas Smith. Nicholas is a chartered accountant with investment banking experience.

Resolution 9 relates to the reappointment of Stephen White. Stephen has extensive investment management 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 33.

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 27.

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, one Nomination and one Remuneration Committee meeting. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition, two investment update meetings were held, one in April and one in May. There is also regular contact between the Directors and the Manager and Company Secretary throughout the year.

Meetings Attended

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee
Marc Van Gelder[1]	4	2	1	1	1
Tanya Cordery[2]	3	2	1	1	1
Ashok Gupta	5	2	1	1	1
Nicholas Smith	5	2	1	1	1
Stephen White	5	2	1	1	1

[1] Mr van Gelder missed one meeting due to sickness.

[2] Appointed 10th July 2019.

Board Committees

Nomination Committee

The Nomination Committee, currently chaired by Marc van Gelder, 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.

Remuneration Committee

The Board has established a Remuneration Committee for the purpose of reviewing Directors' fees, replacing one of the previous functions of the Nomination and Remuneration Committee. It makes recommendations to the Board as and when appropriate, in relation to remuneration policy and implementation. All Directors are members of the Remuneration Committee and the Chairman is Nicholas Smith.

Management Engagement Committee

The membership of the Management Engagement Committee consists of all the independent Directors and is chaired by Marc Van Gelder. 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 and fees, 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. During the year the investment management fee was reviewed. Further information is set out on page 28.

Audit Committee

The Report of the Audit Committee is set out on pages 36 and 37.

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 87, 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 87. 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 and Emerging Risks on pages 23 to 25). 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. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board. 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 2020 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 page 23.

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://am.jpmorgan.com/uk/institutional/corporate-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

12th June 2020

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 2020.

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. Marc van Gelder is a member of the Audit Committee. This is permitted under the AIC Code 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 AIC 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 2020, 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 and derivatives are undertaken in accordance with the accounting policies, disclosed in note 1(b) and (g) to the accounts on page 56 and 57. 100% of the portfolio can be verified against daily published prices. Controls are in place to ensure valuations are appropriate and existence is verified through custodian and depositary reconciliations. The Board monitors controls and significant movements in the underlying portfolio by reviewing reports regularly in Board Meetings.
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 56. 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.
Going Concern/Long Term Viability	The Audit Committee has reviewed the appropriateness of the adoption of the Going Concern basis in preparing the accounts, particularly in view of the impact of the Covid-19 pandemic (see Chairman's statement). The Audit Committee recommended that the adoption of the Going Concern basis is appropriate (see Going Concern statement below). The Audit Committee also assessed the Long Term Viability of the Company and recommended to the Board its expectation that the Company would remain in operation for the five year period of the assessment.

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 20), risk management policies (see pages 66 to 72), capital management policies and procedures (see page 73), 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 the foreseeable future. In addition, and in particular, the Board has considered the impact of Covid-19 and believes that this will have a limited financial impact on the Company's operational resources and existence, as highlighted in the Chairman's statement (see page 5). For these reasons, the Directors 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 12 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 2020, 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 42.

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 pages 33 and 34. 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 59.

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. A formal tender exercise was undertaken in 2019, as a result of which Ernst & Young LLP was appointed in place of PricewaterhouseCoopers LLP. This is the Audit Partner's

(Caroline Mercer) first of a five year maximum term. 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. Details of the fees paid for audit services are included in note 6 on page 59.

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

12th June 2020

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st March 2020 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 44 to 50.

Remuneration of the Directors is considered by the 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 £40,500; Chairman of the Audit Committee £32,500; and other Directors £26,500. With effect from 1st April 2020, the fees have been increased to the following rates: Chairman £42,000; Chairman of the Audit Committee £34,000; and other Directors £27,500.

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 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 32.

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 2020 and no changes are proposed for the year ending 31st March 2021.

At the Annual General Meeting held on 10th July 2019, of votes cast in respect of the Remuneration Policy, 99% were in favour (or granted discretion to the Chairman who voted in favour) and less than 1% 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 less than 1% 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.

Single total figure table[1]

			2020			2019
		Taxable			Taxable	
	Fees	expenses[2]	Total	Fees	expenses[2]	Total
Directors' Name	£	£	£	£	£	£
Carolan Dobson[3]	11,101	1,697	12,798	40,000	2,024	42,024
Marc van Gelder[4]	36,694	–	36,694	26,000	–	26,000
Ashok Gupta	26,375	–	26,375	26,000	–	26,000
Nicholas Smith	32,375	–	32,375	32,000	–	32,000
Stephen White	26,375	–	26,375	26,000	–	26,000
Tanya Cordrey[5]	19,251	–	19,251	–	–	–
Total	152,171	1,697	153,868	150,000	2,024	152,024

[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).

[3] Retired on 10th July 2019.

[4] Appointed Chairman on 10th July 2019.

