

JPMorgan European Discovery Trust plc

(formerly JPMorgan European Smaller Companies Trust plc)

Uncovering Europe's hidden gems



Annual Report and Financial Statements
for the Year – 31st March 2021

KEY FEATURES

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 23.

Company Name and Ticker

The Company changed its name from JPMorgan European Smaller Companies Trust plc to JPMorgan European Discovery Trust plc on 15th June 2021. The Company will change its London Stock Exchange stock ticker symbol (TIDM) from JESC to JEDT with effect from 17th June 2021.

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 2021, the Company's issued share capital comprised 159,462,885 ordinary shares of 5p each.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager' or the 'Investment Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM') which further delegates the management to J.P. Morgan Asset Management, Inc. All of these entities are wholly owned subsidiaries of J.P. Morgan Chase & Co.

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.jpmeuropeandiscovery.co.uk.

Strategic Report

- 3 Financial Highlights
- 5 Chairman's Statement
- 8 Investment Managers' Report
- 13 Portfolio Information
- 17 Ten Year Record
- 19 Environmental, Social and Governance ('ESG')
- 22 Company Purpose, Investment Objectives and Policies
- 23 Investment Restrictions, Guidelines and Key Performance Indicators
- 25 Principal and Emerging Risks
- 27 Long Term Viability
- 28 Duty to Promote the Success of the Company

Directors' Report

- 31 Board of Directors
- 32 Directors' Report
- 35 Corporate Governance Statement
- 40 Audit Committee Report

Directors' Remuneration Report

Statement of Directors' Responsibilities

Independent Auditor's Report

Financial Statements

- 57 Statement of Comprehensive Income
- 58 Statement of Changes in Equity
- 59 Statement of Financial Position
- 60 Statement of Cash Flows
- 62 Notes to the Financial Statements

Regulatory Disclosures

- 80 Alternative Investment Fund Managers' Directive ('AIFMD') Disclosures (unaudited)
- 82 Securities Financing Transactions Regulations ('SFTR') Disclosures (unaudited)

Shareholder Information

- 86 Notice of Annual General Meeting
- 90 Appendix to the AGM Notice
- 92 Alternative Performance Measures ('APMs') and Glossary of Terms (unaudited)
- 94 Where to buy J.P. Morgan Investment Trusts
- 95 Information about the Company



Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST MARCH

	2021	2020	3 years cumulative	5 years cumulative	10 years cumulative
Return to shareholders ^{1,A}	+87.5%	-26.7%	+20.0%	+80.8%	+191.0%
Return on net assets ^{2,A}	+66.2%	-17.6%	+26.7%	+83.6%	+177.3%
Benchmark return ³	+57.9%	-12.8%	+32.8%	+88.4%	+147.4%
Net asset return compared to benchmark return ³	+8.3%	-4.8%	-6.2%	-4.8%	+29.9%
Shareholder return compared to benchmark return	+29.6%	-13.9%	-12.8%	-7.6%	+43.6%
Dividend	6.7p	6.7p			

¹ Source: Morningstar.² Source: Morningstar/J.P. Morgan using cum income net asset 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 92 and 93.

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	2021	2020	% change
Total returns for the year ended 31st March			
Share price total return ^{1,A}	+87.5%	-26.7%	
Net asset value return ^{2,A}	+66.2%	-17.6%	
Benchmark return ³	+57.9%	-12.8%	
Net asset value, share price, discount and market data at 31st March			
Shareholders' funds (£'000)	846,304	517,253	+63.6
Net asset value per share ^A	530.7p	324.4p	+63.6
Share price	462.0p	251.0p	+84.1
Share price discount to net asset value per share ^A	12.9%	22.6%	
Shares in issue	159,462,885	159,462,885	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	9,625	15,077	-36.2
Net revenue available for shareholders (£'000)	7,051	10,886	-35.2
Revenue return per share	4.42p	6.83p	-35.3
Dividend per share	6.7p	6.7p	
Gearing at 31st March	8.8%	3.8%	
Ongoing charges^A	0.91%	1.05%	

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 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 92 and 93.



Marc van Gelder
Chairman

Dear Shareholder,

I am pleased to present the Company's results for the year ended 31st March 2021.

Investment Performance

The last year has been dominated by the Covid-19 pandemic and it is important to consider and acknowledge the impact of the pandemic on Europe. The events associated with Covid-19 have also caused unprecedented turmoil in global equity markets.

Despite these levels of market volatility and the economic uncertainty that persisted, due to the continuing pandemic, I am pleased to report that, to 31st March 2021 your Company's total return on net assets was 66.2%, outperforming its benchmark by 8.3% as the MSCI Europe (ex UK) Small Cap Index rose by 57.9 per cent. As a reminder, the benchmark changed to the MSCI Europe (ex UK) small cap net total return index with effect from 1st April 2020. This index better reflects the underlying portfolio constituents.

The basis for this performance is explained in the Investment Managers' report on pages 8 to 12 which provides a detailed commentary on the portfolio positioning and the outlook for investing.

The Company's longer term performance remains strong, with the 5 year and 10 year total return on net assets rising 83.6% and 177.3%, respectively, whilst the benchmark total return rose 88.4% and 147.4%.

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 EUR 125m revolving credit facility, of which EUR 90m was drawn down at the year end. During the year gearing varied between 3.1% and 9.4%.

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 £7.1 million (2020: £10.9 million), a substantial decline compared to 2020 as many of the companies in our portfolio lowered their payouts due to the pandemic. An interim dividend of 1.2 pence per share was paid on 22nd January 2021. Subject to shareholder approval at the forthcoming Annual General Meeting, a final dividend of 5.5 pence per share will be paid on 30th July 2021 to shareholders on the register as at the close of business on 25th June 2021 (ex-dividend date 24th June 2021). This dividend will require the use of the Company's revenue reserves as insufficient revenue has been received by the Company during the year to cover the dividend, one of the advantages of our closed end structure.

Discounts and Share Repurchases

The discount of the Company's share price to net asset value narrowed during the Company's financial year, from nearly 23% as at the end of March 2020 to 12.9% as at 31st March 2021, with an average discount over the 12 months of 13.6%. As at 11th June 2021 the discount was 13.6%. 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. In addition, during the period of market volatility arising as a result of Covid-19 the Board continued to meet more frequently to ensure support was available to the investment managers. The Board agreed with the Committee's recommendation that the continued appointment of the Manager is in the interests of shareholders as a whole.

As mentioned in my statement last year, a reduction in management fees was agreed last year and has been in effect from 1st April 2020. The management fee is now being charged at an annual rate of 0.85% of the 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 has provided a saving to our shareholders for the reporting year.

Environmental, Social and Governance ('ESG')

As I reported last year, the Board has continued to engage with the Manager on the integration of ESG factors into its investment process. While the investment managers have always considered environmental, social and governance ('ESG') issues in their investment process, it is now rigorously integrated into their investment processes so that ESG issues are considered at every stage of the investment decision. With company reporting on ESG issues remaining at an early stage of development, 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. Further information on the Manager's ESG process and engagement is set out in the ESG Report on pages 19 to 21 with stock specific examples included in the Investment Managers' Report on pages 8 to 12.

Company Name and Ticker

During the year, the Board reviewed the current name of the Company to understand if it best reflected the Company's exciting investment strategy and its portfolio. Some of the companies we invest in have market capitalisations of up to EUR8bn; as such, we believe that the current name does not accurately describe the portfolio holdings or the investment opportunities available to the Investment Managers. The Board therefore undertook a rigorous process, including market research conducted by third party consultants and discussions with the major shareholders and the wider investor base. Based on the result and the discussions, the Board has decided to change the Company's name to JPMorgan European Discovery Trust plc. This change is effective from 15th June 2021. Following the change of name, the Company will change its London Stock Exchange stock ticker symbol (TIDM) from JESC to JEDT with effect from 8.00 a.m. on 17th June 2021. The Company's ISIN, SEDOL and LEI remain unchanged and its website URL will shortly be renamed as www.jpmeuropeandiscovery.co.uk.

The Board

There has been no change to the composition of the Board during the year. In line with the Board's succession planning, the intention had been for Stephen White to stand down at this year's AGM, having served on the Board for nine years. However, in light of the challenges faced by the Company over the last 12 months as a result of Covid-19, the Directors agreed that it would be appropriate for the Company to continue to benefit from Stephen's extensive investment management experience for a further few months. Therefore, subject to reappointment by shareholders at the upcoming AGM, he will continue as a director till the later part of the year.

In order to ensure a smooth transition when Stephen retires, the Board undertook a search exercise to identify a new Director. Following successful conclusion of that search exercise, as announced on 2nd June 2021, I am delighted to report that Sarah Watters will be joining the Board with effect from 1st July 2021. Sarah brings to the Board a wealth of investment management experience gained over 27 years, having most recently been Head of Equities, UK, Europe and Emerging Markets at BP Investment Management Ltd.

Annual General Meeting

This year's Annual General Meeting will be held on Wednesday, 21st July 2021 at 12.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP. Our preference had been to welcome shareholders in person to our 2021 Annual General Meeting, particularly given the constraints we faced in 2020 due to the Covid-19 pandemic. However, at the date of posting of the AGM Notice, given the ongoing uncertainty and due to ongoing public health concerns, the Board intends to limit physical attendance at the AGM only to Directors or their proxies and representatives from J.P. Morgan. The Board will ensure that the minimum quorum is present to allow

the formal business to proceed. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. Should the Government guidance change and the current restrictions on group gatherings be relaxed by the time of the Meeting, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to secure the safety of those attending the Meeting and the orderly conduct of the Meeting.

The Board is aware that many shareholders look forward to hearing the views of the Investment Managers and Directors and asking them questions at the AGM. Accordingly, at the time of the AGM a webinar will be organised which will involve a presentation from the Chairman of the Board and the Investment Managers, followed by a live question and answer session, all of which may be viewed at the time by registered participants. Shareholders are invited to register as participants to join the webinar and address any questions they have either by submitting questions during the webinar or in advance of the AGM via the 'Ask a Question' link on the Company's website www.jpmeuropeandiscovery.co.uk or via email to invtrusts.cosec@jpmorgan.com. Details on how to register as a participant for this event will be posted on the Company's website, or by requesting the details via the email address above.

As shareholders will not be able to attend the Annual General Meeting, the Board strongly encourages all shareholders to exercise their votes by completing and returning their proxy forms. This will ensure that their votes are registered.

If there are any changes to the arrangements for the Annual General Meeting, the Company will update shareholders through the Company's website and, if appropriate, through an announcement to the London Stock Exchange. The Board would like to thank shareholders for their understanding and co-operation at this difficult time. I sincerely hope that you and your families remain safe and well and along with the rest of the Board look forward to meeting you at a future Annual General Meeting.

Outlook

The vaccine rollout around the world has fuelled optimism for a strong economic recovery later in the year after the turmoil caused by Covid-19. Conversely, there are fears of the return of inflation, high debt levels and the possibility of a further wave due to new virus variants. Whilst uncertainty still looms, the Board believes there to be significant investment opportunities in Europe and supports the Investment Managers' approach in seeking such opportunities to meet our long term objectives.

Marc van Gelder
Chairman

15th June 2021



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. On 1 April 2020 the benchmark index was changed from the Euromoney Smaller European Companies (ex UK) Index to the MSCI Europe ex UK Small Cap Index. At the end of March 2021 the new benchmark index consisted of free float adjusted market capitalisation range of approximately GBP 100m to GBP 5.7 billion. This universe of potential investments is screened using a proprietary multi-factor model, the results of which we apply fundamental analysis.

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

Market Review

The twelve month period to March 2021 was dominated by the world's response to the Covid-19 global pandemic. Following the significant market sell off in March 2020, the rapid response by governments and Central Banks worked to mitigate concerns around the magnitude of the impact to the economy. The level of support was unprecedented, with Central Bank support far higher than the total support provided during the Global Financial Crisis. As a result, equity markets rebounded extremely strongly over the twelve months to March 2021 with the Trust's benchmark finishing the period significantly higher than it reached at its peak prior to Covid-19.

Improving global economic data and better than expected company earnings due to tight cost control supported markets over the period. On 9th November, Pfizer and BioNTech announced positive trial data for their Covid-19 vaccine. This was quickly followed by positive trial data from other pharmaceutical companies. These effective vaccines offered a clearer path out of lockdowns. Nevertheless, concerns around rising infection rates, new variants of the virus and delays to vaccination rollouts in a number of European countries resulted in high volatility over the period.

While these concerns remain, markets should continue to be supported by even more fiscal and monetary injections. The US Federal Reserve has relaxed its inflation target from '2 per cent' to 'an average of 2 per cent', meaning that it will not necessarily tighten policy even if it sees inflation in excess of 2 per cent in the future. At the same time, there is still ample room for additional fiscal support from governments as illustrated by the stimulus packages implemented in the European Union and the US.

Over the twelve month period to March 2021, the MSCI Europe ex UK Small Cap Index rose by 57.9 per cent.

Portfolio Performance

Over the financial year the net asset value of the Trust rose by 66.2 per cent, outperforming its benchmark by 8.3 per cent.

