



Half Year Report **2014/15**  
JPMorgan European Smaller Companies Trust plc

Half Year Report & Accounts for the six months ended 30th September 2014

# Features

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

## Risk

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

## Benchmark

Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms, formerly known as the HSBC Smaller European Companies (ex UK) Total Return Index in sterling terms.

## Capital Structure

At 30th September 2014, the Company's share capital comprised 160,147,885 ordinary shares of 5p each. There were no shares held in Treasury.

## Management Company

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

## FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares it issues can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

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

# Half Year Performance

for the six months ended 30th September 2014

**-17.9%**  
Return to shareholders<sup>1</sup>

**-16.6%**  
Return on net assets<sup>2</sup>

**-9.5%**  
Benchmark return<sup>3</sup>

Total returns (includes dividends reinvested)

## Financial Data

	30th September 2014	31st March 2014	% change
Shareholders' funds (£'000)	<b>359,410</b>	433,493	-17.1
Number of shares in issue	<b>160,147,885</b>	160,147,885 <sup>4</sup>	–
Net asset value per share	<b>224.4p</b>	270.7p <sup>4</sup>	-17.1
Share price	<b>195.5p</b>	240.0p <sup>4</sup>	-18.5
Share price discount to net asset value per share	<b>12.9%</b>	11.3%	
Ongoing Charges <sup>5</sup>	<b>1.33%</b>	1.31%	

A glossary of terms and definitions is provided on page 17.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: Morningstar. The Company's benchmark is Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms (formerly the HSBC Smaller European Companies (ex UK) Total Return Index in sterling terms).

<sup>4</sup>Comparative figures for the year ended 31st March 2014 have been restated following the stock split of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each, effective 23rd July 2014.

<sup>5</sup>Estimated annualised management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the period. Ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

# Chairman's Statement



## Performance

The past six months were a difficult period for European markets and also your Company. For the six months ended 30th September 2014, the Company produced a total return on net assets of -16.6%, underperforming the benchmark index, the Euromoney Smaller European Companies (ex UK) Index in sterling terms by 7.1%. The discount on the Company's shares widened from 11.3% to 12.9% over this reporting period. The total return to shareholders was -17.9%.

Longer term performance remains very positive, with a total return on net assets of +262.5% against the benchmark total return of +172.1% over the ten years ended 30th September 2014 (+43.2% versus +36.2% over five years). In their report, the Investment Managers provide details of the key factors driving performance during the first six months of the Company's financial year.

## Revenue and Dividend

As detailed in my Chairman's Statement for the year ended 31st March 2014, the Board's dividend policy is to pay out the vast majority of revenue available each year. However, shareholders are reminded that the Company's objective is to achieve capital growth and management of the portfolio is not constrained to deliver income in any one period. Gross revenue return for the six months to 30th September 2014 was slightly higher than the corresponding period in 2013 at £7.6 million (2013: £7.5 million).

The Board has decided to pay an interim dividend of 1.2 pence per share (2013: 6.0 pence; or 1.2 pence adjusted for the stock split), which will be paid on 14th January 2015 to shareholders on the register as at 19th December 2014 (ex-dividend date 18th December 2014). The reduction in the level of interim dividend compared with last year is due to the stock split detailed below.

## Stock Split

Following shareholder approval at the Annual General Meeting held on 8th July 2014, each of the Company's ordinary shares of 25 pence each were sub-divided into five ordinary shares of 5 pence each, effective 23rd July 2014.

## Management Fees

The Board has agreed a reduction in the Company's management fees from 1.3% of market capitalisation to 1.0% of net assets. This change will be effective from 1st April 2015.

## Alternative Investment Fund Managers Directive ('AIFMD')

As required under AIFMD, with effect from 1st July 2014, the Company appointed JPMorgan Funds Limited as its Alternative Investment Fund Manager under a new investment management agreement. Portfolio management is delegated by JPMorgan Funds Limited to JPMorgan Asset Management (UK) Limited, thus retaining previous portfolio management arrangements. The management fee and notice period arrangements remain unchanged. The Company appointed BNY Mellon Trust

& Depositary (UK) Limited to act as the Company's Depositary, a new requirement under AIFMD. JPMorgan Chase Bank, NA remains the Company's Custodian, but as a delegate of the Depositary. JPMorgan Funds Limited was also appointed as Company Secretary to the Company on 1st July 2014.

**Outlook**

Despite the recent disappointing economic news from Europe, company results are meeting expectations and our Investment Managers report that company management remain positive about their companies' future profit prospects.