[5] Tanya Cordrey appointed 10th July 2019.

A table showing the total remuneration for the Chairman over the five years ended 31st March 2020 is below:

Remuneration for the Chairman over the five years ended 31st March 2020

Year ended 31st March	Fees
2020	£42,000
2019	£40,000
2018	£37,000
2017	£36,500
2016	£36,000

Directors' Shareholdings[1]

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

Directors' Name	31st March 2020 or as at date of retirement	31st March 2019 or as at date of appointment
Carolan 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
Tanya Cordrey	–	–
Total	134,100	104,100

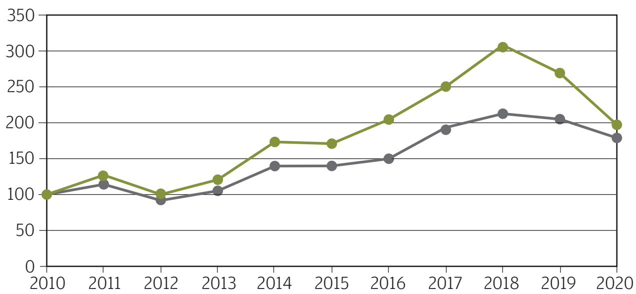
[1] Audited information.

On 7th April 2020 Marc van Gelder purchased 30,000 shares at a range of prices. On 7th April 2020 Nicholas Smith sold 7,200 shares at 271p per share and purchased 7,200 shares at 271.4p per share. As at the latest practicable date before the publication of this document, there have been no other 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 21. 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 2020



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 2020	2019
Remuneration paid to all Directors	153,868	152,024
Distribution to shareholders		
– by way of dividends paid	10,684,000	10,716,000
– by way of share repurchases	–	1,857,000

For and on behalf of the Board
Nicholas Smith
Chairman

12th June 2020

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 27 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
Marc Van Gelder
Chairman

12th June 2020

Independent Auditor's Report

To the members of JPMorgan European Smaller Companies Trust plc

Opinion

We have audited the financial statements of JPMorgan European Smaller Companies Trust PLC (the 'Company') for the year ended 31st March 2020 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31st March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 23 to 25 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 23 in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 56 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 25 in the annual report as to how they have assessed the prospects of the entity, 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 entity 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.

Overview of our audit approach

Key audit matters	• Risk of incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income • Risk of inappropriate valuation and/or defective title to the investment portfolio • Impact of COVID-19
Materiality	• Overall materiality of £5.17 million which represents 1% of shareholders' funds

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income as described on page 36 in the Audit Committee's Report and as per the accounting policy set out on page 56). The total revenue for the year to 31st March 2020 was £15.08 million, consisting primarily of dividend income from listed investments. The total amount of special dividends received by the Company was £0.30 million all were classified as revenue. The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete and/or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment. In addition to the above, the directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	**We have performed the following procedures:** We obtained an understanding of the Manager and Administrator's processes and controls surrounding revenue recognition and the recognition and classification of special dividends by reviewing their audited controls reports and by performing walkthrough procedures to, in the case of special dividends, evaluate the design and implementation of controls. We agreed 100% of dividends received from the income report to an independent data vendor. We recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an external source. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test completeness of recorded income, we tested that all expected dividends had been recorded as income with reference to investee company announcements obtained from an independent data vendor. As at 31st March 2020, the Company had no accrued dividend income. We performed a review of the income and acquisition and disposal reports to identify all dividends received and accrued during the period that are above our testing threshold.	**The results of our procedures are:** Based on our testing we are satisfied that income is complete, accurate and, in the case of special dividends, appropriately classified as revenue.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	We identified which of the dividends above our testing threshold were special dividends with reference to an external source. There was only one special dividend amounting to £0.12 million which was above our testing threshold. In total, the Company received four special dividends amounting to £0.30 million all of which were classified as revenue. As there were only four special dividends we recalculated and assessed the appropriateness of management's classification as revenue for all of the special dividends.	
Inappropriate valuation and/or defective title of the investment portfolio as described on page 36 in the Audit Committee's Report and as per the accounting policy set out on page 56). The valuation of the portfolio at 31st March 2020 was £537.04 million consisting of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Inappropriate investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at close of business on the reporting date.	**We performed the following procedures:** We obtained an understanding of the Administrator's processes surrounding investment pricing of listed securities by reviewing their audited controls report and by performing walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. We assessed the liquidity of the investment portfolio through analysing the monthly average trading volume of the investments. We also reviewed the year end price exception and stale pricing reports to identify any prices that have not changed since the previous day and tested whether the listed price is a valid fair value. We agreed the Company's investments to the independent confirmations received from the Company's Custodian and Depositary at 31st March 2020.	**The results of our procedures are:** Based on our testing we are satisfied that the investment portfolio has been appropriately valued and that the existence has been confirmed.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of COVID-19 as described on page 35 in the Strategic Report, page 36 in the Audit Committee's Report and as per the accounting policy set out on page 56). The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets, but as of the date of our audit report, the longer term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements. The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the financial statements in the following areas: **Going concern** There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of COVID-19 on the Company continuing to meet its stated objective. **Financial statement disclosures** There is a risk that the impact of COVID-19 is not adequately disclosed in the financial statements.	**We performed the following procedures:** **Going concern** We obtained and reviewed the assessment of going concern which includes consideration of the impact of COVID-19 and challenged the assumptions made by the Manager in the preparation of the revenue and expenses forecast. We reviewed the revenue forecast which takes account of any impact COVID-19 may have on the Company and which supports the Directors' assessment of going concern, and challenged the assumptions made by the Manager in the preparation of the forecast. We assessed the liquidity of the portfolio as set out in our response to the risk on inappropriate valuation and/or defective title of the investment portfolio above. We also assessed the concentration risk of the investment portfolio. We reviewed the Board's assessment of the risk of breaching the debt covenants including in stressed scenarios. We recalculated the debt covenants which are set out in the loan agreement and which do not involve any subjectivity, to confirm there were no covenant breaches as at the year end. We confirmed through discussion with the Company Secretary and the Directors that they are in close contact with key service providers and that Business Continuity Plans are in place with no significant deterioration of service being experienced. **Financial statements disclosures** We reviewed the disclosures contained within the Financial Statements. .	**The results of our procedures are:** Based on the procedures performed, we are satisfied that the Directors have appropriately considered the impact of COVID-19 on the going concern assessment and that adequate disclosures have been presented in the financial statements.