Top performers over the period included Spanish renewable energy operator, Solaria, due to the huge growth opportunity for solar energy in Spain; Dutch semiconductor equipment manufacturer, ASM International, as demand for semiconductors proved resilient during the slowdown and atomic layer deposition (ALD) continued to be instrumental in wafer miniaturisation; and German online pharmacy, Shop Apotheke, after the German government passed a law to mandate e-prescriptions.

Stock detractors from performance included Belgium logistics real estate company, Warehouses De Pauw, and Italian renewable energy operator, Falck Renewables, which both underperformed the rapidly rising markets due to their more defensive business models; and Swiss insurance company, Baloise, which suffered from the low interest rate environment.

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST MARCH 2021

	%	%
Contributions to total returns		
Benchmark return		57.9
Asset allocation	3.6	
Stock selection	1.0	
Gearing/cash effect	5.2	
Currency effect	-0.6	
Investment Managers' added contribution		9.2
Portfolio return		67.1
Management fee/other expenses	-0.9	
Other effects		-0.9
Return on net assets ^A		66.2
Return to shareholders ^A		87.5

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.

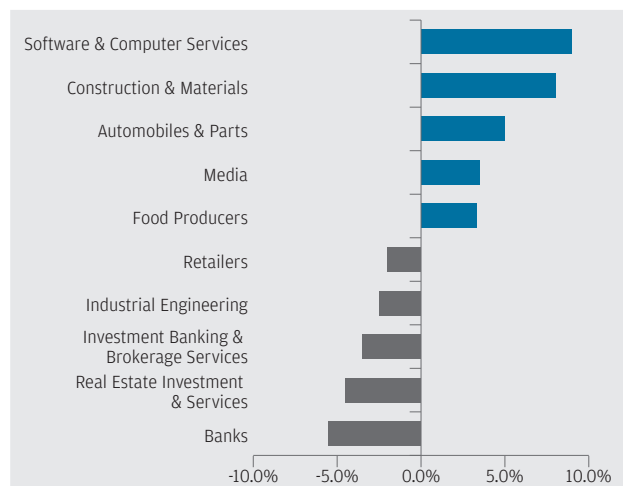
^A Alternative Performance Measure ('APM')

A glossary of terms and APMs is provided on pages 92 and 93.

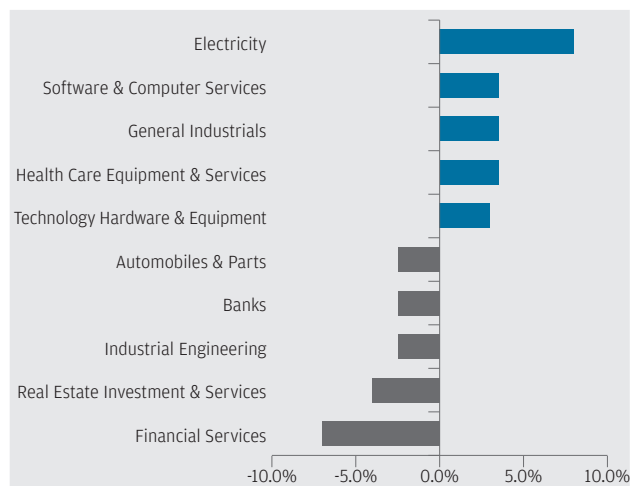
Portfolio Positioning

Top 10 Sector Active Positions

TOP/BOTTOM ACTIVE SECTOR POSITIONS – MARCH 2021



TOP/BOTTOM ACTIVE SECTOR POSITIONS – MARCH 2020



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

Over the period we reduced the portfolio's exposure to the Electricity sector which was comprised entirely of renewable energy generation companies. While we still maintain selected exposure to the sector we have sold out of the companies where we believed valuations to be expensive.

Software & Computer Services became the largest sector overweight. We added further exciting growth companies such as the Swedish companies, Fortnox, a cloud based platform that enables small businesses to manage their finances more efficiently and Stillfront, a mobile phone computer game developer.

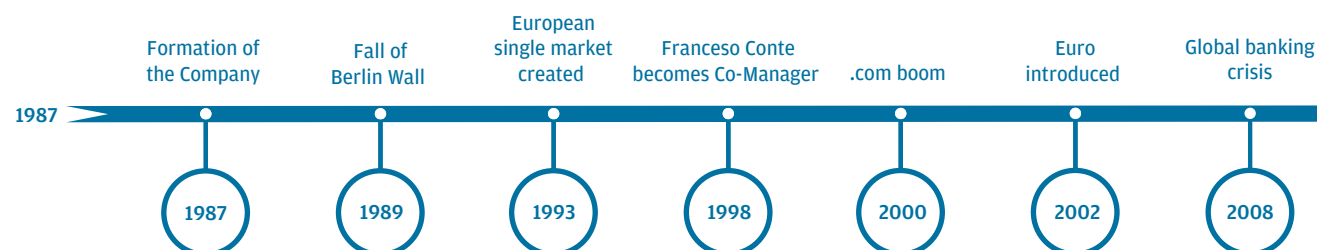
We also added a number of fundamentally high quality companies that are experiencing share price weakness due to near-term earnings headwinds from lockdowns but where we see significant medium term upside potential. These include the Automotive & Parts companies, Valeo in France and German listed Hella, both of which are leaders in providing technology for Electronic Vehicles. We also added CTS Eventim in Germany which is the European leading online ticket seller for live events (Media sector), and two salmon farmers listed in Norway, Bakkafrøst and Salmar (Food Producers sector). All of these companies will be direct beneficiaries of lockdown reopening whilst also benefiting from long term structural growth drivers.

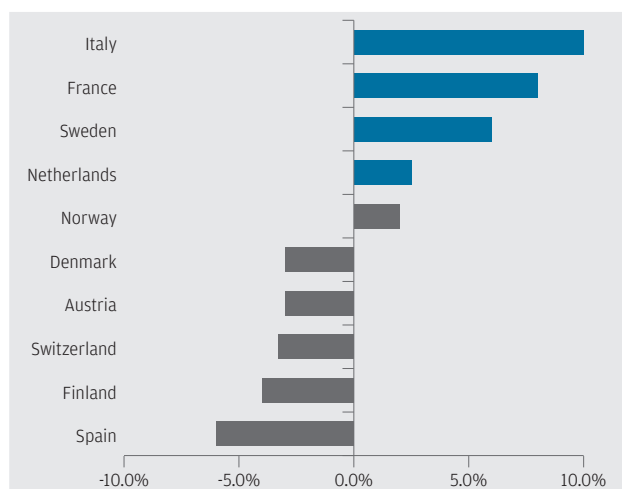
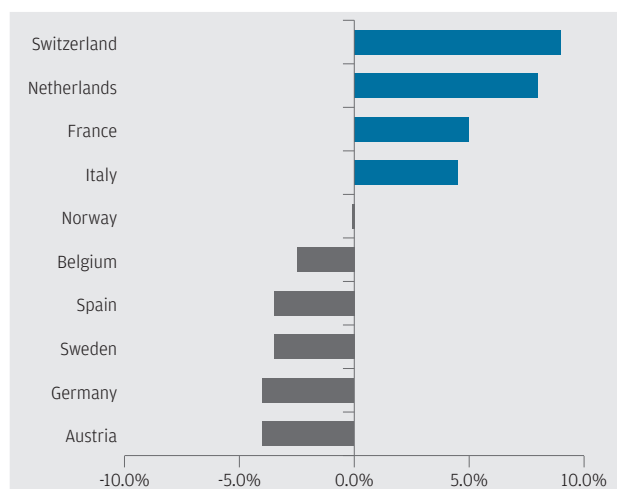
During the period Italy grew to be the Trust's largest country overweight. For example, we added luxury yacht manufacturer Sanlorenzo at its IPO and also premium tyre manufacturer Pirelli.

France became the second largest country overweight through the addition of reopening beneficiaries such as the aforementioned Valeo and also motorway concession operator, Eiffage, and hospitality services company, Elis.

Spain and Finland were the largest underweights as we could not find any sufficiently attractive investment opportunities in these countries. Switzerland became the third largest underweight, having been the largest overweight at the start of the period, as we reduced exposure to companies with more defensive business models in order to fund investments into companies with larger upside potential from the improving global economic environment.

By the end of the financial year we were 8.8 per cent geared.



Top 10 Country Active Positions**TOP/BOTTOM ACTIVE COUNTRY POSITIONS – MARCH 2021****TOP/BOTTOM ACTIVE COUNTRY POSITIONS – MARCH 2020**

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

ESG Considerations

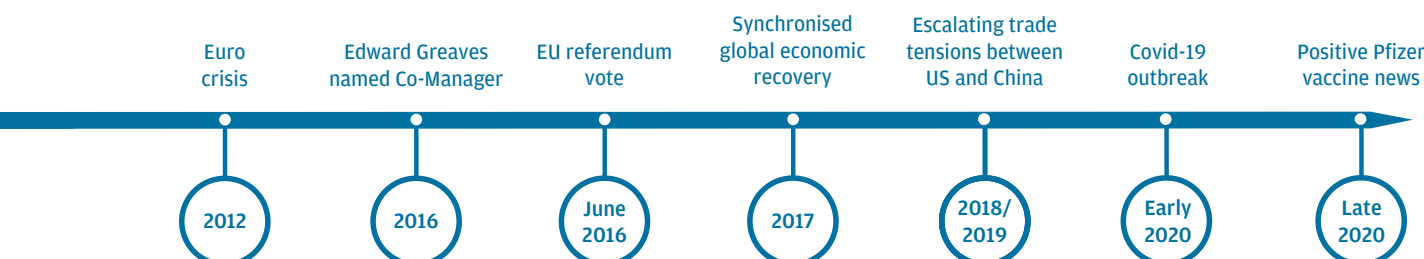
The Company holds positions in companies based on their fundamentals. We consider the ESG challenges a company faces, whether these can be engaged on and addressed by the company, and the risk the issues pose to the company's long term viability. We do not have an ESG based exclusion list of stocks or sectors.

For companies that are in sectors which might raise ESG concerns, we conduct due diligence on their business models and perform extensive engagement with management to ensure the sustainability of their long term financial performance. Recent examples of this include Bakkafrost and Salmar, two leading Norwegian listed salmon farmers.

- Bakkafrost takes the health and welfare of their fish very seriously which is illustrated by industry leading low mortality rates. As part of the healthcare treatment plans, the company chooses to use fresh water to treat their fish for parasites such as lice, rather than using pesticides and pharmaceuticals which can have wider impacts on the surrounding biodiversity. This process ensures both the health of the fish and also helps to protect the local environment.
- Salmar is pioneering new methods of rearing fish to improve general health, minimise mortality rates, and protect the environment. For example, Salmar is currently in the process of developing the world's first deep water farms which should enable the business to farm further offshore and, as a consequence, greatly reduce its impact on the environment.

Alongside our due diligence performed at the point of investment, the Portfolio Management team engages with management teams on an ongoing basis to ensure that our investment companies maintain or improve their ESG profiles. We conducted over 350 such company meetings during the past financial year.

As small cap investors we find that the companies we meet, and invest in, often have very high ESG standards but are very poor at publically communicating this. Often the companies we meet are small, sometimes new to the market and have investor relations departments which are formed of a single individual. In such instances, we see a role as stewards by helping these companies establish standards of best practice in areas such as governance, employee welfare and the environment. In the past year we have held deep

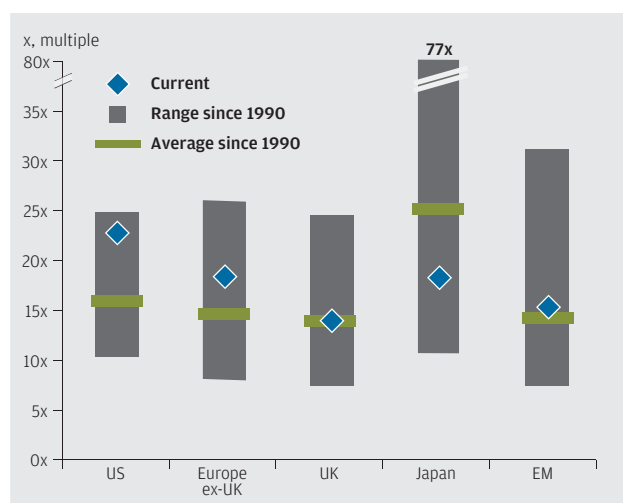


formal engagements with businesses, including companies such as Amplifon, Sanlorenzo, BE Semiconductor, ASM International and SIG Combibloc, to help them to understand the ESG best practices that they should aim for.

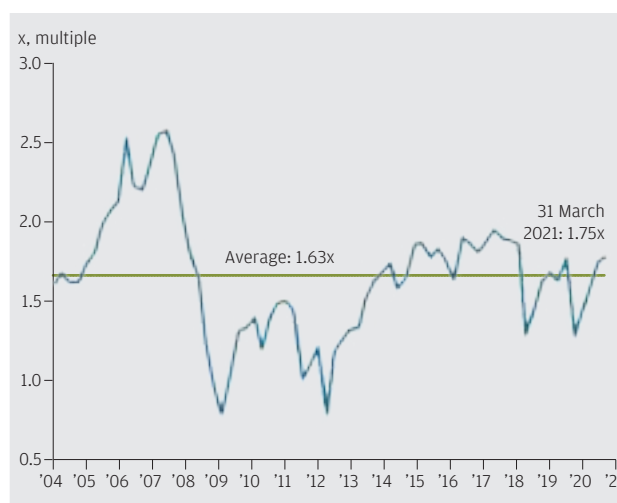
During these engagements we often discuss companies' current policies and what they are doing to become more sustainable. For example, during our multiple engagements with ERG SPA, an Italian independent power producer focused on renewable energy, we have engaged on the company's targets for green energy production and their long term plans for their last remaining fossil fuel powered CCGT (combined cycle gas turbine) power plant in Sicily. Each time we engage with management we emphasise the importance of establishing a clear roadmap to becoming a pure renewable energy generation company.