**Carolyn Dobson**  
Chairman

25th November 2014

# Investment Managers' Report



Jim Campbell



Francesco Conte

## Review

The first six months of the Company's 2014/15 year proved a frustrating time for investors in European equities as the nascent economic recovery began to stall and there was a sharp reversal of the previous twelve months' positive flows into the asset class. There was no shortage of headlines to stoke investor fears: deflation, collapsing oil price, the outbreak of Ebola, turmoil in the Middle East and economic sanctions against Russia. However, it is the last of these which has had the most immediate impact, driving a drop in both exports and industrial production in Germany in August. This prompted the German government to cut its GDP growth outlook for this year from 1.8% to 1.2% and for next year from 2.0% to 1.3%. In response, German bond yields continued to collapse to a new record low, ending the period at just 0.95%. Over the six months to 30th September 2014, the large company MSCI Europe (ex UK) Index declined by 2.3% in sterling terms. Smaller companies suffered most from the market sell-off and the benchmark Euromoney Smaller European Companies (ex UK) Index fell by 9.5%.

## Portfolio

Following exceptionally strong absolute and relative returns in the fiscal year to 31st March 2014, the first half of the new year was challenging for the portfolio on both fronts with a decline in the net asset value of 16.6%, 7.1% behind the return of the benchmark index. Whilst there was a small negative contribution from both asset allocation - being underweight defensive sectors, and holding gearing in a falling market, stock selection was the principal detractor. The re-emergent initial public offering market in Europe proved particularly disappointing with new holdings in online travel businesses Edreams Odigeo in Spain and Bravofly Rumbo in Switzerland both issuing significant profit warnings with their debut quarterly results. Italian auto components business Sogefi suffered from its exposure to the slowing Brazilian economy and Dutch construction group Royal BAM experienced cost over-runs on a number of projects.

The major shift in portfolio positioning was a reduction in gearing from 12.6% at the end of March to net cash of 2.5% at the end of September as economic uncertainty and the set-back in markets in Europe offset the benign messages we have been receiving from corporate management. Sectorally, the biggest shift has been a reduction in the large overweight in engineering following a significant re-rating and with earnings momentum slowing; disposals included Lindab, Nibe and Trelleborg in Sweden and Jungheinrich and Wacker Neuson in Germany and Bucher Industries in Switzerland. Geographically, Sweden has offered some of the most attractive opportunities and new purchases included online gaming businesses Betsson, Net Entertainment and Unibet, credit management services supplier Intrum Justitia, cash management specialist Loomis and outdoor maintenance equipment producer Husqvarna. The weak oil price has led us to move further underweight in Norway.

## **Outlook**

The good news is that the financial performance of corporate Europe continues to outpace significantly that of sovereign Europe. October Purchasing Managers Indices for the Euro area were encouragingly ahead of expectations, for both services and manufacturing, and the third quarter reporting season has produced the highest share of companies exceeding forecasts in four years, according to Deutsche Bank. Even on reduced expectations, Euro area gross domestic product is forecast to grow by close to 1.0% this year and next whilst in the US growth is expected to accelerate from around 2.0% this year to 3.0% in 2015. Moreover, the October Bank Lending Survey showed that overall credit conditions (supply and demand) for the Euro area are easing at the fastest pace since 2006. The greatest risk, perhaps, is that the negative news headlines become a self-fulfilling prophecy in Europe and that financially flush corporates, and somewhat less flush consumers, hold off investing and spending; with a Euro area interest rate of just 0.05%, the European Central Bank's options for stimulus are becoming more limited.

In spite of the macro background, European earnings have been recovering since the first quarter of 2013 and smaller company earnings have been growing fastest. We continue to find well managed businesses with strong franchises, sound balance sheets, positive operating momentum and attractive valuations in which to invest.