We re-assessed the risks determined at the planning stage of the audit and, due to the uncertainty in global markets caused by the COVID-19 pandemic, we revised our risk assessment to include the Key Audit Matter 'Impact of COVID-19'. Our other Key Audit Matters are unchanged from PricewaterhouseCoopers LLP's assessment for the year ended 31st March 2019.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £5.17 million which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £2.59 million. We have set performance materiality at this percentage as it is our first year as auditor of the Company.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.61 million being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.26 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 42 and 74 to 87, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 37** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on pages 36 and 37** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 30 and 31** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

- We were appointed by the Company on 10th July 2019 to audit the financial statements for the year ending 31st March 2020 and subsequent financial periods.
- Our total uninterrupted period of engagement is one year, covering the period from our appointment through to the period ending 31st March 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Caroline Mercer (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh

12th June 2020

Notes:

1. The maintenance and integrity of the JPMorgan European Smaller Companies Trust PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Losses on investments held at fair value through profit or loss	3	–	(113,854)	(113,854)	–	(57,332)	(57,332)
Foreign exchange gains/(losses) on liquidity fund[1]		–	505	505	–	(946)	(946)
Net foreign currency losses		–	(2,611)	(2,611)	–	(248)	(248)
Income from investments	4	14,823	–	14,823	15,717	–	15,717
Interest receivable and similar income	4	254	–	254	120	–	120
Gross return/(loss)		**15,077**	**(115,960)**	**(100,883)**	**15,837**	**(58,526)**	**(42,689)**
Management fee	5	(1,885)	(4,399)	(6,284)	(1,938)	(4,520)	(6,458)
Other administrative expenses[1]	6	(723)	–	(723)	(863)	–	(863)
Net return/(loss) before finance costs and taxation		**12,469**	**(120,359)**	**(107,890)**	**13,036**	**(63,046)**	**(50,010)**
Finance costs	7	(171)	(398)	(569)	(183)	(428)	(611)
Net return/(loss) before taxation		**12,298**	**(120,757)**	**(108,459)**	**12,853**	**(63,474)**	**(50,621)**
Taxation	8	(1,412)	–	(1,412)	(1,173)	–	(1,173)
Net return/(loss) after taxation		**10,886**	**(120,757)**	**(109,871)**	**11,680**	**(63,474)**	**(51,794)**
Return/(loss) per share	9	**6.83p**	**(75.73)p**	**(68.90)p**	**7.31p**	**(39.71)p**	**(32.40)p**

[1] JPMorgan Euro Liquidity Fund: Due to change in EU Money Market Fund Regulations, effective from 18th March 2019, negative interest is no longer charged explicity. Instead, it causes the NAV per share to fall. Therefore for the 12 months ended 31st March 2020, negative interest was included under (losses)/gains on liquidity fund. In the comparative period/year, this was included in other administrative expenses.

A final dividend of 5.5p per share (2019: 5.5p per share) is proposed in respect of the year ended 31st March 2020, costing £8,770,000 (2019: £8,770,000). More details can be found in note 10(a) on page 61.