Equity Valuation

GLOBAL FORWARD PRICE TO EARNINGS RATIOS



EUROPEAN SMALL CAP PRICE TO BOOK RATIO



Source: LHS: IBES, MSCI, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. MSCI indices are used for all regions/countries (due to data availability), except for the US, which is represented by the S&P 500. 23rd March 2020 marks the recent trough of the S&P 500. Past performance is not a reliable indicator of current and future results. Guide to the Markets – Europe. Data as of 31st December 2020. RHS: Bloomberg, MSCI, J.P. Morgan Asset Management. Data as of 31st March 2021.

Equity markets have risen strongly and the price to earnings ratios of large capitalisation companies are looking stretched in the US and Europe ex-UK (left hand chart). However, this is primarily due to the severe earnings headwinds caused by global lockdowns.

The price to book ratio is not impacted by transitory changes in earnings. The right hand chart shows that the price to book ratio of European small caps is in line with the long term average. As a result, valuations do not appear stretched when considering normalised market conditions.

Outlook

The Trust's last financial year was dominated by Covid-19. We are hopeful that normality is returning as vaccination programs are rolled out globally.

It appears we are entering a period which could be very supportive of equity markets. We see a synchronised global economic expansion while at the same time governments and Central Banks remain supportive and the valuation of the European Small Cap asset class is attractive.

While the Trust remains predominantly invested in the long term themes of technological disruption, environmental protection and wellness, we have added opportunistically to high quality companies that will benefit from more widespread vaccination programmes and where Covid-19 will not be a long term disruptor to their business models.

Francesco Conte
Edward Greaves
Investment Managers

15th June 2021

TEN LARGEST EQUITY INVESTMENTS

AT 31ST MARCH

Company	Country	2021 Valuation			2020 Valuation		
		Number of shares	£'000	% ¹	Number of shares	£'000	% ¹
Bravida² Bravida Holding AB provides technical installation and service solutions for buildings and plants. The company offers integrated solutions in electrical installations, heating and plumbing, and HVAC. Bravida Holding services customers in Sweden, Norway and Denmark.	Sweden	2,812,727	28,254	3.1	2,002,013	11,424	2.1
Nexans² Nexans manufactures cables. The company offers rigid and flexible wires, rods, conductors, switches, tools, connectors and spare parts. Nexans serves automotive, building, nuclear, mining, energy and telecom industries worldwide.	France	405,818	26,100	2.8	353,779	8,453	1.6
Bakkafrost P/F³ Bakkafrost P/F operates a fish farm. The company offers a wide range of salmon products supplied by its own processing facilities. Bakkafrost provides fresh salmon to the fresh fish market, smokehouses and processors of ready meals and frozen salmon portions vacuum packed in catering boxes or in retail boxes.	Norway	406,316	23,339	2.5	–	–	–
Pirelli & C³ Pirelli & C.S.P.A. designs, products and sells tires for cars, motorcycles and bicycles. The company primarily offers its products to the high-end consumer segment around the world.	Italy	5,308,495	22,701	2.5	–	–	–
SalMar³ Salmar ASA operates fisheries that produce salmon. The company focuses on the sea farming, processing and trade of numerous kinds of fish and shellfish.	Norway	451,290	22,561	2.5	–	–	–
Alten² Alten SA offers consulting and engineering services in telecommunications, computer systems, networking, multimedia, defense, aviation and information system.	France	261,145	22,268	2.4	158,414	9,168	1.7
Korian² Korian SA operates healthcare facilities, medical establishments. The company's facilities include retirement homes and rehabilitation centers. Korian is based in France.	France	851,385	21,482	2.3	396,159	9,907	1.8
Eiffage³ Eiffage SA is a contractor and a concessionaire. The company operates through numerous business lines, including concessions and public private partnerships, construction, public works, energy, metal. Eiffage offers its products and services throughout Europe and Senegal.	France	288,894	21,007	2.3	–	–	–
Fraport³ Fraport AG Frankfurt Airport Services Worldwide offers airport services. The company operates the Frankfurt Main airport, the airport in Lima, Peru and the international terminal in Antalya, Turkey. Fraport also provides services to domestic and international carries including traffic, facility and terminal management, ground handling and security.	Germany	452,543	19,950	2.2	–	–	–
Scatec² Scatec ASA operates as an energy company. The company installs, operates and maintains solar, hydro and wind power plants. Scatec serves customers worldwide.	Norway	897,844	19,699	2.1	639,913	6,487	1.2
Total⁴		12,136,457	227,361	24.7			

¹ Based on total investments of £921.2m (2020: £537.0m).² Not included in the ten largest investments at 31st March 2020.³ Not held in the portfolio at 31st March 2020.⁴ At 31st March 2020, the value of the ten largest investments amounted to £147.4 million representing 27.4% of total investments.

PORTFOLIO INFORMATION

GEOGRAPHICAL ANALYSIS

	31st March 2021		31st March 2020	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Sweden	22.9	19.4	9.7	14.2
Italy	18.1	7.8	13.3	9.7
France	15.4	8.8	14.2	10.1
Germany	11.4	14.2	11.4	16.0
Switzerland	10.0	13.7	22.0	13.6
Netherlands	8.5	6.8	12.8	4.6
Norway	7.5	6.3	4.1	4.5
Belgium	4.5	3.9	3.4	6.1
Denmark	1.7	4.3	4.6	4.5
Spain	—	5.7	2.3	6.0
Finland	—	4.5	2.2	4.8
Austria	—	2.5	—	3.9
Ireland	—	1.5	—	1.0
Portugal	—	0.6	—	1.0
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £921.2m (2020: £537.0m).

SECTOR ANALYSIS

	31st March 2021		31st March 2020	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Industrials	34.5	27.4	22.9	22.3
Information Technology	15.2	9.5	18.5	8.8
Consumer Discretionary	12.7	8.8	2.2	9.0
Health Care	8.7	8.7	14.0	10.9
Communication Services	7.2	4.9	3.8	6.1
Consumer Staples	6.8	4.9	7.5	6.3
Utilities	5.9	3.5	12.8	3.4
Financials	5.6	13.2	6.4	13.1
Materials	1.8	7.7	6.6	7.5
Real Estate	1.6	9.4	5.3	10.5
Energy	—	2.0	—	2.1
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £921.2m (2020: £537.0m).

INVESTMENT ACTIVITY DURING THE YEAR ENDED 31ST MARCH 2021

	Value at 30th March 2020		Purchases	Sales	Changes in value	Value at 31st March 2021	
	£'000	%	£'000	£'000	£'000	£'000	%
Sweden	51,957	9.7	160,958	(37,138)	34,999	210,776	22.9
Italy	71,265	13.3	116,070	(64,044)	43,822	167,113	18.1
France	76,175	14.2	128,008	(103,008)	40,426	141,601	15.4
Germany	61,335	11.4	131,638	(133,559)	45,300	104,714	11.4
Switzerland	118,063	22.0	80,039	(147,985)	42,506	92,623	10.0
Netherlands	68,769	12.8	55,116	(117,372)	71,704	78,217	8.5
Norway	22,077	4.1	62,473	(39,812)	24,475	69,213	7.5
Belgium	18,230	3.4	29,347	(6,831)	932	41,678	4.5
Denmark	24,869	4.6	21,420	(45,006)	13,982	15,265	1.7
Spain	12,511	2.3	526	(29,128)	16,091	–	–
Finland	11,785	2.2	–	(11,928)	143	–	–
Total investments	537,036	100.0	785,595	(735,811)	334,380	921,200	100.0

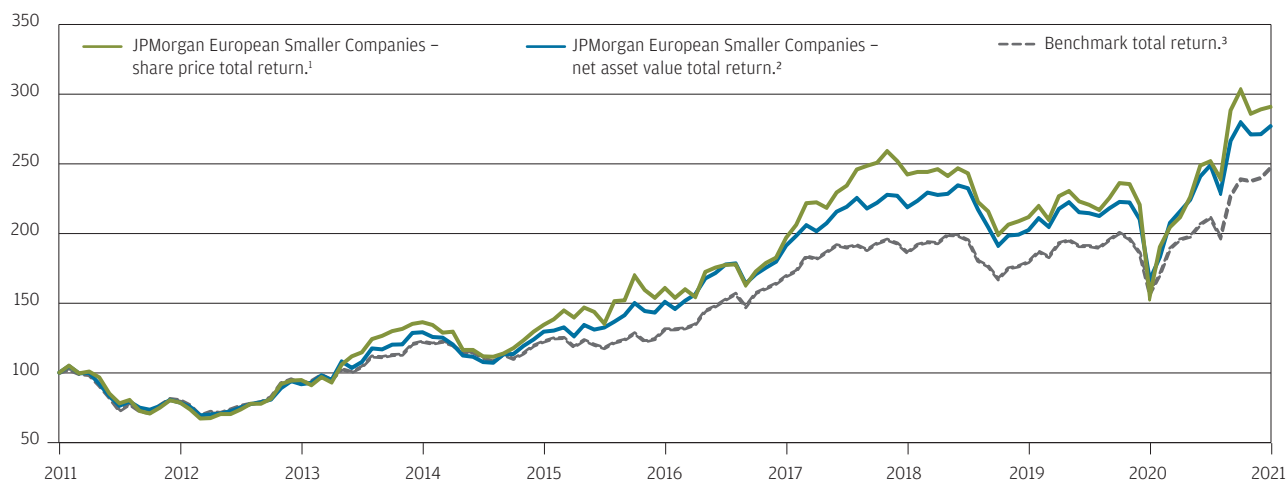
PORTFOLIO INFORMATION

LIST OF INVESTMENTS AT 31ST MARCH 2021

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
SWEDEN		GERMANY		BELGIUM	
Bravida	28,254	Fraport	19,950	Warehouses De Pauw, CVA	14,204
AF Poyry	18,127	CTS Eventim	18,615	Barco	10,342
Sweco	18,043	Eckert & Ziegler Strahlen- und		Melexis	9,074
Pandox	17,940	Medizintechnik	16,774	Kinepolis	8,058
AAK	16,979	Hella	15,607		41,678
Indutrade	16,016	Stroeer	14,986		
Electrolux Professional	11,778	Bechtle	12,235	DENMARK	
Instalco	11,228	CompuGroup Medical	6,547	SimCorp	15,265
Stillfront	11,011		104,714		15,265
Vitrolife	10,456				
Beijer Ref	9,659	SWITZERLAND			
Bonava	8,492	Siegfried	18,027	TOTAL INVESTMENTS	
Sinch	8,347	SIG Combibloc	16,139		921,200
Fortnox	7,876	Helvetia	14,944		
Swedish Orphan Biovitrum	6,885	Flughafen Zurich	14,053		
Cint	6,474	Cembra Money Bank	11,843		
Lime Technologies	3,211	Softwareone	9,270		
	210,776	Kardex	8,347		
			92,623		
ITALY		NETHERLANDS			
Pirelli & C	22,701	Arcadis	18,956		
ERG	19,375	Signify	18,478		
Technogym	18,769	IMCD	17,962		
Interpump	18,332	ASR Nederland	13,274		
Reply	18,172	BE Semiconductor Industries	9,547		
Enav	15,238		78,217		
Sanlorenzo	14,842				
Falck Renewables	14,815	NORWAY			
Prysmian	13,320	Bakkafrost P/F	23,339		
Unipol Gruppo	11,549	Salmar	22,561		
	167,113	Scatec	19,699		
		Volue	3,614		
FRANCE			69,213		
Nexans	26,100				
Alten	22,268				
Korian	21,482				
Eiffage	21,007				
Valeo	19,001				
IPSOS	13,816				
Elis	13,240				
Esker	4,687				
	141,601				