**Jim Campbell**

**Francesco Conte**

Investment Managers

25th November 2014

# List of Investments

at 30th September 2014

Company	Country	Valuation £'000	%
Jazztel	Spain	9,359	2.3
Huhtamaki	Finland	8,502	2.1
Topdanmark	Denmark	8,312	2.1
Sopra	France	8,245	2.1
Intrum Justitia	Sweden	8,095	2.0
Haulotte	France	7,771	1.9
Trigano	France	7,742	1.9
Drillisch	Germany	7,704	1.9
Saft	France	7,636	1.9
Temenos	Switzerland	7,633	1.9
Geox	Italy	7,518	1.9
AMS	Switzerland	7,402	1.9
Helvetia	Switzerland	7,379	1.9
Altran Technologies	France	7,365	1.8
TKH	Netherlands	7,327	1.8
Banco Popolare	Italy	7,314	1.8
Aareal Bank	Germany	7,270	1.8
Ubisoft	France	7,156	1.8
Straumann	Switzerland	7,102	1.8
Gamesa	Spain	6,967	1.7
GAM	Switzerland	6,914	1.7
Husqvarna	Sweden	6,900	1.7
Flughafen Zürich	Switzerland	6,793	1.7
Fastighets Balder	Sweden	6,581	1.7
Hexpol	Sweden	6,428	1.6
NKT	Denmark	6,419	1.6
Teleperformance	France	6,256	1.6
JM	Sweden	6,132	1.5
SIAS	Italy	6,020	1.5
Royal Unibrew	Denmark	5,888	1.5
Loomis	Sweden	5,881	1.5
BillerudKorsnäs	Sweden	5,838	1.5
Gagfah	Germany	5,821	1.5
CFE	Belgium	5,818	1.5
IMCD	Netherlands	5,512	1.4
De'Longhi	Italy	5,457	1.4
Alten	France	5,416	1.4
Aalberts Industries	Netherlands	5,413	1.4



Company	Country	Valuation £'000	%
Credito Emiliano	Italy	5,405	1.4
Bechtle	Germany	5,390	1.4
Datalogic	Italy	4,959	1.2
KUKA	Germany	4,906	1.2
Eurofins Scientific	France	4,840	1.2
Betsson	Sweden	4,825	1.2
Unibet	Sweden	4,776	1.2
Bolsas Y Mercados Espanoles	Spain	4,750	1.2
Haldex	Sweden	4,672	1.2
CTS Eventim	Germany	4,598	1.2
SFS	Switzerland	4,301	1.1
Faiveley Transport	France	4,137	1.0
Arseus	Belgium	4,004	1.0
Archer	Norway	3,885	1.0
Burckhardt Compression	Switzerland	3,709	0.9
Nutreco	Netherlands	3,520	0.9
Sogefi	Italy	3,183	0.8
Net Entertainment	Sweden	2,738	0.7
Fourlis	Greece	2,520	0.6
TUBACEX	Spain	2,423	0.6
ID Logistics	France	1,906	0.5
Jumbo	Greece	856	0.2
Indutrade	Sweden	707	0.2
USG People	Netherlands	390	0.1
<b>Total investments</b>		<b>350,686</b>	<b>88.0</b>
JPM Euro Liquidity Fund	Liquidity fund	31,356	7.9
Net current assets		16,329	4.1
<b>Total assets less current liabilities</b>		<b>398,371</b>	<b>100.0</b>

# Portfolio Analyses

Geographical	at 30th September 2014		at 31st March 2014	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
France	17.1	13.1	14.9	12.9
Sweden	16.0	11.5	6.0	10.7
Switzerland	12.9	10.6	9.5	10.0
Italy	10.0	11.1	19.8	12.3
Germany	9.0	14.1	14.8	12.9
Spain	5.8	8.0	7.5	7.7
Netherlands	5.6	4.0	9.7	4.6
Denmark	5.2	3.5	2.9	3.6
Belgium	2.5	4.7	3.3	4.3
Finland	2.1	4.3	2.8	4.9
Norway	1.0	5.5	–	6.0
Greece	0.8	1.8	4.5	2.5
Austria	–	4.3	2.1	3.6
Portugal	–	2.0	3.8	2.3
Ireland	–	1.4	1.0	1.2
Luxembourg	–	0.1	–	0.1
United States <sup>1</sup>	–	–	–	0.4
<b>Total equities</b>	<b>88.0</b>	<b>100.0</b>	102.6	100.0
Liquidity Fund	7.9	–	2.1	–
Net current assets/(liabilities)	4.1	–	(4.7)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

Based on total assets less current liabilities of £398.4m (31st March 2014: £474.8m).

<sup>1</sup>European companies listed in the United States.

Sector	at 30th September 2014		at 31st March 2014	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Industrials	26.3	24.3	38.1	24.1
Financials	15.0	20.3	11.2	19.8
Information Technology	14.1	7.0	12.6	8.2
Consumer Discretionary	13.7	14.5	21.0	14.8
Materials	7.2	7.4	7.0	7.6
Telecommunication Services	4.3	2.1	5.1	2.3
Health Care	4.0	9.9	3.1	9.1
Consumer Staples	2.4	6.5	4.5	6.1
Energy	1.0	4.4	–	4.3
Utilities	–	3.6	–	3.7
Total equities	88.0	100.0	102.6	100.0
Liquidity fund	7.9	–	2.1	–
Net current assets/(liabilities)	4.1	–	(4.7)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

Based on total assets less current liabilities of £398.4m (31st March 2014: £474.8m).