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) after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 56 to 73 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
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	–	–	–	(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
Net (loss)/return	–	–	–	(120,757)	10,886	(109,871)
Dividends paid in the year (note 10)	–	–	–	–	(10,684)	(10,684)
At 31st March 2020	7,974	1,312	7,662	487,512	12,793	517,253

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

The notes on pages 56 to 73 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	**11**	**537,036**	**604,429**
Current assets	12		
Derivative financial instruments		16	–
Debtors		11,226	7,871
Cash and cash equivalents		106,257	28,596
		117,499	36,467
Current liabilities	13a		
Creditors: amounts falling due within one year		(26,668)	(3,084)
Derivative financial liabilities		–	(4)
Net current assets		**90,831**	**33,379**
Total assets less current liabilities		**627,867**	**637,808**
Creditors: amounts falling due after more than one year	13b	(110,614)	–
Net assets		**517,253**	**637,808**
Capital and reserves			
Called up share capital	14	7,974	7,974
Share premium	15	1,312	1,312
Capital redemption reserve	15	7,662	7,662
Capital reserves	15	487,512	608,269
Revenue reserve	15	12,793	12,591
Total shareholders' funds		**517,253**	**637,808**
Net asset value per share	16	**324.4p**	**400.0p**

The financial statements on pages 52 to 55 were approved and authorised for issue by the Directors on 12th June 2020 and were signed on their behalf by:

Marc van Gelder
Director

The notes on pages 56 to 73 form an integral part of these financial statements.

Company registration number: 2431143.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 £'000	2019 £'000
Net cash outflow from operations before dividends and interest	17	(6,152)	(6,830)
Dividends received		12,935	12,613
Interest received		1	–
Overseas tax recovered		568	168
Interest paid		(429)	(659)
Net cash inflow from operating activities		**6,923**	**5,292**
Purchases of investments and derivatives		(980,965)	(1,035,910)
Sales of investments and derivatives		954,435	1,143,506
Settlement of forward currency contracts		102	(133)
Net cash (outflow)/inflow from investing activities		**(26,428)**	**107,463**
Dividends paid		(10,684)	(10,716)
Repurchase and cancellation of the Company's own shares		–	(1,857)
Drawdown of bank loans		108,262	66,704
Repayment of bank loans		–	(160,313)
Net cash inflow/(outflow) from financing activities		**97,578**	**(106,182)**
Increase in cash and cash equivalents		**78,073**	**6,573**
Cash and cash equivalents at start of year		28,596	21,998
Exchange movements		(412)	25
Cash and cash equivalents at end of year		106,257	28,596
Increase in cash and cash equivalents		**78,073**	**6,573**
Cash and cash equivalents consist of:			
Cash and short term deposits		60,227	266
Cash held in JPMorgan Euro Liquidity Fund		46,030	28,330
Total		**106,257**	**28,596**

The notes on pages 56 to 73 form an integral part of these financial statements.

RECONCILIATION OF NET DEBT

	As at 31st March 2019 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st March 2020 £'000
Cash and cash equivalents				
Cash	266	61,572	(1,611)	60,227
Cash equivalents	28,330	16,501	1,199	46,030
	28,596	**78,073**	**(412)**	**106,257**
Borrowings				
Debt due within one year	–	(108,262)	(2,352)	(110,614)
	–	**(108,262)**	**(2,352)**	**(110,614)**
Total	**28,596**	**(30,189)**	**(2,764)**	**(4,357)**

FOR THE YEAR ENDED 31ST MARCH 2020

1. Accounting policies

(a) Basis of accounting

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

The financial statements have been prepared on a going concern basis. The Directors have considered any potential impact of the Covid-19 pandemic on the going concern and viability of the Company. They have considered the potential impact of Covid-19 and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience particularly in light of Covid-19. The Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment. Further details of Directors' considerations regarding this are given in the Chairman's Statement, Investment Managers' Report, Going Concern Statement, Viability Statement and Principal Risks section of this Annual Report.

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 classified 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.

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

(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 charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission.

(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

Financial instruments are recognised only when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

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.

The private placement in issue is classified as financial liabilities at amortised cost. It was initially measured at the proceeds net of direct issue costs and subsequently measured at amortised cost. The amortisation of direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

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.

1. Accounting policies *continued*

(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 paid.

(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 on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Realised losses on sales of investments	(59,394)	(56,203)
Net change in unrealised gains and losses on investments	(54,384)	(1,032)
Other capital charges	(76)	(97)
Total capital losses on investments held at fair value through profit or loss	**(113,854)**	**(57,332)**

4. Income

	2020 £'000	2019 £'000
Income from investments		
Overseas dividends	13,907	14,889
Scrip dividends	916	828
	14,823	**15,717**
Interest receivable and similar income		
Securities lending income	253	120
Deposit interest	1	–
	254	**120**
Total income	**15,077**	**15,837**

5. Management fee

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Management fee	1,885	4,399	6,284	1,938	4,520	6,458

Details of the management fee are given in the Directors' Report on page 28.