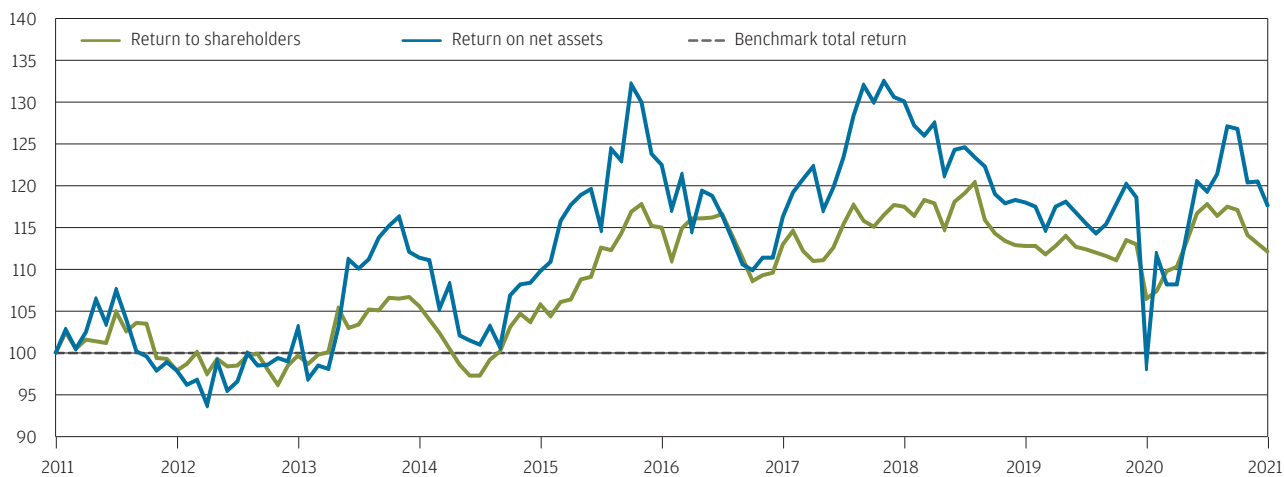
TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2011

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 2011



TEN YEAR RECORD

TEN YEAR FINANCIAL RECORD

At 31st March	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total assets less current liabilities (£'m)	477.4	342.3	366.0	474.8	473.1	495.4	620.8	794.2	637.8	517.3	923.0
Net asset value per share (p) ^A	219.5	170.8	195.1	270.7	268.3	309.3	388.1	438.9	400.0	324.4	530.7
Share price (p)	186.0	144.4	169.8	240.0	233.5	276.0	334.0	406.0	349.0	251.0	462.0
Share price discount (%) ^A	15.2	15.5	13.0	11.3	13.0	10.8	13.9	7.5	12.8	22.6	12.9
Gearing (%) / (Net cash) ^A	16.7	7.6	12.9	12.6	7.5	(2.8)	5.3	7.9	(5.2)	3.8	8.8
Ongoing charges (%) ^A	1.21	1.27	1.26	1.31	1.32	1.18	1.15	1.03	1.07	1.05	0.91

Year ended 31st March

Gross revenue return (£'000)	9,241	10,215	8,481	8,016	8,586	8,448	10,771	13,251	15,837	15,077	9,625
Net revenue available for shareholders (£'000)	2,369	7,055	6,134	5,047	5,519	5,732	7,807	9,575	11,680	10,886	7,051
Revenue return per share (p)	1.07	3.42	3.29	2.99	3.45	3.58	4.88	5.98	7.31	6.83	4.42
Total dividend(s) per share (p)	0.8	3.4	3.2	2.9	3.2	3.2	4.7	6.7	6.7	6.7	6.7

Rebased to 100 at 31st March 2011

Total return to shareholders ^{1,A}	100	78.7	94.9	136.4	134.5	160.9	197.0	242.4	211.8	155.2	291.0
Total return on net assets ^{2,A}	100	78.7	91.9	129.6	129.6	151.0	191.4	218.9	202.5	166.8	277.3
Benchmark total return ³	100	80.4	92.2	122.4	122.5	131.3	169.4	186.3	179.6	156.7	247.4

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

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

³ Source: Euromoney. The Company's benchmark is the 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 92 and 93.

ESG and J.P.Morgan Investment Trusts

Introduction

ESG is an acronym which stands for Environmental, Social and Governance. It has become a convenient label for describing the broad field of sustainability in the corporate sector and is widely used when assessing the environmental impact of businesses, when considering how companies acquit themselves in respect of their broad social responsibilities and when reviewing the practices and standards used in governing corporate organisations.

Awareness of these issues has increased significantly in recent years among investment practitioners and their clients, and indeed in society at large, and our practices at J.P.Morgan Asset Management have been at the forefront of these developments. In these pages we explain how our approach has developed and how it is applied for the benefit of shareholders across the J.P.Morgan range of investment trusts.

The basics: what is ESG?

E is for Environmental. This component considers a company's impact on the world we live in, relating to the quality and functioning of the natural environment and natural systems.

S is for Social. Social factors address the way that companies act within society; this includes the way that employee interests are managed, and the broader impact a company has on society.

G is for Governance. This component relates to how companies are managed. It considers the measures that protect shareholder interests as well as the way any company meets regulatory and other external obligations.

The table below provides illustrative examples of ESG issues in each of the **E**, **S** and **G** categories:

Environmental	Social	Governance
Carbon pollution and emissions	Human rights	Board structure: effectiveness, diversity, independence
Environmental regulations (and adherence)	Diversity	Executive pay and criteria
Climate change policies	Health and safety	Shareholder rights
Sustainable sourcing of materials	Product safety	Financial reporting and accounting standards
Recycling	Employee management	How a business is run
Renewable energy use	Employee well-being	
Water and waste management	Commitment to communities	

What is our approach at J.P.Morgan Asset Management?

We think of ESG factors as additional inputs that help us make better investment decisions and believe that ESG integration can help deliver enhanced risk-adjusted returns over the long run.

We have worked hard over a number of years to demonstrate effective ESG integration in investment processes, not just in the equity funds we manage, but across all asset classes including Fixed Income, Real Assets, Alternatives and Multi-Asset Solutions, with approaches which have been vetted for effectiveness by a central Sustainability Investing Leadership team. At the time of writing, we can show 100% ESG integration across our actively managed products.

Why do we integrate ESG into our investment processes?

First, consideration of sustainability is intrinsic to a long term approach to investment. When we invest our clients' assets for them, we have to make judgements about future risks and rewards of any investment. Those risks and rewards have always included the factors shown in the table above, and indeed all ESG factors, because all of them have the potential to affect the future value of a security. A business that produces huge amounts of carbon emissions or plastic waste, for example, is likely to find itself the subject of scrutiny from regulators and consumers and failure to anticipate this and to change will likely bring a loss of value for shareholders in the long run. The same is true of businesses that neglect their social responsibilities, or fail in matters of governance. In all these instances, investors will eventually assign a higher discount rate to future cash flows, with consequences for the prices of that company's securities.

As public and official attention has grown in the field of ESG, however, the consequences for investment returns have become more and more important in the overall investment judgement. Thirty years ago, as long as a company met existing regulations, its environmental impact would probably have been taken for granted by many. Now, the significance of these issues seems critical in any assessment of an industry, and the capital markets have discriminated starkly between companies which are offering compelling narratives of transition to a low-carbon approach, and those which have yet to do so. So ESG has simply become a bigger and more important part of any investment judgement and our research processes have needed to evolve accordingly.

Second, our clients require that we consider sustainability factors. Both clients and regulators are paying far more attention to this field, and we as investors must meet their requirements for incorporating ESG in our investment processes, and be able to show how we do this. Demonstrating how ESG is addressed is now a basic requirements for any serious asset manager. As our clients' interest and requirements in the field of ESG have grown, so we have enhanced our capability.

Finally, the asset management industry itself has responsibilities and obligations, not only to our clients, but as a social actor in a broader sense. We have a duty to not just to produce good investment outcomes for our clients, but to be a responsible corporate citizen. This cannot be done credibly if the core practice of our industry, investment management, is not included in the effort. We must consider the broader consequences of the investment choices that we make for our clients. Given the evolution of public policy, client scrutiny, public attitudes, and trends in the corporate world, it is clear that consideration of ESG has become a key component of the way the industry approaches its fiduciary responsibilities.

ESG Integration within Equities

For our equity product range, ESG integration does not simply involve paying external vendors for ESG information; it rests heavily on our own proprietary research, on both a fundamental and a quantitative basis, and on the team of 150 analysts who cover stocks around the world, from the USA to Japan. Our research teams complete a globally consistent checklist of 40 ESG questions on every company they follow, 12 on environmental issues, 12 on social factors and 16 relating to governance. In addition, a quantitative-led ESG score leverages third-party ESG data, weighted according to our own views on materiality. This score provides further breath for stocks not currently covered by the 40 question checklist.

As we continue to develop and refine our ESG analysis, we are building a proprietary materiality framework. The twin objectives of this framework are to deepen our insights, including our views on which sub-industries are more (or less) attractive from an ESG perspective; and systematically to identify best-in-class businesses at a more granular level. We also undertake detailed research into specific ESG topics identified as material to our investment process for stock and sectors. Among the topics examined are the environmental impact of fast fashion in Europe, flaring in U.S. oil fields and corporate governance in insurance companies in Asia.

While we do not explicitly exclude individual stocks on ESG criteria (except for certain of our sustainable strategies or when specifically requested by clients or required by local legislation), ESG factors could influence our level of conviction and thus impact a stock's position size during portfolio construction. Although precise methodologies will vary, ESG information is considered throughout the investment process.

Investors also work with a central Stewardship team which sets priorities for corporate engagement both in terms of issues and in terms of significant individual investments held in portfolios.

Engagement and Voting

Active engagement with companies has long been an integral part of our approach to our investment and ESG. We use it not only to understand how companies consider issues related to ESG, but also to try to influence their behavior and encourage best practices, for the purpose of enhancing returns for our clients. We engage with all companies owned in your Company's portfolio on a regular basis, often several times in the course of a year. Our long history of active management and our teams of experienced investors enable us to have ongoing dialogues directly with companies' top management, maximizing our ability to encourage companies to implement best practices on ESG matters. Alongside this direct engagement, we endeavour to vote at all of the meetings called by companies in which your portfolio invests.

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the 12 months to 31st March 2021 is detailed below. On behalf of the Company, J.P.Morgan voted at all of the annual general meetings and extraordinary meetings held during the year by its portfolio companies.

JPMORGAN EUROPEAN SMALLER COMPANIES TRUST PLC: VOTING AT SHAREHOLDER MEETINGS OVER THE YEAR to 31st March 2021

	For	Against	Abstain	Total Items
Routine Business:	341	2	7	350
Directors Related:	575	16	0	591
Capitalization:	339	5	0	344
Reorganisation and Mergers:	11	0	0	11
Non-Salary Compensation:	113	5	1	119
Anti-takeover Related:	53	0	0	53
Total	1,432	28	8	1,468

The future

In investing your Company's assets over the last two decades and more, we have always looked for companies with the ability to create value in a sustainable way. That scrutiny remains firmly embedded in our process and we know that our clients, including the Directors of your Company, view attention to ESG factors as critical in their assessment of us as investment manager. We expect ESG to remain a dominant theme within the financial services industry and the course being taken by regulators suggests that its importance will only increase in years to come. Our research process and the investment judgements we make will continue to reflect that and to evolve as necessary.

J.P. Morgan Asset Management (UK) Limited

15th June 2021

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 Discovery Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. It is a constituent of the FTSE 250 Index. 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 MSCI Europe (ex UK) small cap net total return index (prior to 31st March 2020 the benchmark was the Euromoney Smaller Companies (ex UK) net total return Index (in sterling terms).

The Company is subject to 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. Since 31st December 2020, new autonomous UK regulations became effective and the UK no longer applies EU regulations. However, those EU regulations that were relevant to the Company have been incorporated by UK regulations and therefore there has been no change in practice from last year. The Company has assessed the impact of this to be minimal.

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 2021, the new benchmark index consisted of 718 companies with a free float adjusted market capitalisation range of approximately GBP 100m to GBP 5.7 billion.

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 56-66.

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 team of over 180 equity professionals.

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 25% 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 2021, the Company produced a share price total return of 87.5% and a net asset value total return of 66.2%. This compares with the total return on the

Company's benchmark index of 57.9%. As at 31st March 2021 the value of the Company's investment portfolio was £921.2 million (2020: £537.0 million). The Investment Managers' Report on pages 8 to 12 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross gain for the year amounted to £347.2 million (2020: £100.9 million loss) and net total gain after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £339.7 million (2020: £109.9 million loss). Net revenue return after taxation for the year amounted to £7.1 million (2020: £10.9 million). An interim dividend of 1.2p per share (2020: 1.2p) was paid during the year, costing £1.9 million (2020: £1.9 million). The Directors have proposed a final dividend of 5.5p (2020: 5.5p) per share. This dividend will cost £8.8 million and the total revenue reserve will amount to £0.4 million after the payment of this dividend. Further details are set out in note 10(b) to the financial statements.

Key Performance Indicators ('KPIs')

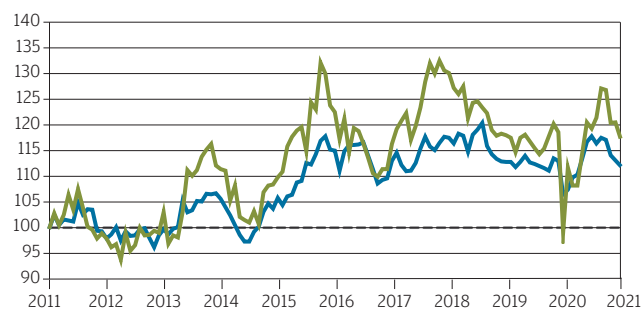
At each Board meeting the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The principal KPIs are performance relative to the benchmark index, performance against the Company's peers, performance attribution, share price discount to net 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 8 to 12.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2011



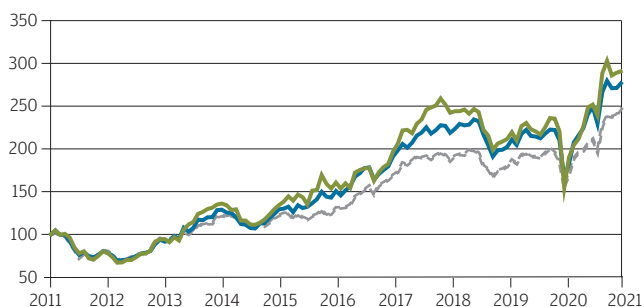
Source: Morningstar/Euromoney.