# Income Statement

for the six months ended 30th September 2014

	(Unaudited) Six months ended 30th September 2014			(Unaudited) Six months ended 30th September 2013			(Audited) Year ended 31st March 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>(Losses)/gains on investments held at fair value through profit or loss</b>	–	<b>(78,193)</b>	<b>(78,193)</b>	–	54,137	54,137	–	126,985	126,985
Net foreign currency gains/(losses)	–	<b>3,200</b>	<b>3,200</b>	–	(148)	(148)	–	1,261	1,261
Income from investments	<b>7,478</b>	–	<b>7,478</b>	7,450	–	7,450	7,986	–	7,986
Other interest receivable and similar income	<b>133</b>	–	<b>133</b>	25	–	25	30	–	30
<b>Gross return/(loss)</b>	<b>7,611</b>	<b>(74,993)</b>	<b>(67,382)</b>	7,475	53,989	61,464	8,016	128,246	136,262
Management fee	<b>(697)</b>	<b>(1,625)</b>	<b>(2,322)</b>	(601)	(1,403)	(2,004)	(1,314)	(3,067)	(4,381)
Other administrative expenses	<b>(306)</b>	–	<b>(306)</b>	(306)	–	(306)	(762)	–	(762)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>6,608</b>	<b>(76,618)</b>	<b>(70,010)</b>	6,568	52,586	59,154	5,940	125,179	131,119
Finance costs	<b>(175)</b>	<b>(408)</b>	<b>(583)</b>	(115)	(268)	(383)	(267)	(623)	(890)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>6,433</b>	<b>(77,026)</b>	<b>(70,593)</b>	6,453	52,318	58,771	5,673	124,556	130,229
Taxation	<b>(751)</b>	–	<b>(751)</b>	(384)	–	(384)	(626)	–	(626)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>5,682</b>	<b>(77,026)</b>	<b>(71,344)</b>	6,069	52,318	58,387	5,047	124,556	129,603
<b>Return/(loss) per share</b> (note 4)	<b>3.55p</b>	<b>(48.10)p</b>	<b>(44.55)p</b>	3.47p	29.90p	33.37p	2.99p	73.76p	76.75p

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

# Reconciliation of Movements in Shareholders' Funds

Six months ended 30th September 2014 (Unaudited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st March 2014</b>	8,008	1,312	7,628	411,139	5,406	<b>433,493</b>
Expenses incurred due to stock split	–	–	–	(16)	–	<b>(16)</b>
Net (loss)/return on ordinary activities	–	–	–	(77,026)	5,682	<b>(71,344)</b>
Dividends appropriated in the period	–	–	–	–	(2,723)	<b>(2,723)</b>
<b>At 30th September 2014</b>	8,008	1,312	7,628	334,097	8,365	<b>359,410</b>

  

Six months ended 30th September 2013 (Unaudited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st March 2013</b>	8,946	1,312	6,690	326,476	5,683	<b>349,107</b>
Repurchase and cancellation of the Company's own shares	(588)	–	588	(24,420)	–	<b>(24,420)</b>
Net return on ordinary activities	–	–	–	52,318	6,069	<b>58,387</b>
Dividends appropriated in the period	–	–	–	–	(3,378)	<b>(3,378)</b>
<b>At 30th September 2013</b>	8,358	1,312	7,278	354,374	8,374	<b>379,696</b>

  

Year ended 31st March 2014 (Audited)	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st March 2013</b>	8,946	1,312	6,690	326,476	5,683	<b>349,107</b>
Repurchase and cancellation of the Company's own shares	(938)	–	938	(39,893)	–	<b>(39,893)</b>
Net return on ordinary activities	–	–	–	124,556	5,047	<b>129,603</b>
Dividends appropriated in the year	–	–	–	–	(5,324)	<b>(5,324)</b>
<b>At 31st March 2014</b>	8,008	1,312	7,628	411,139	5,406	<b>433,493</b>