6. Other administrative expenses

	2020 £'000	2019 £'000
Administration expenses[1]	413	533
Directors' fees[2]	154	152
Depositary fees[3]	92	100
Savings scheme costs[4]	36	51
Auditors' remuneration for audit services[5]	28	27
	723	**863**

[1] JPMorgan Euro Liquidity Fund: Due to change in EU Money Market Fund Regulations, effective from 18th March 2019, negative interest is no longer charged explicity. Instead, it causes the NAV per share to fall. Therefore for the 12 months ended 30th March 2020, negative interest was included under (losses)/gains on liquidity fund. In the comparative period/year, this was included in other administrative expenses.

[2] Full disclosure is given in the Directors' Remuneration Report on pages 39 and 40.

[3] Includes £14,000 (2019: £14,000) irrecoverable VAT.

[4] Paid to the Manager for the administration of savings scheme products. Includes £5,000 (2019: £8,000) irrecoverable VAT.

[5] Includes £4,000 (2019: £4,000) irrecoverable VAT.

7. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Interest on bank loans and overdrafts	171	398	569	183	428	611

8. Taxation

(a) Analysis of tax charge for the year

	2020 £'000	2019 £'000
Overseas withholding tax	1,412	1,173
Total tax charge for the year	**1,412**	**1,173**

(b) Factors affecting total tax charge for the year

The tax charged for the year is higher (2019: higher) than the Company's applicable rate of corporation tax for the year of 19% (2019: 19%)

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

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net return/(loss) before taxation	12,298	(120,757)	(108,459)	12,853	(63,474)	(50,621)
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2019: 19%)	2,336	(22,943)	(20,607)	2,442	(12,060)	(9,618)
Effects of:						
Non taxable capital losses	–	22,032	22,032	–	11,120	11,120
Non taxable overseas dividends	(2,642)	–	(2,642)	(2,829)	–	(2,829)
Non taxable scrip dividends	(174)	–	(174)	(157)	–	(157)
Overseas withholding tax	1,412	–	1,412	1,173	–	1,173
Unrelieved expenses and charges	480	911	1,391	544	940	1,484
Total tax charge for the year	**1,412**	**–**	**1,412**	**1,173**	**–**	**1,173**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £17,659,000 (2019: £14,556,000) based on a prospective corporation tax rate of 19% (2019: 17%). 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

	2020 £'000	2019 £'000
Revenue return	10,886	11,680
Capital loss	(120,757)	(63,474)
Total loss	**(109,871)**	**(51,794)**
Weighted average number of shares in issue during the year	159,462,885	159,839,186
Revenue return per share	6.83p	7.31p
Capital loss per share	(75.73)p	(39.71)p
Total loss per share	**(68.90)p**	**(32.40)p**

10. Dividends

(a) Dividends paid and proposed

	2020 £'000	2019 £'000
Dividends paid		
2019 final dividend of 5.5p (2018: 5.5p) per share	8,770	8,799
2020 Interim dividend of 1.2p (2019: 1.2p) per share	1,914	1,917
Total dividends paid in the year	**10,684**	**10,716**
Dividend proposed		
2020 final dividend of 5.5p (2019: 5.5p) per share	8,770	8,770

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 2020 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 2021.

(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 £10,886,000 (2019: £11,680,000). The revenue reserve after payment of the final dividend will amount to £4,023,000 (2019: £3,821,000).

	2020 £'000	2019 £'000
Interim dividend of 1.2p (2019: 1.2p) per share	1,914	1,917
Final dividend of 5.5p (2019: 5.5p) per share	8,770	8,770
	10,684	10,687

11. Investments

	2020 £'000	2019 £'000
Investments listed on a recognised stock exchange	**537,036**	**604,429**
Opening book cost	585,933	656,612
Opening investment holding gains	18,496	101,249
Opening valuation	604,429	757,861
Movements in the year:		
Purchases at cost	1,005,253	1,036,143
Sales proceeds	(958,868)	(1,132,340)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(59,394)	(56,203)
Net movement in investment holding gains and losses	(54,384)	(1,032)
	537,036	604,429
Closing book cost	572,924	585,933
Closing investment holding (losses)/gains	(35,888)	18,496
Total investments held at fair value through profit or loss	**537,036**	**604,429**

Transaction costs on purchases during the year amounted to £1,270,000 (2019: £1,236,000) and on sales during the year amounted to £616,000 (2019: £586,000). These costs comprise mainly brokerage commission.

The company received £958,868,000 (2019: £1,132,340,000) from investments sold in the year. The bookcost of these investments when they were purchased was £1,018,262,000. (2019: £1,054,639,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12. Current assets

	2020 £'000	2019 £'000
Derivative financial instruments		
Forward foreign currency and spots contracts	16	–
	16	**–**
Debtors		
Securities sold awaiting settlement	10,454	6,095
Overseas tax recoverable	730	1,101
Dividends and interest receivable	–	637
VAT recoverable	4	8
Other debtors	38	30
	11,226	**7,871**

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.