- Return to shareholders
- Return on net assets
- Benchmark total return

KEY PERFORMANCE INDICATORS

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 SINCE 31ST MARCH 2011



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 2021 are given in the Investment Managers' Report on page 9.

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

The Board recognises that the possibility of a short term widening of the discount can be a key disadvantage of investment trusts that can discourage investors, but is of the view that over the long term it is not a material factor in long term shareholder return. The Board has for several years operated a share repurchase programme which seeks to address imbalances in the supply of and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year ended 31st March 2021, the discount ranged between 5.27% and 22.85%. More information on the Board's share repurchase policy is given in the Chairman's Statement on page 5.

Discount



Source: Morningstar (month end data).

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

• Ongoing charges

The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st March 2021 were 0.91% (2020: 1.05%). 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 86 and 87.

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 EUR 125 million unsecured loan facility with Scotiabank. The facility was EUR 90 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 2021, there were four male Directors and one female Director on the Board. Four Directors are British and one is Dutch. As mentioned in the Chairman's statement, Ms. Sarah Watters will be joining the Board with effect from 1st July 2021. The Board remains committed to appointing the most appropriate candidate and, with the appointment of Sarah Watters, will have met the Hampton-Alexander recommendation of having 33% female representation on the Board. Please refer to page 36 for more information on the workings of the Nomination Committee. Full details of the skills and experience of the Directors can be found on page 31.

Employees, Social, Community, Environmental, Human Rights Issues and Greenhouse Gas Emissions

An increasingly broad spectrum of investors now rightly focus on 'ESG' issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise issues directly with investee companies. The Company is aware of the focus on these issues with the Managers and how they integrate them into their investment process.

Companies that address ESG issues and adopt sustainable business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governance issues have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into the Manager's investment process. However, environmental concerns and social issues are relevant and again the focus is on the economic impact of the involvement. The Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of our shareholders. Also see the Company's Corporate Governance and Voting Policy in the Directors' Report on page 38 for further details on Proxy Voting and Stewardship/Engagement.

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. As a low energy user under HMRC guidelines it is not required to disclose energy and carbon information. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that 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. See www.jpmorganinvestments.co.uk/governance for further details.

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/content/dam/jpmc/jpmorgan-chase-and-co/documents/JPMC-Group-Statement-on-Modern-Slavery-FY2019_Final-w-signature.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. In addition, as the impact of Brexit and the trade deal negotiated between the UK and the EU becomes clearer, investor sentiment may lead to reduced or increased demand for the Company's shares.

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 72 to 75 of this report, together with details of how the Board manages these risks.

- **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 22. 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 support of 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 page 38.

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 72 to 77.

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 35 to 39.
- **Pandemic Risk:** The global reach and disruption to markets caused by Covid-19 is unprecedented and triggered a sharp fall in global stock markets in 2020. The Company is exposed to the concomitant risks of market volatility, falling equity markets and the uncertainty around future dividend income. To date, the portfolio's holdings have not exhibited a material negative impact but the pandemic has yet to run its full course.

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 and the Board has been given regular updates. Arrangements for working from home have been implemented where appropriate and government guidance is being followed. The Board has not experienced and does not anticipate a fall in the level of service from any service provider.

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 1(a) on page 61.

- **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. 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 impact 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.

Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way they consider, 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 is responsible for all decisions relating to the Company's investment objective and policies, gearing, discount management, corporate governance and strategy, and for monitoring the performance of the Company's third party service providers, including the Manager. The Board's philosophy is that the Company should foster a culture where all parties are treated fairly and with respect and the Board recognises the importance of keeping the interests of the Company's stakeholders, and of acting fairly between them, front of mind in its key decision making. As an externally managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its Manager, its investee companies, and its other professional third party service providers (corporate broker, registrar, auditor, custodian and depositary) and wider society. The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

The table below sets out details of the Company's engagement with these stakeholders:

Stakeholder Engagement
Shareholders Continued shareholder engagement is critical to the continued existence of the Company and the successful delivery of its long term strategy. The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. Full details on how the Board ensures it is fully appraised of shareholder views and how it engages with all shareholder groups can be found on page 37.
Manager 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. The Manager's investment management function is fundamental to the long term success of the Company through the pursuit of the investment objective. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director whose interactions extend well beyond the formal business addressed at each Board and Committee meeting. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).
Investee companies The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager. In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies. In respect of the year under review, the Manager voted at the annual general meetings and extraordinary meetings held during the year by the Company's portfolio companies (full details can be found in the ESG report on page 19). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.
Other key service providers The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board consider the Company's Custodian, Depositary, Registrar, Auditor and Broker to be stakeholders. The Board maintains regular contact with its key external service providers, either directly, or via its dedicated company secretary or client director, and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers.

Wider society and the Environment

Whilst strong long term investment performance is essential for an investment trust, 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. Hence environmental, social and governance ('ESG') considerations are integrated into the Manager's investment process and will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 19 to 21.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Some of the key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

Key Decisions and Actions

Dividends Payable to Shareholders

The Board's decision to recommend a final dividend of 5.5 per share, providing a total of 6.7 per share to the shareholders for the year 31st March 2021 balances the Company's investment objective to provide capital growth with the value placed by some investors on the receipt of a dividend.

Succession Planning

The Board progressed its succession plans during the year resulting in the decision to appoint Sarah Watters as an independent non-executive director with effect from 1st July 2021. Shareholder interests are best served by ensuring a smooth and orderly succession for the Board which serves to provide both continuity and refreshment whilst ensuring diversity of both background and experience.

Name Change

After the financial year end, the Board also decided to change the name of the Company to JPMorgan European Discovery Trust plc, to better reflect the Company's investment strategy and portfolio. During the process, the Board worked closely with the Company's Brokers and third party consultants. Market research was conducted to understand investor sentiments towards the shortlisted names which ultimately helped the Board in deciding the final name of the Company.

Managing the Company's Discount

To ensure that the Board continue to have the power to manage the Company's discount and issue shares in the Company, they recommend that shareholders vote in favour of the resolutions to renew the allotment and buy back authorities at the Company's Annual General Meeting.

Other Actions that Continue to Promote the Success of the Company

In addition, the Directors have kept under review the competitiveness of the management fee and the Company's other operating costs; continued to hold the Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; and continued to encourage the Manager to enhance its sales and marketing efforts.

Furthermore, throughout the course of the Covid-19 pandemic the Board has been in regular contact with the Manager, receiving regular updates on the operation effectiveness of the Manager and key service providers and on areas such as portfolio activity, portfolio liquidity, gearing and the discount to NAV at which the Company's shares trade.

For and on behalf of the Board

Marc van Gelder

Chairman

15th June 2021



Director's Report

BOARD OF DIRECTORS

**Marc van Gelder (Chairman)**

A Director since 1st August 2016.

Last reappointed to the Board: 2020.

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

Connections with the Manager: None.

Shared Directorships with other Directors: None.

**Tanya Cordrey**

A Director since 10th July 2019.

Last reappointed to the Board: 2020.

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: 2020.

Other directorships: Non-executive Director of Sun Life Financial Inc and Non-executive Chairman of eValue Ltd and Mercer Ltd. 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: 2020.

Other directorships: Non-executive Chairman of Aberdeen New Thai Investment Trust plc. FCA with a long-term career in investment banking and, from 1993 to 1997, 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: 2020.

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 and Brown Advisory US Smaller Companies Trust plc. Formerly a Non-executive Director of Global Special Opportunities Trust plc. A career of over thirty 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 2021.

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.jpmeuropeandiscovery.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 80.

Management Fee

With effect from 1st April 2020 the management fee has been charged at the annual rate of 0.85% of the Company's net assets (until 31st March 2020 it was charged at 1.0% of the Company's net 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 who held office at the end of the period under review are detailed on page 31. Details of their beneficial shareholdings in the Company may be found in the Directors' Remuneration Report on page 44.

In accordance with corporate governance best practice, all Directors will retire at the forthcoming Annual General Meeting. All the Directors will offer themselves for re-appointment by shareholders. Ms. Sarah Watters who will be joining the Board on 1st July 2021 will offer herself for appointment at the forthcoming Annual General Meeting. Please see the Chairman's Statement for details of changes to the composition of the Board of Directors. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and to the Committees, confirms that each of the five Directors standing for re-appointment continue to be effective and demonstrate commitment to the role. The Board recommends to shareholders that they be re-appointed and Ms. Sarah Watters be appointed.

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 2021, 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 89.

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 Incorporated	25,548,708	16.02

As at 11th June 2021, Wells Capital Management Incorporated has a notifiable interest in 15.98% of the voting rights of the Company.

Miscellaneous Information

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 86 and 87.

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 12 and 13)

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 2022 unless renewed at a prior general meeting.

Resolution 13 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 14)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2020 Annual General Meeting, will expire on 19th January 2022 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 14 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 14 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 20th January 2023, 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 2022 Annual General Meeting.

(iii) Adoption of new Articles of Association (resolution 15)

Resolution 15, 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 primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

- i. removal of the provisions in the Existing Articles which expressly prohibit the distribution of capital profits such that

the Company will have the ability to pay dividends from the Company's realised capital profits going forward where the Board considers it is in the best interests of shareholders to do so;

- ii. changes in response to the introduction of international tax regimes requiring the exchange of information, including FATCA and CRS; and
- iii. increasing the limit on aggregate annual Directors' fees from £175,000 to £200,000.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on pages 90 to 91 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

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.jpmeuropeandiscovery.co.uk, and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00am and 5.00pm (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 1 to 15 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 149,100 shares representing less than 1% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Board takes its governance responsibilities very seriously and follows best practice requirements as closely as possible. The revised UK Code of Corporate Governance (the UK Code) published in 2018 requires enhanced disclosure setting out how we, as Directors, have fulfilled our duties in taking into account the wider interests of stakeholders in promoting the success of the Company. As part of this reporting, and given the environmental, social and governance (ESG) issues that are faced by many companies, we have provided a detailed report on these matters in the Strategic Report on pages 19 to 21. We have also provided more information on our Manager's approach to shareholder engagement and voting activities.

The Association of Investment Companies (AIC) has published updates to its Code of Corporate Governance (the AIC Code)

which were endorsed by The Financial Reporting Council as being appropriate for investment companies.

The 2019 AIC Code applies to accounting periods beginning on or after 1st January 2019 and the Board has fully complied with the recommendations of the 2019 AIC Code. Copies of the UK Code and the AIC Code may be found on the respective organisation's websites: www.frc.org.uk and www.theaic.co.uk.

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 31.

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 Sarah Watters 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.

Reappointment of Directors

The Directors of the Company standing for re-appointment and their brief biographical details are set out on page 31. 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 Marc van Gelder. Marc has over 20 years working knowledge of European business.

Resolution 6 relates to the reappointment of Ashok Gupta. Ashok has a background in pensions, savings and risk management.

Resolution 7 relates to the reappointment of Nicholas Smith. Nicholas is a chartered accountant with investment banking experience.

Resolution 8 relates to the reappointment of Stephen White. Stephen has extensive investment management experience.

Resolution 9 related to the reappointment of Tanya Cordrey. Tanya has extensive experience in the digital marketing environment.

Resolution 10 is for the appointment of Sarah Watters. She will be joining the Board with effect from 1st July 2021 and pending shareholder approval will be appointed as a Non-Executive Director. Sarah brings over 25 years' of investment management experience to the Board. She has expertise of global equity markets and has held roles as a European equity portfolio manager. Her relevant experience also includes her role as Head of Equities at BP Investment Management Ltd. She does not have any connection with the Manager and does not have any shared directorships with the other Directors.

For details of current directorships of the Directors, please refer to page 31.

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.

As mentioned in the Chairman's statement, the intention had been for Stephen White to stand down at this year's AGM, having served on the Board for nine years. However, in light of the challenges faced by the Company over the last 12 months as a result of Covid-19, the Board agreed that it would be appropriate for the Company to continue to benefit from Stephen's extensive investment management experience for a further few months. This would also allow for a smooth transition and help to maintain continuity for the appointment of the new director, Sarah Watters in July. Therefore, subject to reappointment by shareholders at the upcoming AGM, he will continue as a director till the later part of the year.

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.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

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 37.

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 31.

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. 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	5	2	1	1	1
Nicholas Smith	5	2	1	1	1
Stephen White	5	2	1	1	1
Ashok Gupta	5	2	1	1	1
Tanya Cordrey	5	2	1	1	1

Board Committees

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

Nomination Committee

The Nomination Committee, currently chaired by Marc van Gelder, consists of all the Directors and meets at least annually. The Nomination Committee reviews the composition, structure and diversity of the Board, succession planning, the independence of the Directors and whether each Director has sufficient time available to discharge their duties effectively.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and seeks to ensure that it does not unwittingly exclude any group.