# Balance Sheet

at 30th September 2014

	(Unaudited) 30th September 2014 £'000	(Unaudited) 30th September 2013 £'000	(Audited) 31st March 2014 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	350,686	382,789	487,344
Investments in liquidity funds held at fair value through profit or loss	31,356	37,657	10,003
<b>Total investments</b>	<b>382,042</b>	420,446	497,347
<b>Current assets</b>			
Derivative financial instruments	–	2	3
Debtors	9,095	16,423	19,179
Cash and short term deposits	8,792	1,419	5,434
	<b>17,887</b>	17,844	24,616
<b>Creditors:</b> amounts falling due within one year	<b>(1,540)</b>	(33,515)	(47,134)
Derivative financial instruments	(18)	(2)	–
<b>Net current assets/(liabilities)</b>	<b>16,329</b>	(15,673)	(22,518)
<b>Total assets less current liabilities</b>	<b>398,371</b>	404,773	474,829
<b>Creditors:</b> amounts falling due after more than one year	<b>(38,961)</b>	(25,077)	(41,336)
<b>Net assets</b>	<b>359,410</b>	379,696	433,493
<b>Capital and reserves</b>			
Called up share capital	8,008	8,358	8,008
Share premium	1,312	1,312	1,312
Capital redemption reserve	7,628	7,278	7,628
Capital reserves	334,097	354,374	411,139
Revenue reserve	8,365	8,374	5,406
<b>Equity shareholders' funds</b>	<b>359,410</b>	379,696	433,493
<b>Net asset value per share</b> (note 5)	<b>224.4p</b>	227.2p	270.7p

Company registration number: 2431143

# Cash Flow Statement

for the six months ended 30th September 2014

	(Unaudited) Six months ended 30th September 2014 £'000	(Unaudited) Six months ended 30th September 2013 £'000	(Audited) Year ended 31st March 2014 £'000
<b>Net cash inflow from operating activities</b> (note 6)	<b>3,798</b>	4,024	1,491
Net cash outflow from returns on investments and servicing of finance	<b>(580)</b>	(382)	(879)
Overseas tax recovered	<b>223</b>	297	389
Net cash inflow from capital expenditure and financial investment	<b>30,745</b>	34,125	36,957
Dividend paid	<b>(2,723)</b>	(3,378)	(5,324)
Net cash outflow from financing	<b>(27,836)</b>	(32,743)	(27,212)
<b>Increase in cash in the period</b>	<b>3,627</b>	1,943	5,422
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash movement	<b>3,627</b>	1,943	5,422
Net loans drawn down/(repaid) in the period	<b>27,820</b>	8,322	(12,682)
Exchange movements	<b>3,221</b>	(150)	1,273
Movement in net funds in the period	<b>34,668</b>	10,115	(5,987)
Net debt at the beginning of the period	<b>(64,837)</b>	(58,850)	(58,850)
<b>Net debt at the end of the period</b>	<b>(30,169)</b>	(48,735)	(64,837)
<b>Represented by:</b>			
Cash and short term deposits and bank overdrafts	<b>8,792</b>	1,419	5,434
Debt falling due within one year	<b>–</b>	(25,077)	(28,935)
Debt falling due in more than two years but not more than five years	<b>(38,961)</b>	(25,077)	(41,336)
<b>Net debt at the end of the period</b>	<b>(30,169)</b>	(48,735)	(64,837)

# Notes to the Accounts

for the six months ended 30th September 2014

## 1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 31st March 2014 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st March 2014.

## 3. Dividends

	(Unaudited) Six months ended 30th September 2014 £'000	(Unaudited) Six months ended 30th September 2013 £'000	(Audited) Year ended 31st March 2014 £'000
Final dividend in respect of the year ended 31st March 2014 of 8.5p (2013: 10.0p)	2,723	3,378	3,378
Interim dividend in respect of the year ended 31st March 2013 of 6.0p	–	–	1,946
Total dividends paid in the year	2,723	3,378	5,324

An interim dividend of 1.2p (2013: 6.0p) has been declared in respect of the six months ended 30th September 2014, amounting to £1,922,000.



#### 4. Return/(loss) per share<sup>1</sup>

	(Unaudited) Six months ended 30th September 2014 £'000	(Unaudited) Six months ended 30th September 2013 £'000	(Audited) Year ended 31st March 2014 £'000
Return/(loss) per share is based on the following:			
Revenue return	5,682	6,069	5,047
Capital (loss)/return	(77,026)	52,318	124,556
Total (loss)/return	(71,344)	58,387	129,603
Weighted average number of shares in issue	160,147,885	174,945,995	168,859,770
Revenue return per share	3.55p	3.47p	2.99p
Capital (loss)/return per share	(48.10)p	29.90p	73.76p
Total (loss)/return per share	(44.55)p	33.37p	76.75p

<sup>1</sup>Comparative figures for 30th September 2013 and 31st March 2014 have been restated following the stock split of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each, effective 23rd July 2014. Original comparative figures for 30th September 2013 are: 17.39p revenue return per share, 149.92p capital return per share and 167.31p total return per share. Original comparative figures for 31st March 2014 are: 14.94p revenue return per share, 368.82p capital return per share and 383.76p total return per share.