13a. Current liabilities

	2020 £'000	2019 £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	26,246	2,874
Loan interest payable	226	86
Other creditors and accruals	196	124
	26,668	3,084

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

	2020 £'000	2019 £'000
Derivative financial liabilities		
Forward foreign currency contracts	–	4

13b. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loan	**110,614**	–

The Company has a Euro 140 million multicurrency rate facility with Scotia Bank Ireland. Under the terms of this agreement, the Company may draw down up to Euro 140 million, or its equivalent in another currency. This was originally arranged in January 2018 as a two year facility for Euro 105 million, it was extended for 3 years to 17th January 2023 and increased to Euro 140 million. This facility was further renewed in January 2020 for a further three years and expires on 17th January 2023.

At the year end the Company had drawn down Euro 125 million of the loan (at the previous year end the Company had no loan drawn down).

14. Called up share capital

	2020 £'000	2019 £'000
Ordinary shares allotted and fully paid		
Opening balance of 159,462,885 (2019: 159,987,885) shares of 5p each	7,974	8,000
Repurchase of nil shares (2019: 525,000) shares for cancellation	–	(26)
Closing balance of 159,462,885 (2019: 159,462,885) shares of 5p each	**7,974**	**7,974**

Further details of transactions in the Company's shares are given in the Strategic Report on page 22.

15. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	7,974	1,312	7,662	589,786	18,483	12,591	637,808
Net foreign currency gains on cash and cash equivalents	–	–	–	230	–	–	230
Net unrealised gains on foreign currency contracts	–	–	–	–	16	–	16
Unrealised gains on forward foreign currency contracts from prior period now realised	–	–	–	(4)	4	–	–
Realised losses on investments	–	–	–	(59,394)	–	–	(59,394)
Unrealised losses on investments	–	–	–	–	(54,384)	–	(54,384)
Unrealised losses on loans	–	–	–	–	(2,352)	–	(2,352)
Management fee and finance costs allocated to capital	–	–	–	(4,797)	–	–	(4,797)
Other capital charges	–	–	–	(76)	–	–	(76)
Dividends paid in the year	–	–	–	–	–	(10,684)	(10,684)
Retained revenue for the year	–	–	–	–	–	10,886	10,886
Closing balance	**7,974**	**1,312**	**7,662**	**525,745**	**(38,233)**	**12,793**	**517,253**

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

16. Net asset value per share

	2020	2019
Net assets (£'000)	517,253	637,808
Number of shares in issue	159,462,885	159,462,885
Net asset value per share	**324.4p**	**400.0p**

17. Reconciliation of net loss before finance costs and taxation to net cash outflow from operations before dividends and interest

	2020 £'000	2019 £'000
Net loss before finance costs and taxation	(107,890)	(50,010)
Add capital loss before finance costs and taxation	120,359	63,046
Scrip dividends received as income	(916)	(828)
Decrease/(increase) in accrued income and other debtors	633	(648)
Increase/(decrease) in accrued expenses	70	(79)
Overseas withholding tax	(1,609)	(1,639)
Management fee allocated to capital	(4,399)	(4,520)
Dividends received	(12,935)	(12,613)
Interest received	(1)	–
Realised gain on foreign currency transactions	1,230	1,432
Realised exchange gain/loss on liquidity	(694)	(971)
Net cash outflow from operations before dividends and interest	**(6,152)**	**(6,830)**

18. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2019: same).

19. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 28. The management fee payable to the Manager for the year was £6,284,000 (2019: £6,458,000) of which £nil (2019: £nil) was outstanding at the year end.

During the year £36,000 (2019: £51,000), including VAT, was payable to JPMAM for the marketing and administration of savings scheme products, of which £nil (2019: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 59 are safe custody fees payable to JPMorgan Chase amounting to £90,000 (2019: £90,000) excluding VAT of which £25,000 (2019: £14,000) 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 (2019: £nil) of which £nil (2019: £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 £46.0 million (2019: £28.3 million). Interest amounting to £nil were payable (2019: £160,000) during the year of which £nil (2019: £nil) was outstanding at the year end. This is included in other administrative expenses in note 6. Due to change in EU Money Market Fund Regulations, effective from 18th March 2019, negative interest is no longer charged explicity. Instead, it causes the NAV per share to fall. Therefore for the 12 months ended 30th March 2020, negative interest was included under (losses)/gains on liquidity fund. In the comparative period/year, this was included in other administrative expenses.

Stock lending income amounting to £253,000 (2019: £120,000) were received by the Company during the year. JPMAM commissions in respect of such transactions amounted to £28,000 (2019: £21,000).