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, and how it works together. Questionnaires, drawn up by an independent advisory firm, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chair. The Senior Independent Director leads the evaluation of the Chair's performance, which includes an appraisal of his Board leadership and effectiveness in the role. The Board will be undertaking an externally facilitated board evaluation next year.

Having completed the annual evaluation process, the Committee confirms that it believes that the Board has an appropriate balance of skills and experience, that all Directors should be considered as Independent in accordance with the provisions of the AIC Code and that all Directors have the time available to discharge their duties effectively.

In relation to the appointment of Sarah Watters, the Board engaged a recruitment consultant, Tyzack Partners, a firm with no other connections to the Company or the individual Directors. Open advertising was not used as part of the process as the use of a recruitment consultant was deemed sufficient.

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.

Audit Committee

The Report of the Audit Committee is set out on pages 40 and 41.

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.

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 95, 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.

As explained in the Chairman's Statement, given the ongoing uncertainty and due to ongoing public health concerns caused by Covid-19, the Board intends to limit physical attendance at this year's AGM only to Directors or their proxies and representatives from J.P. Morgan. The Board will ensure that the minimum quorum is present to allow the formal business to proceed. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. Should the Government guidance change and the current restrictions on group gatherings be relaxed by the time of the Meeting, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to secure the safety of those attending the Meeting and the orderly conduct of the Meeting.

In addition, under normal circumstances, a presentation is given by the Investment Managers who review the Company's performance. In 2021 this presentation will be delivered to shareholders by webinar on the day of the Annual General Meeting, followed by a live question and answer session. Please refer to the Chairman's Statement for more details.

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 95. 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 AIC 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 25 and 26). 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 Agreement**

Evaluation and Appointment of a manager and custodian, 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., 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 2021 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 39.

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
Priyanka Vijay Anand, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

15th June 2021

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 2021.

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. Given the size of the Board, it has been determined that the Chairman of the Board, Marc van Gelder should be 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 Report and Financial Statements 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 2021, 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 61 and 62. 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.

Significant issue	How the issue was addressed
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 61. 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 Tax 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 on page 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

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Board has, in particular, considered the impact of market volatility since the Covid-19 outbreak last year but does not believe the Company's going concern status is affected. The Company's assets, the vast majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly under all stress test scenarios reviewed by the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. Furthermore, the Directors are satisfied that the Company and its key third party service providers have in place appropriate business continuity plans and confirm they have been able to maintain service levels through the pandemic.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, including the impact of the coronavirus pandemic, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these financial statements to 30th June 2022. The Company's longer-term viability is considered in the Viability Statement on page 27.

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 2021, 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 47.

Risk and Internal Control

The Audit Committee also examines the effectiveness of the Company's internal control systems and receives information from the Manager's compliance department. The Directors' statement on the Company's system of Risk Management and Internal Control is set out on page 38. 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.

The Company is in Compliance with the provisions of "The Statutory Audit Services for Large Companies Market Investigation" (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 as issued by the Competition & Markets Authority.

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 64.

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 quality of service and 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) second of a five year maximum term. Details of the fees paid for audit services are included in note 6 on page 64.

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

15th June 2021



Directors' Remuneration

The Board presents the Directors' Remuneration Report for the year ended 31st March 2021 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 49 to 55.

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 £42,000; Chairman of the Audit Committee £34,000; and other Directors £27,500. With effect from 1st April 2021, the fees have been increased to the following rates: Chairman £43,000; Chairman of the Audit Committee £35,000; and other Directors £28,500.

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. This limit has not been increased in the last ten years.

The increased size of the Board means we now meet the Hampton-Alexander recommendations and are better placed to manage our succession plans. Because of this and to ensure that the Company can continue to attract quality candidates to the Board, the Directors are recommending that the aggregate maximum level of fees payable to Directors be increased to £200,000. This change will be effected if shareholders approve Resolution 15 relating to amendment of the Company's Articles of Association. The full text of the resolution is set out in the Notice of Meeting on page 87.

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.

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 36.

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 2021 and no changes are proposed for the year ending 31st March 2022.

At the Annual General Meeting held on 20th July 2020, 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 the 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.

DIRECTORS' REMUNERATION REPORT

Single total figure table¹

Directors' Name	2021			2020		
	Taxable		Total	Taxable		Total
	Fees	expenses ²		Fees	expenses ²	
	£	£	£	£	£	£
Carolán Dobson ³	—	—	—	11,101	1,697	12,798
Marc van Gelder ⁴	42,000	—	42,000	36,694	—	36,694
Ashok Gupta	27,500	—	27,500	26,375	—	26,375
Nicholas Smith	33,950	—	33,950	32,375	—	32,375
Stephen White	27,500	—	27,500	26,375	—	26,375
Tanya Cordrey ⁵	27,500	—	27,500	19,251	—	19,251
Total	158,450	—	158,450	152,171	1,697	153,868

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 Appointed 10th July 2019.

A table showing the total remuneration for the Chairman over the five years ended 31st March 2021 is below:

Remuneration for the Chairman over the five years ended 31st March 2021

Year ended 31st March	Fees
2021	£42,000
2020	£40,500
2019	£40,000
2018	£37,000
2017	£36,500

Directors' Shareholdings¹

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

Directors' Name	31st March 2021 or as at date of retirement	31st March 2020 or as at date of appointment
Marc van Gelder	80,000	50,000
Ashok Gupta	7,500	7,500
Nicholas Smith	11,600	11,600
Stephen White	50,000	25,000
Tanya Cordrey	—	—
Total	149,100	134,100

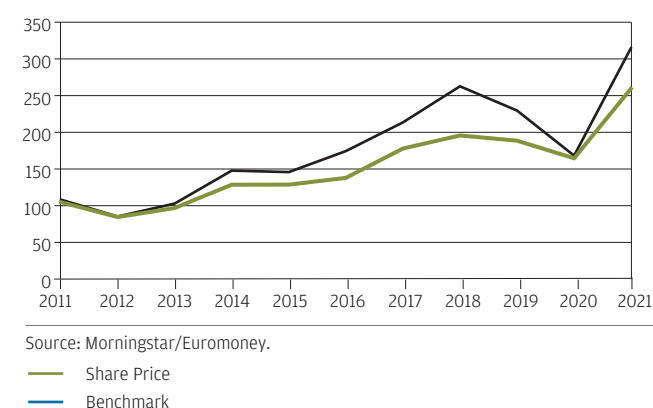
¹ Audited information.

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, (until 31st March 2020 the Euromoney Smaller European Companies (ex UK) Index), over the last 10 years is shown below. The Board believes that the current benchmark of the Company; the MSCI Europe (ex UK) small cap net total return index (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 2021



Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the year to 31st March 2021:

Directors' Name	Percentage change on prior year
Marc van Gelder	14.5%
Ashok Gupta	4.3%
Nicholas Smith	4.9%
Stephen White	4.3%
Tanya Cordrey ¹	4.3%

¹ Percentage change on prior year has been time adjusted by taking into account appointment date.

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	
	2021	2020
Remuneration paid to all Directors	158,450	153,868
Distribution to shareholders		
– by way of dividends paid	10,684,000	10,684,000
– by way of share repurchases	–	–

For and on behalf of the Board
 Nicholas Smith
 Chairman
 15th June 2021



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.jpmeuropeandiscovery.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 31 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 Financial Statements 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.

For and on behalf of the Board
Marc Van Gelder
Chairman

15th June 2021



Independent Auditors' Report

Independent Auditor's Report to the Members of JPMorgan European Discovery Trust Plc (previously known as JPMorgan European Smaller Companies Trust Plc)

Opinion

We have audited the financial statements of JPMorgan European Discovery Trust Plc (the 'Company' and previously known as JPMorgan European Smaller Companies Trust plc) for the year ended 31 March 2021 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, 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 31 March 2021 and of its profit 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. 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 going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process by engaging with the directors and the Company Secretary to determine if all key factors were considered in their assessment.
- We inspected the directors' assessment of going concern, including the revenue forecast, for the period to 30 June 2022 which is at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have reviewed the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, we inspected the directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants during the going concern period.
- We considered the mitigating factors included in the revenue forecast and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to repay borrowings or to cover working capital requirements should revenue decline significantly.
- We reviewed the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

INDEPENDENT AUDITOR'S REPORT

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the directors, being the period to 30 June 2022 which is at least 12 months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Statement of Comprehensive Income
	• Risk of incorrect valuation or ownership of the investment portfolio
Materiality	• Overall materiality of £8.46 million which represents 1% of shareholders' funds.

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. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Statement of Comprehensive Income <i>(Refer to the Audit Committee Report (page 40) and Accounting policies (page 61))</i> The total revenue for the year to 31 March 2021 was £9.63 million (2020: £15.08 million), consisting primarily of dividend income from listed equity investments. The Company received special dividends amounting to £0.39 million (2020: £0.30 million), all were classified as revenue. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.	We performed the following procedures: We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and the classification of special dividends by performing walkthrough procedures. For 100% of dividends received, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We agreed a sample of cash receipts to bank statements and we also agreed the exchange rates to an external source. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the entitlement arose prior to 31 March 2021. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the amount receivable and agreed the subsequent cash receipts to post-year end bank statements. To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor. We identified the special dividend greater than our testing threshold and assessed the appropriateness of the Company's classification of the special dividend with reference to publicly available information.	The results of our procedures identified no material misstatements in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income.

INDEPENDENT AUDITOR'S REPORT

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of the investment portfolio (Refer to the Audit Committee Report (page 40) and Accounting policies (page 61)) The valuation of the investment portfolio at 31 March 2021 was £921.20 million (2020: £537.04 million) consisting primarily of listed equities. The valuation of investments held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or 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 using listed 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 and controls surrounding investment valuation and legal title 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 inspected the stale pricing reports produced by the Administrator to identify prices that have not changed within one business day and verified whether the listed price is a valid fair value. We did not identify any investments with stale pricing. We compared the Company's investment holdings at 31st March 2021 to independent confirmations received directly from the Company's Depositary and Custodian.	The results of our procedures identified no material misstatements in relation to incorrect valuation or ownership of the investment portfolio.

In the prior year, our auditor's report included a key audit matter in relation to the impact of COVID-19. The impact of COVID-19 continued to be relevant to our audit of the Company and we considered its impact as part of our work on going concern which is set out in this report under our conclusions relating to going concern.

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 £8.46 million (2020: £5.17 million), which is 1% (2020: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure 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 75% (2020: 50%) of our planning materiality, namely £6.35 million (2020: £2.59 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. In the prior year our performance materiality was 50% of materiality as it was our first year of audit.

Given the importance of the distinction between revenue and capital for Investment Trusts, we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.42 million (2020: £0.61 million), being 5% of the net revenue return before taxation.

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 £0.42 million (2020: £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 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

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

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 40;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 27;
- Directors' statement on fair, balanced and understandable set out on page 47;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 37 and 38; and;
- The section describing the work of the Audit Committee set out on page 40.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 47, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- 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, Section 1158 of the Corporation Tax Act 2010, and The Companies (Miscellaneous Reporting) Regulations 2018.

- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary, and review of Board minutes and 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 incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital. Further discussion of our approach is set out in the key audit matter 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 Company Secretary's 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

- Following the recommendation from the audit committee, we were appointed by the Company at its annual general meeting on 10 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 two years, covering the period from our appointment through to the period ending 31st March 2021.
- 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
15th June 2021



Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	–	334,333	334,333	–	(113,854)	(113,854)
Foreign exchange (losses)/gains on liquidity fund		–	(402)	(402)	–	505	505
Net foreign currency gains/(losses)		–	3,689	3,689	–	(2,611)	(2,611)
Income from investments	4	9,154	–	9,154	14,823	–	14,823
Interest receivable and similar income	4	471	–	471	254	–	254
Gross return/(loss)		9,625	337,620	347,245	15,077	(115,960)	(100,883)
Management fee	5	(1,828)	(4,264)	(6,092)	(1,885)	(4,399)	(6,284)
Other administrative expenses	6	(675)	–	(675)	(723)	–	(723)
Net return/(loss) before finance costs and taxation		7,122	333,356	340,478	12,469	(120,359)	(107,890)
Finance costs	7	(288)	(672)	(960)	(171)	(398)	(569)
Net return before taxation		6,834	332,684	339,518	12,298	(120,757)	(108,459)
Taxation	8	217	–	217	(1,412)	–	(1,412)
Net return/(loss) after taxation		7,051	332,684	339,735	10,886	(120,757)	(109,871)
Return/(loss) per share	9	4.42p	208.63p	213.05p	6.83p	(75.73)p	(68.90)p

A final dividend of 5.5p per share (2020: 5.5p per share) is proposed in respect of the year ended 31st March 2021, costing £8,770,000 (2020: £8,770,000). More details can be found in note 10(a) on page 66.