#### 5. Net asset value per share<sup>1</sup>

The net asset value per share is calculated by dividing shareholders' funds of £359,410,000 (30th September 2013: £379,696,000 and 31st March 2014: £433,493,000) by the number of shares in issue at 30th September 2014 of 160,147,885 (30th September 2013: 33,429,577 and 31st March 2014: 32,029,577).

<sup>1</sup>Comparative figures for 30th September 2013 and 31st March 2014 have been restated following the stock split of each existing ordinary share of 25 pence into five ordinary shares of 5 pence each, effective 23rd July 2014. Original comparative figures are 1,135.8p net asset value per share as at 30th September 2013 and 1,353.4p net asset value per share as at 31st March 2014.

#### 6. Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 30th September 2014 £'000	(Unaudited) Six months ended 30th September 2013 £'000	(Audited) Year ended 31st March 2014 £'000
Net (loss)/return on ordinary activities before finance costs and taxation	(70,010)	59,154	131,119
Add capital loss/(return) before finance costs and taxation	76,618	(52,586)	(125,179)
Scrip dividends received as income	–	(1,415)	(1,415)
(Increase)/decrease in accrued income	(56)	846	906
Decrease in other debtors	10	14	1
(Decrease)/increase in accrued expenses	(36)	(32)	24
Overseas withholding tax	(1,103)	(554)	(898)
Management fee charged to capital	(1,625)	(1,403)	(3,067)
Net cash inflow from operating activities	3,798	4,024	1,491

# Interim Management Report

The Company is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company have not changed and fall into the following broad categories: investment and strategy; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational going concern and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st March 2014.

## Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Yearly Financial Reports' and gives a true and fair view of the state of affairs of the Company and of the assets, liabilities, financial position and net return of the Company, as at 30th September 2014, as required by the UK Listing Authority Disclosure and Transparency Rules 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

For and on behalf of the Board

**Carolyn Dobson**

Chairman

25th November 2014

# Glossary of Terms and Definitions

## Return to Shareholders

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

## Return on Net Assets

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.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV when calculating the total return on net assets.

## Benchmark Return

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

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does

not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

## Gearing/(Net Cash)

Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

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

If the share price of an investment trust 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.

## Ongoing Charges

Estimated annualised management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the period. Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

## Financial Conduct Authority

### Beware of share fraud

**Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.**

#### How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9 Think about getting independent financial and professional advice before you hand over any money.
- 10 **Remember:** if it sounds too good to be true, it probably is!

#### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

**5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000**



In association with:  
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Registrars  
Group

# Notes

# Notes

# Notes

# Information about the Company

## Financial Calendar

Financial year end	31st March
Final results announced	May/June
Half year end	30th September
Half year results announced	November
Annual General Meeting	10th July 2015
Dividend	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. The Fund was an open-ended, unquoted investment company based in Jersey and formed in June 1987 with the same objectives and investment policies as the Company.

The Company adopted its present name in July 2010.

### Directors

Carolan Dobson (Chairman)  
Anthony Davidson  
Ashok Gupta  
Federico Marescotti  
Stephen White

### Company Numbers

Company registration number: 2431143  
London Stock Exchange number: 0341969  
ISIN: GBO0BMTSOZ37  
Bloomberg code: JESC LN

### Market Information

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

### Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at [www.jpmorganwealthmanagerplus.co.uk](http://www.jpmorganwealthmanagerplus.co.uk)

### 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 Rebecca Burtonwood.

### Depositary

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

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

### Registrars

Equiniti Limited  
Reference 1083  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone number: 0871 384 2325

Calls to this number cost 8p per minute from a BT landline plus network charges. Lines open 8.30am to 5.30pm Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

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](http://www.shareview.co.uk)

### Independent Auditors

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

### Brokers

Cenkos Securities plc  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

### Savings Product Administrators

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

**aic**

The Association of  
Investment Companies

A member of the AIC

J.P. Morgan Helpline  
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

[www.jpmeuropeansmallercompanies.co.uk](http://www.jpmeuropeansmallercompanies.co.uk)