Handling charges on dealing transactions amounting to £76,000 (2019: £97,000) were payable to JPMorgan Chase during the year of which £12,000 (2019: £10,000) was outstanding at the year end.

At the year end, a bank balance of £60,227,000 (2019: £266,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £1,000 (2019: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2019: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 40.

20. 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 56.

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

	2020		2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	537,036	–	604,429	–
Level 2[1]	16	–	–	(4)
Total	**537,052**	**–**	**604,429**	**(4)**

[1] Includes forward currency contracts.

There have been no transfers between Levels 1, 2 or 3 during the year (2019: nil).

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

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

These financial risks include market risk (comprising 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.

(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.

	2020					
	Euro £'000	Swiss francs £'000	Danish krone £'000	Swedish krona £'000	Norwegian krone £'000	Total £'000
Current assets	115,880	6,363	344	–	157	122,744
Creditors	(126,054)	(6,196)	(9,325)	(904)	–	(142,479)
Foreign currency exposure on net monetary items	(10,174)	167	(8,981)	(904)	157	(19,735)
Investments held at fair value through profit or loss	320,071	118,063	24,869	51,957	22,076	537,036
Total net foreign currency exposure	**309,897**	**118,230**	**15,888**	**51,053**	**22,233**	**517,301**

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

(a) Market risk *continued*

(i) Currency risk *continued*

Foreign currency exposure *continued*

	Euro £'000	Swedish krona £'000	Swiss francs £'000	2019 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**

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% (2019: 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.

	2020		2019	
	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	(1,482)	1,482	(1,572)	1,572
Capital return	1,974	(1,974)	(3,342)	3,342
Total return after taxation	492	(492)	(4,914)	4,914
Net assets	**492**	**(492)**	**(4,914)**	**4,914**

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.

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.

	2020 £'000	2019 £'000
Exposure to floating interest rates:		
Cash and short term deposits	60,227	266
JPMorgan Euro Liquidity Fund	46,030	28,330
Floating rate loan facility	(110,614)	–
Total exposure	**(4,357)**	**28,596**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2019: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2019: 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.

	2020		2019	
	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	731	(731)	286	(286)
Capital return	(774)	774	–	–
Total return after taxation	(43)	43	286	(286)
Net assets	**(43)**	**43**	**286**	**(286)**

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.

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

(a) Market risk *continued*

(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

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	537,036	604,429

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 15 and 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% (2019: 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.

	2020		2019	
	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	(137)	137	(154)	154
Capital return	53,384	(53,384)	60,083	(60,083)
Total return after taxation	53,247	(53,247)	59,929	(59,929)
Net assets	**53,247**	**(53,247)**	**59,929**	**(59,929)**

(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.

Liquidity risk exposure

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

	2020			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors				
Securities purchased awaiting settlement awaiting settlement	26,246	–	–	26,246
Other creditors	196	–	–	196
Bank loan,including interest	281	–	110,614	110,895
	26,723	–	110,614	137,337

	2019			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'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

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

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

(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 Depositary, The 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 2020 amounted to £72.7 million (2019: £31.3 million) and the maximum value of stock on loan during the year amounted to £76.1 million (2019: £77.5 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.

22. Capital management policies and procedures

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

	2020 £'000	2019 £'000
Debt:		
Bank Loan	110,614	–
Equity:		
Called up share capital	7,974	7,974
Reserves	509,279	629,834
	517,253	637,808
Total debt and equity	**627,867**	**637,808**

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.

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	537,036	604,429
Net assets	517,253	637,808
Gearing/(Net cash)	**3.8%**	**(5.2)%**

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.

23. Subsequent events

The occurrence of the Covid-19 pandemic triggered a sharp fall in global stock markets. However, at 5th June 2020, the latest practicable date before publishing the Annual Financial Report, the Company's published NAV per share had risen to 414.8p, an increase of almost 30% as compared to the NAV per share of 324.4p at 31st March 2020. The share price had risen to 348.0p, an increase of 39% as compared to the share price of 251.0p at 31st March 2020. Further details relating to the impact of Covid-19 are given in the Chairman's Statement on page 5 and the Investment Managers' Report on page 9.