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

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

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

The notes on pages 61 to 78 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2021

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
At 31st March 2019	7,974	1,312	7,662	608,269	12,591	637,808
Net (loss)/return on ordinary activities	—	—	—	(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
Net return on ordinary activities	—	—	—	332,684	7,051	339,735
Dividends paid in the year (note 10)	—	—	—	—	(10,684)	(10,684)
At 31st March 2021	7,974	1,312	7,662	820,196	9,160	846,304

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

The notes on pages 61 to 78 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	921,200	537,036
Current assets	12		
Derivative financial instruments		–	16
Debtors		1,160	11,226
Cash and cash equivalent		1,407	106,257
Current liabilities	13a	2,567	117,499
Creditors: amounts falling due within one year		(796)	(26,668)
Net current assets		1,771	90,831
Total assets less current liabilities		922,971	627,867
Creditors: amounts falling due after more than one year	13b	(76,667)	(110,614)
Net assets		846,304	517,253
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	820,196	487,512
Revenue reserve	15	9,160	12,793
Total shareholders' funds		846,304	517,253
Net asset value per share	16	530.7p	324.4p

The financial statements on pages 57 to 60 were approved and authorised for issue by the Directors on 15th June 2021 and were signed on their behalf by:

Marc van Gelder

Director

The notes on pages 61 to 78 form an integral part of these financial statements.

Company registration number: 2431143.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	2021 £'000	2020 £'000
Net cash outflow from operations before dividends and interest	17	(5,524)	(6,152)
Dividends received		7,492	12,935
Interest received		2	1
Overseas tax recovered		1,089	568
Interest paid		(1,001)	(429)
Net cash inflow from operating activities		2,058	6,923
Purchases of investments and derivatives		(810,999)	(980,965)
Sales of investments and derivatives		746,221	954,435
Settlement of forward currency contracts		120	102
Net cash outflow from investing activities		(64,658)	(26,428)
Dividends paid		(10,684)	(10,684)
Drawdown of bank loans		—	108,262
Repayment of bank loans		(30,510)	—
Net cash (outflow)/inflow from financing activities		(41,194)	97,578
(Decrease)/increase in cash and cash equivalents		(103,794)	78,073
Cash and cash equivalents at start of year		106,257	28,596
Exchange movements		(1,056)	(412)
Cash and cash equivalents at end of year		1,407	106,257
(Decrease)/increase in cash and cash equivalents		(103,794)	78,073
Cash and cash equivalents consist of:			
Cash and short term deposits		268	60,227
Cash held in JPMorgan Euro Liquidity Fund		1,139	46,030
Total		1,407	106,257

The notes on pages 61 to 78 form an integral part of these financial statements.

RECONCILIATION OF NET DEBT

	As at 31st March 2020 £'000	Cash flow £'000	Unrealised FX movements £'000	As at 31st March 2021 £'000
Analysis of changes in net debt				
Cash	60,227	(59,959)	—	268
Cash equivalents	46,030	(43,835)	(1,056)	1,139
	106,257	(103,794)	(1,056)	1,407
Borrowings				
Debt due more than one year	(110,614)	30,510	3,437	(76,667)
	(110,614)	30,510	3,437	(76,667)
Total	(4,357)	(73,284)	2,381	(75,260)

FOR THE YEAR ENDED 31ST MARCH 2021

1. Accounting policies**(a) Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in October 2019.

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 the Covid-19 and the mitigation measures which key service providers including Managers, have in place to maintain operational resilience particularly in light of Covid-19. The Directors have reviewed income and expense projections to 30th June 2022 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. Investments that are subject to securities lending arrangements are not de-recognised in the Statement of Financial Position.

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.

(d) Income (continued)

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

Securities lending income is taken to revenue on a receipts basis.

The Directors exercise judgement in assessing the classification of special dividends as revenue or capital income.

(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 mainly comprise 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 contractual provisions of the instruments. 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 and overdrafts are recorded initially at the proceeds received net of direct issue costs. Loans are subsequently recorded at amortised cost using the effective interest method. Interest payable on the bank loan 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.

1. Accounting policies *continued***(i) Value Added Tax ('VAT')**

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

(j) Foreign currency

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

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

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

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

(k) Dividends payable

Dividends are included in the financial statements in the year in which they are 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. Gains/(losses) on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Realised gains/(losses) on sales of investments	168,125	(59,394)
Net change in unrealised gains and losses on investments	166,255	(54,384)
Other capital charges	(47)	(76)
Total capital gains/(losses) on investments held at fair value through profit or loss	334,333	(113,854)

4. Income

	2021 £'000	2020 £'000
Income from investments		
Overseas dividends	8,747	13,907
Scrip dividends	407	916
	9,154	14,823
Interest receivable and similar income		
Securities lending income	469	253
Deposit interest	2	1
	471	254
Total income	9,625	15,077

5. Management fee

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	1,828	4,264	6,092	1,885	4,399	6,284

Details of the management fee are given in the Directors' Report on page 32.

6. Other administrative expenses

	2021 £'000	2020 £'000
Administrative expenses	379	413
Directors' fees ¹	158	154
Depositary fees ²	102	92
Auditors' remuneration for audit services ³	36	28
Savings scheme costs ⁴	—	36
	675	723

¹ Full disclosure is given in the Directors' Remuneration Report on pages 43 to 45.

² Includes £12,000 (2020: £14,000) irrecoverable VAT.

³ Includes £4,000 (2020: £4,000) irrecoverable VAT.

⁴ Paid to the Manager for the administration of savings scheme products. Includes £nil (2020: £5,000) irrecoverable VAT.

7. Finance costs

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	288	672	960	171	398	569

8. Taxation**(a) Analysis of tax charge for the year**

	2021 £'000	2020 £'000
Overseas withholding tax	(217)	1,412
Total tax charge for the year	(217)	1,412

(b) Factors affecting total tax charge for the year

The tax charged for the year is lower (2020: higher) than the Company's applicable rate of corporation tax for the year of 19% (2020: 19%).

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

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Net return/(loss) before taxation	6,834	332,684	339,518	12,298	(120,757)	(108,459)
Net (loss)/return before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2020: 19%)	1,299	63,210	64,509	2,336	(22,943)	(20,607)
Effects of:						
Non taxable capital (gains)/losses	–	(64,148)	(64,148)	–	22,032	22,032
Non taxable overseas dividends	(1,662)	–	(1,662)	(2,642)	–	(2,642)
Overseas withholding tax	(217)	–	(217)	(174)	–	(174)
Tax attributable to expenses and finance costs charged to capital	(938)	938	–	1,412	–	1,412
Unutilised expenses c/fwd to future periods	1,301	–	1,301	480	911	1,391
Total tax charge for the year	(217)	–	(217)	1,412	–	1,412

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £18,854,000 (2020: £17,659,000) based on a prospective corporation tax rate of 19% (2020: 19%). 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

	2021 £'000	2020 £'000
Revenue return	7,051	10,886
Capital return/(loss)	332,684	(120,757)
Total return/(loss)	339,735	(109,871)
Weighted average number of shares in issue during the year	159,462,885	159,462,885
Revenue return per share	4.42p	6.83p
Capital return/(loss) per share	208.63p	(75.73)p
Total return/(loss) per share	213.05p	(68.90)p

10. Dividends**(a) Dividends paid and proposed**

	2021 £'000	2020 £'000
Dividends paid		
2020 final dividend of 5.5p (2019: 5.5p) per share	8,770	8,770
2021 Interim dividend of 1.2p (2020: 1.2p) per share	1,914	1,914
Total dividends paid in the year	10,684	10,684
Dividend proposed		
2021 final dividend of 5.5p (2020: 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 2021 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 2022.

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £7,051,000 (2020: £10,886,000). The revenue reserve after payment of the final dividend will amount to £390,000 (2020: £4,023,000).

	2021 £'000	2020 £'000
Interim dividend of 1.2p (2020: 1.2p) per share	1,914	1,914
Final dividend of 5.5p (2020: 5.5p) per share	8,770	8,770
	10,684	10,684

11. Investments

	2021 £'000	2020 £'000
Investments listed on a recognised stock exchange	921,200	537,036
Opening book cost	572,924	585,933
Opening investment holding (losses)/gains	(35,888)	18,496
Opening valuation	537,036	604,429
Movements in the year:		
Purchases at cost	785,595	1,005,253
Sales – proceeds	(735,811)	(958,868)
Gains/(losses) on investments	334,380	(113,778)
	921,200	537,036
Closing book cost	790,833	572,924
Closing investment holding gains/(losses)	130,367	(35,888)
Total investments held at fair value through profit or loss	921,200	537,036

Transaction costs on purchases during the year amounted to £958,000 (2020: £1,270,000) and on sales during the year amounted to £435,000 (2020: £616,000). These costs comprise mainly brokerage commission.

The company received £735,811,000 (2020: £958,868,000) from investments sold in the year. The book cost of these investments when they were purchased was £567,676,000 (2020: £1,018,262,000). 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

	2021 £'000	2020 £'000
Derivative financial instruments		
Forward foreign currency and spots contracts	–	16
	–	16
Debtors		
Securities sold awaiting settlement	–	10,454
Overseas tax recoverable	1,099	730
Dividends and interest receivable	14	–
VAT recoverable	24	4
Other debtors	23	38
	1,160	11,226

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

	2021 £'000	2020 £'000
Current liabilities		
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	435	26,246
Loan interest payable	185	226
Other creditors and accruals	176	196
	796	26,668

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

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

	2021 £'000	2020 £'000
Bank Loan	76,667	110,614

The Company has a Euro 125 million multicurrency rate facility with ScotiaBank Ireland. This facility was renewed in January 2020 for three years and expires on 17th January 2023.

At this year end the Company had drawn down Euro 90 million of the loan (2020: Euro 125 million).

Interest on the loan facility is payable at a margin of 1.025% over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements.

14. Called up share capital

	2021 £'000	2020 £'000
Ordinary shares allotted and fully paid		
Opening balance of 159,462,885 (2020: 159,462,885) shares of 5p each	7,974	7,974
Closing balance of 159,462,885 (2020: 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 24.

15. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve ¹ £'000	Total £'000
				Gains and losses on sales of investments £'000	Investment holding gains and losses £'000		
Opening balance	7,974	1,312	7,662	525,745	(38,233)	12,793	517,253
Net foreign currency losses on cash and cash equivalents	—	—	—	(150)	—	—	(150)
Unrealised gains on forward foreign currency contracts from prior period now realised	—	—	—	16	(16)	—	—
Realised gains on investments	—	—	—	168,125	—	—	168,125
Unrealised gains on investments	—	—	—	—	166,255	—	166,255
Unrealised gains on loans	—	—	—	—	2,976	—	2,976
Realised gains on repayment of loans	—	—	—	461	—	—	461
Transfer loans repaid in period	—	—	—	(659)	659	—	—
Management fee and finance costs allocated to capital	—	—	—	(4,936)	—	—	(4,936)
Other capital charges	—	—	—	(47)	—	—	(47)
Dividends paid in the year	—	—	—	—	—	(10,684)	(10,684)
Retained revenue for the year	—	—	—	—	—	7,051	7,051
Closing balance	7,974	1,312	7,662	688,555	131,641	9,160	846,304

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

	2021 £'000	2020 £'000
Net assets (£'000)	846,304	517,253
Number of shares in issue	159,462,885	159,462,885
Net asset value per share	530.7p	324.4p

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

	2021 £'000	2020 £'000
Net return/(loss) before finance costs and taxation	340,478	(107,890)
(Less capital return)/add capital losses on before finance costs and taxation	(333,356)	120,359
Scrip dividends received as income	(407)	(916)
(Increase)/decrease in accrued income and other debtors	(19)	633
Increase/(decrease) in accrued expenses	(23)	70
Overseas withholding tax	(1,241)	(1,609)
Management fee allocated to capital	(4,264)	(4,399)
Dividends received	(7,492)	(12,935)
Interest received	(2)	(1)
Realised gain on foreign currency transactions	148	1,230
Exchange gain/(loss) on liquidity fund	654	(694)
Net cash outflow from operations before dividends and interest	(5,524)	(6,152)

18. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2020: same).

19. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 32. The management fee payable to the Manager for the year was £6,092,000 (2020: £6,284,000) of which £nil (2020: £nil) was outstanding at the year end.

During the year £nil (2020: £36,000), including VAT, was payable to JPMAM for the marketing and administration of savings scheme products, of which £nil (2020: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 64 are safe custody fees payable to JPMorgan Chase amounting to £98,000 (2020: £90,000) excluding VAT of which £37,000 (2020: £25,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2020: £nil) of which £nil (2020: £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 £1.1 million (2020: £46.0 million). Due to change in EU Money Market Fund Regulations, effective from 18th March 2019, negative interest is no longer charged explicitly and instead, it causes the NAV per share to fall. Therefore for the 12 months ended 31st March 2021, negative interest was included under (losses)/gains on liquidity fund. In the comparative period/year, this was included in other administrative expenses.

Securities lending income amounting to £469,000 (2020: £253,000) was receivable by the Company during the year. JPMorgan commissions in respect of such transactions amounted to £52,000 (2020: £28,000).

Handling charges on dealing transactions amounting to £47,000 (2020: £76,000) were payable to JPMorgan Chase during the year of which £15,000 (2020: £12,000) was outstanding at the year end.

At the year end, a bank balance of £268,000 (2020: £60,227,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £2,000 (2020: £1,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2020: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 44.

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 61.

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

	2021		2020	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	921,200	—	537,036	—
Level 2 ¹	—	—	16	—
Total	921,200	—	537,052	—

¹ Includes forward currency contracts.