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 2020 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	127%	127%

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 2019, the Board last reviewed and adopted the Remuneration Policy in June 2019 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 2019 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 30 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 38 sub-funds) as at 31st December 2019, with a combined AUM as at that date of £13.8 billion and £17.1 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD$'000s)	15,972	9,139	25,111	119

The aggregate 2019 total remuneration paid to AIFMD Identified Staff was USD $57,449,000, of which USD $4,425,000 relates to Senior Management and USD $53,024,000 relates to other Identified Staff.[1]

[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 2020 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 14.4%. 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	**72,666**	**14.1%**

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
UBS	Switzerland	15,961
Societe Generale	France	13,928
Goldman Sachs	United States of America	12,488
Morgan Stanley	United States of America	10,219
JPMorgan	United States of America	9,863
Citigroup	United States of America	4,939
Barclays	United Kingdom	3,163
Deutsche Bank	Germany	978
HSBC	United Kingdom	632
Merrill Lynch	United States of America	307
Nomura	Japan	157
Credit Suisse	Switzerland	32
Total		**72,666**

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
French Republic Government	24,839
United Kingdom Treasury	21,686
United States of America Treasury	15,668
Federal Republic of Germany	5,876
Kingdom of Netherlands Government	3,976
Kingdom of Belgium Government	3,802
Republic of Austria Government	1,844
Republic of Finland Government	1,237
Total	**78,928**

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	EUR	41,574
Sovereign Debt	Investment Grade	GBP	21,686
Treasury Notes	Investment Grade	USD	12,958
Treasury Bonds	Investment Grade	USD	2,292
Treasury Bills	Investment Grade	USD	418
Total			**78,928**

Maturity tenure of collateral

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

Maturity	Value £'000
1 day to 1 week	1
1 to 4 weeks	709
1 to 3 months	446
3 to 12 months	7,380
more than 1 year	70,392
	78,928

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 (£78,928) 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 Fund 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 Monday, 20th July 2020 at 12.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2020.
4. To declare a final dividend of 5.5 pence per share.
5. To appoint Tanya Cordrey as a Director of the Company.
6. To reappoint Marc Van Gelder as a Director of the Company.
7. To reappoint Ashok Gupta as a Director of the Company.
8. To reappoint Nicholas Smith as a Director of the Company.
9. To reappoint Stephen White as a Director of the Company.

To consider the following resolution as an ordinary resolution:

10. THAT Ernst & Young be reappointed as Auditor of the Company and that their remuneration be fixed by the Directors.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot 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 2021 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

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 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 11 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 11 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in 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

13. 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 19th January 2022 unless the authority is renewed at the Company's Annual General Meeting in 2021 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.

Adoption of New Articles of Association

14. THAT the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

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

19th June 2020

Notes

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

1. Given the risks posed by the spread of Covid-19, and in accordance with the provisions of the Articles of Association and Government guidance, including measures in place at the date of this Notice, attendance at the Annual General Meeting may not be possible.

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 12.30 p.m. 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.

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 5th June 2020 (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.

17. A copy of the proposed new articles of association of the Company, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on the Company's website, www. jpmeuropeansmallercompanies.co.uk, and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00 a.m. and 5.00 p.m. (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

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 2020	Year ended 31st March 2019	
Opening share price (p)	4	349.0	406.0	(a)
Closing share price (p)	4	251.0	349.0	(b)
Total dividend adjustment factor[1]		1.018546	1.016588	(c)
Adjusted closing share price (d = b x c)		255.7	354.8	(d)
Total return to shareholders (e = d / a – 1)		**–26.7%**	**–12.6%**	(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 2020	Year ended 31st March 2019	
Opening cum-income NAV per share (p)	4	400.0	438.9	(a)
Closing cum-income NAV per share (p)	4	324.4	400.0	(b)
Total dividend adjustment factor[1]		1.016053	1.014804	(c)
Adjusted closing cum-income NAV per share (d = b x c)		329.6	405.9	(d)
Total return on net assets (e = d / a – 1)		**–17.6%**	**–7.5%**	(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 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.

Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 16 on page 64 for detailed calculations.

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.

Gearing calculation	Page	31st March 2020 £’000	31st March 2019 £’000	
Investments held at fair value through profit or loss	62	537,036	604,429	(a)
Net assets	4	517,253	637,808	(b)
Gearing/(Net Cash) (c = a / b – 1)		**3.8%**	**(5.2)%**	(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.

Ongoing charges calculation	Page	31st March 2020 £’000	31st March 2019 £’000	
Management fee	59	6,284	6,458	
Other administrative expenses	59	723	863	
Total management fee and other administrative expenses		7,007	7,321	(a)
Average daily cum-income net assets		664,723	687,188	(b)
Ongoing charges (c = a / b)		**1.05%**	**1.07%**	(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).

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

1. Via a third party provider

Third party providers include:

AJ Bell
Barclays Smart Investor
Charles Stanley Direct
Fidelity FundsNetwork
Halifax
Hargreaves Lansdown
Interactive Investor
Selftrade
The Share Centre

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

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

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 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

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

FCA
FINANCIAL CONDUCT AUTHORITY

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.

Depositary

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

The Depositary 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

Ernst & Young LLP
Statutory Auditor
Atria One
144 Morrison Street
Edinburgh EH3 8EB

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.

aic
The Association of
Investment Companies

A member of the AIC

CONTACT

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Website www.jpmeuropeansmallercompanies.co.uk

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Asset Management