There have been no transfers between Levels 1, 2 or 3 during the year (2020: 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 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 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 carrying 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.

	2021					Total £'000
	Euro £'000	Swiss francs £'000	Danish krone £'000	Swedish krona £'000	Norwegian krone £'000	
Current assets	1,577	612	222	58	–	2,469
Creditors	(77,288)	–	–	–	–	(77,288)
Foreign currency exposure on net monetary items	(75,711)	612	222	58	–	(74,819)
Investments held at fair value through profit or loss	533,321	92,624	15,265	210,777	69,213	921,200
Total net foreign currency exposure	457,610	93,236	15,487	210,835	69,213	846,381

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

21. Financial instruments' exposure to risk and risk management policies *continued***(a) Market risk** *continued***(i) Currency risk** *continued***Foreign currency exposure** *continued*

	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

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% (2020: 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.

	2021		2020	
	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	(915)	915	(1,482)	1,482
Capital return	7,482	(7,482)	1,974	(1,974)
Total return after taxation	6,567	(6,567)	492	(492)
Net assets	6,567	(6,567)	492	(492)

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 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.

	2021 £'000	2020 £'000
Exposure to floating interest rates:		
Cash and short term deposits	268	60,227
JPMorgan Euro Liquidity Fund	1,139	46,030
Loan Facility	(76,667)	(110,614)
Total exposure	(75,260)	(4,357)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2020: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2020: 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.

	2021		2020	
	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	(216)	216	731	(731)
Capital return	(537)	537	(774)	774
Total return after taxation	(753)	753	(43)	43
Net assets	(753)	753	(43)	43

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:

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	921,200	537,036

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 14 and 15. 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% (2020: 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.

	2021		2020	
	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	(235)	235	(137)	137
Capital return	91,572	(91,572)	53,384	(53,384)
Total return after taxation	91,337	(91,337)	53,247	(53,247)
Net assets	91,337	(91,337)	53,247	(53,247)

(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:

	2021			Total £'000
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	
Creditors				
Securities purchased awaiting settlement	435	—	—	435
Other creditors	176	—	—	176
Bank loan, including interest	408	680	77,390	78,478
	1,019	680	77,390	79,089

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

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, BNY Mellon Trust and Depositary (UK) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

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

The aggregate value of securities on loan at 31st March 2021 amounted to £36.9 million (2020: £72.7 million) and the maximum value of stock on loan during the year amounted to £114.9 million (2020: £76.1 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:

	2021 £'000	2020 £'000
Debt:		
Bank Loan	76,667	110,614
Equity:		
Called up share capital	7,974	7,974
Reserves	838,330	509,279
	846,304	517,253
Total debt and equity	922,971	627,867

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.

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	921,200	537,036
Net assets	846,304	517,253
Gearing/(Net cash)	8.8%	3.8%

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



Regulatory Disclosures

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

Leverage

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

The Company's maximum and actual leverage levels at 31st March 2021 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	109%	109%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan European Discovery 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 2020 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 5 sub-funds) and 2 UCITS (with 40 sub-funds) as at 31st December 2020, with a combined AUM as at that date of £21.4 billion and £22.5 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD\$'000s)	19,241	11,862	31,103	139

The aggregate 2020 total remuneration paid to AIFMD Identified Staff was USD \$63,330,000, of which USD \$5,620,000 relates to Senior Management and USD \$57,710,000 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

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 2021 are detailed below.

Global Data

Amount of securities on loan

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, is 4.0%. 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	36,934	4.4%

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	Country of Incorporation	Value £'000
Goldman	United States of America	22,239
Citigroup	United States of America	4,400
HSBC	United Kingdom	4,172
Merrill Lynch	United States of America	4,059
Societe Generale	France	726
UBS	Switzerland	402
Morgan Stanley	United States of America	399
Nomura	Japan	394
Barclays	United Kingdom	79
Deutsche Bank	Germany	64
Total		36,934

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 Company by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Collateral Value £'000
United States of America Treasury	27,331
Kingdom of Spain Government	4,689
French Republic Government	2,569
United Kingdom Treasury	1,814
Federal Republic of Germany Government	1,741
Republic of Austria Government	676
Kingdom of Netherlands Government	413
Republic of Finland Government	54
Kingdom of Belgium Government	9
Total	39,296

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 Company in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Treasury Notes	Investment Grade	USD	24,667
Sovereign Debt	Investment Grade	EUR	10,151
Treasury Bills	Investment Grade	USD	1,927
Sovereign Debt	Investment Grade	GBP	1,814
Treasury Bonds	Investment Grade	USD	737
Total			39,296

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 to 4 weeks	—
1 to 3 months	1,553
3 to 12 months	2,298
more than 1 year	35,445
	39,296

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 Securities Lending Transactions. The remainder of the revenue, 90%, is received by the Company, i.e. for the benefit of Shareholders.



Shareholder Information

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of JPMorgan European Discovery Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 21st July 2021 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 2021.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2021.
4. To declare a final dividend of 5.5 pence per share.
5. To reappoint Marc van Gelder as a Director of the Company.
6. To reappoint Ashok Gupta as a Director of the Company.
7. To reappoint Nicholas Smith as a Director of the Company.
8. To reappoint Stephen White as a Director of the Company.
9. To reappoint Tanya Cordrey as a Director of the Company.
10. To appoint Sarah Watters as a Director of the Company.

To consider the following resolution as an ordinary resolution:

11. 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

12. 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 2022 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

13. THAT subject to the passing of Resolution 12 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 12 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 12 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

14. 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 20th January 2023 unless the authority is renewed at the Company's Annual General Meeting in 2022 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

15. 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
 Priyanka Vijay Anand, for and on behalf of
 JPMorgan Funds Limited,
 Secretary

15th June 2021

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 is unlikely to be possible. At the date of posting of this AGM Notice, given the ongoing uncertainty about the course of Covid-19 and due to ongoing public health concerns, the Board intends to limit physical attendance at the AGM only to Directors or their proxies and representatives from J.P. Morgan. The Board will ensure that the minimum quorum is present to allow the formal business to proceed. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. Should the Government guidance change and the current restrictions on group gatherings be relaxed by the time of the meeting, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.
2. A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. However, please note that, in the light of the Covid-19 pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings, it is unlikely that your vote will be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties are unlikely to be permitted entry to the meeting.
3. 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.
4. 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).
5. 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

NOTICE OF ANNUAL GENERAL MEETING

(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.

6. 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.
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. However, please note that, in the light of the Covid-19 pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings, it is unlikely that your vote will be counted where a representative other than the Chairman of the Meeting is appointed as additional third parties are unlikely to be permitted entry to the meeting.

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.jpmeuropeandiscovery.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 11th 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, website www.jpmeuropeandiscovery.co.uk and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00am and 5.00pm (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.

Appendix

Summary of the principal amendments to the Company's articles of association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 15 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments to the Existing Articles. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the Company's website, www.jpmeuropeandiscovery.co.uk, and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00am and 5.00pm (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.

Payment of dividends from capital

The proposed New Articles allow for the payment of dividends from the Company's realised capital profits.

The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012 removed the requirement that the articles of association of an investment company must prohibit the distribution of capital profits. In compliance with the previous statutory regime, the Company currently has provisions in its Existing Articles which expressly prohibit the distribution of capital profits.

In the light of the amended statutory rules and in order to provide the Board with increased flexibility in relation to the payment of dividends in the future, the Board no longer considers it appropriate to have such a prohibition in the Company's articles and therefore proposes that it is removed. The proposed New Articles therefore reflect this change and remove all references to the prohibition of the distribution of capital profits.

The Investment Manager remains positive about the dividend generation from the Company's investments and the Board does not presently intend to change its approach to the payment of dividends by utilising this new power to pay dividends out of the Company's realised capital profits. However, the Board may seek to use this power in the future where it considers it is in the best interests of shareholders to do so.

International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with the Company's international tax reporting obligations.

The Hiring Incentives to Restore Employment Act 2010 of the United States of America (commonly known as the Foreign Account Tax Compliance Act) and all associated regulations and official guidance ('**FATCA**') imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1st September 2013 (as replaced by the International Tax Compliance Regulations 2015 (the '**Regulations**')).

The Existing Articles are being amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA and consequently having to pay withholding tax to the US Internal Revenue Service. The Existing Articles will also be amended to ensure that (i) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole and (ii) the Company has the ability to require shareholders to co-operate and provide further information in respect of the broader obligations under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information.

Increase in annual cap on Directors' fees

The Existing Articles stipulate that Directors' fees, in aggregate, must not exceed £175,000 per annum. Any increase in this amount requires both the Board's and shareholders' approval. This cap has not been increased in the last ten years and the proposed New Articles will increase the cap to £200,000 in order to provide the Board with flexibility to appoint additional directors as per the requirement of the Board.

The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') as implemented in the UK

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive in the UK. The proposed new provisions are as follows:

- (i) The Existing Articles will be amended to provide that the net asset value per share of the Company will be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD as implemented in the UK.
- (ii) The AIFMD as implemented in the UK requires that prior to any new or existing investor making an investment in the Company, certain prescribed information is to be made available to them. Therefore, the New Articles will include language with the effect that such information shall be made available to prospective and existing shareholders in such manner as may be determined by the Board from time to time (including, in certain cases, on the Company's website or by electronic notice).
- (iii) The New Articles stipulate that the valuation of the Company's assets will be performed in accordance with prevailing accounting standards, in line with guidance from the Financial Conduct Authority. This reflects best practice, has no bearing on current practice and simply articulates the minimum requirements of the AIFMD as implemented in the UK.
- (iv) The Existing Articles will be amended to provide that the Company's annual report and accounts may be prepared either in accordance with generally accepted accounting principles of the United Kingdom or such other international accounting standards as may be permitted under English law. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD as implemented in the UK.

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including (i) providing the Directors with the ability to postpone general meetings of the Company; (iii) the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; (iv) clarifying that the consideration (if any) received by the Company upon the sale of any share which is forfeited by a shareholder pursuant to the New Articles will belong to the Company; (v) simplifying the procedure in relation to the untraced shareholders procedure by removing the requirement for the Company to publish newspaper advertisements and clarifying that the consideration (if any) received by the Company upon the sale of any share pursuant to the untraced shareholder provisions will belong to the Company; and (vi) allowing the Company to pay dividends through bank transfers instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

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 2021	Year ended 31st March 2020	
Opening share price (p)	4	251.0	349.0	(a)
Closing share price (p)	4	462.0	251.0	(b)
Total dividend adjustment factor ¹		1.018875	1.018546	(c)
Adjusted closing share price (d = b x c)		470.7	255.7	(d)
Total return to shareholders (e = d / a - 1)		87.5%	-26.7%	(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 2021	Year ended 31st March 2020	
Opening cum-income NAV per share (p)	4	324.4	400.0	(a)
Closing cum-income NAV per share (p)	4	530.7	324.4	(b)
Total dividend adjustment factor ¹		1.015970	1.016053	(c)
Adjusted closing cum-income NAV per share (d = b x c)		539.2	329.6	(d)
Total return on net assets (e = d / a - 1)		66.2%	-17.6%	(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 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 69 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.

		31st March 2021 £'000	31st March 2020 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	62	921,200	537,036	(a)
Net assets	4	846,304	517,253	(b)
Gearing/(net cash) (c = a / b - 1)		8.8%	3.8%	(c)

Ongoing Charges (APM)

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

		31st March 2021 £'000	31st March 2020 £'000	
Ongoing charges calculation	Page			
Management fee	59	6,092	6,284	
Other administrative expenses	59	675	723	
Total management fee and other administrative expenses		6,767	7,007	(a)
Average daily cum-income net assets		741,466	664,723	(b)
Ongoing charges (c = a / b)		0.91%	1.05%	(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 You Invest	Hargreaves Lansdown
Barclays Smart Investor	Interactive Investor
Charles Stanley Direct	Selftrade
Fidelity Personal Investing	EQi
Halifax Share Dealing	

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



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 changed its name from JPMorgan European Smaller Companies Trust plc to JPMorgan European Discovery Trust plc on 15th June 2021. It is a constituent of the FTSE 250 index.

Company Numbers

Company registration number: 2431143
 London Stock Exchange number: 0341969
 ISIN: GB00BMTS0Z37
 Bloomberg code: JEDT 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 and on the Company's website at www.jpmeuropeandiscovery.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmeuropeandiscovery.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 Priyanka Vijay Anand.

Depository

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

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

Registrars

Equiniti Limited
 Reference 1083
 Aspect House
 Spencer Road
 Lancing
 West Sussex BN99 6DA
 Telephone: 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.



The Association of
Investment Companies

A member of the AIC

CONTACT

60 Victoria Embankment
London
EC4Y 0JP
Tel +44 (0) 20 7742 4000
Website www.jpmorganeuropeandiscovery.co.uk



GB A112 | 06/21



This report is printed using vegetable based inks on Essential Offset, made from a minimum of 70% fibre certified to FSC® standards. The printer is certified for ISO 14001 Environmental Management and FSC Chain of Custody. The carbon emissions associated with the manufacture of this document have been measured and offset using the Woodland Trust's Carbon Capture Scheme.

J.P.Morgan
Asset Management