



Half Year Report **2011/12**  
JPMorgan European Smaller Companies Trust plc

Half Year Report & Accounts for the six months ended 30th September 2011

# 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 80% and 120% invested.
- To emphasise capital growth rather than income.
- 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

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

### Capital Structure

At 30th September 2011, the Company's share capital comprised 40,960,802 ordinary shares of 25p each.

### Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

# Half Year Performance

Total returns (includes dividends reinvested)

**-21.7%**  
Return to shareholders<sup>1</sup>

**-23.6%**  
Return on net assets<sup>2</sup>

**-27.2%**  
Benchmark return<sup>3</sup>

## Financial Data

	<b>30th September 2011</b>	<b>31st March 2011</b>	<b>% change</b>
Shareholders' funds (£'000)	<b>341,945</b>	477,428	-28.4
Number of shares in issue	<b>40,962,803</b>	43,508,739	-5.9
Net asset value per share	<b>834.8p</b>	1097.3p	-23.9
Share price	<b>724.5p</b>	930.0p	-22.1
Share price discount to net asset value per share	<b>13.2%</b>	15.2%	

A glossary of terms and definitions is provided on page 16.

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

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

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

# Chairman's Statement



## Performance

The first six months of the Company's financial year was another highly volatile period for equity markets. The principal concern in the Eurozone remained the sovereign debt crisis in southern Europe, in particular the likelihood of debt write-down in Greece. Coupled with similar concerns over the US economy, investors became risk averse and markets fell sharply as a result.

For the six months to 30th September 2011, the Company produced a total return on net assets of -23.6%. Whilst disappointing in absolute terms, this return compares favourably with the return of -27.2% from the benchmark index, the HSBC Smaller European Companies (ex UK) Index, again demonstrating the value added by our Investment Managers. The return to shareholders over the period was -21.7% as the discount on the Company's shares narrowed over the period from 15.2% as at 31st March 2011 to 13.2% as at 30th September 2011.

In their report, the Investment Managers provide details of the key factors driving performance during the half year.

## Revenue and Dividend

Gross revenue return for the six months to 30th September 2011 was £7.8 million, a little higher than the revenue generated in the corresponding period in 2010 (£6.7 million), reflecting a continuing improvement in corporate earnings and increasing distributions by European companies.

Historically, the Company has allocated indirect expenses wholly to the revenue account. However, it has decided, with effect from 1st April 2011, to capitalise 70% of management fees and finance costs in the light of its long term expected split of returns. A consequence of this change is that earnings per share for this financial year are likely to increase sharply and therefore the Board has declared an interim dividend of 6.0p per share payable on 16th January 2012 to shareholders on the register as at the close of business on 23rd December 2011. The Board's dividend policy for future years will be detailed in the annual report for the year ending 31st March 2012.

## Share Buybacks and Discount

In the six months to 30th September 2011 the Company did not buy back any shares in the market for cancellation. However, as stated in the annual report, following discussions with a number of institutional shareholders in connection with the relatively wide level of the discount on the Company's shares, it became apparent that one large long-term shareholder was seeking a partial exit for its holding at a price close to net asset value. As a result, the Board implemented a one-off Tender Offer for up to 5% of the Company's issued share capital. A total of 2,155,936 were successfully tendered and bought in by the Company at a price of 1,008.35 pence per share in July 2011.

## Outlook

Against a gloomy macro-economic backdrop, the current market environment is very challenging. However, as the Company's Investment Managers point out in their report, many European companies are well positioned to benefit from continued growth in Asia and on a long term view, equity valuations are attractive. Given their strong long-term track record, the Board remains confident of the Investment Managers' ability to add value for shareholders through superior stock selection and appropriate use of gearing.

## Paul Manduca

Chairman

29th November 2011

# Investment Managers' Report



Jim Campbell



Francesco Conte

## Review

Renewed concerns over the resolution of the sovereign debt crises in the United States and Europe led to a sharp sell-off in equities during the first half of the Company's year. The US suffered the first ever downgrade by Standard & Poor's of its AAA credit rating whilst Europe continued to wrestle with a palatable outcome to Greece's looming debt write-down. This has jeopardised European economic recovery in only its second year, as manifested in Eurozone quarterly GDP growth of just 0.2% in the second quarter of 2011. With the VSTOXX Index of European option volatility breaking the highs of May 2010, the large company MSCI World Europe (ex UK) Index declined by 21.2% in sterling terms in the six months to the end of September 2011. Smaller companies suffered most from the market sell-off and the benchmark HSBC Smaller European Companies (ex UK) Index fell by 27.2%.

## Portfolio

The net asset value of the portfolio declined by 23.6% in the first half of the Company's year, partially mitigating the fall in the benchmark index through a combination of positive asset allocation, stock selection and active management of gearing. The portfolio benefitted from overweight positions in the defensive telecom and health care sectors and from a limited weighting in banks. The top stock contributors over the six months comprised Irish bookmaker Paddy Power, driven by a strong performance in online gambling, defensively positioned French consumer staples producer Société Bic and Italian luxury goods producer Salvatore Ferragamo, which enjoyed a successful initial public offering in June. Negative stock contributors included Swiss private bank EFG International on a deteriorating operating performance. Gearing of 17% at the end March 2011 was reduced to zero during May as the immediate prospects for markets deteriorated and during early August we made full use of the latitude to hold up to 20% cash. With improving confidence, this cash was redeployed and the portfolio ended September with gearing of 9%.

The key shift in the portfolio was to move to overweight in defensive sectors at the expense of value cyclical sectors where the portfolio ended September with a significantly reduced exposure. Relatively strong performance and the addition of such new holdings as Swedish medical products supplier Elekta and German hospital operator Rhoen Klinikum pushed health care to become the most overweight sector. The overweight positions in industrial engineering and financial services were unwound with the disposal, respectively, of holdings in Finnish crane manufacturer Konecranes and Swiss industrial equipment producer OC Oerlikon, and Swiss private banks EFG International and Julius Baer and Dutch bank SNS Reaal.

## Outlook

Driven by Germany, there is increasing momentum to achieve a resolution to the Eurozone debt crisis. The outcome centres upon the breadth and magnitude of the required write-down of sovereign debt and the path to subsequent bank recapitalisation through a combination of private and public funding. The momentum of recovery in the United States appears to be on firmer footing with growth in 2012 predicted to comfortably outpace that in Europe. Almost an afterthought in the frenzy over Europe, the Chinese economy continues to make strong progress and remains one of the foundations of global growth.

# Investment Managers' Report continued

The current market environment is one of the most perplexing that we have witnessed and identifying sustainable trends has become extremely challenging. For some months analysts have been downgrading estimates of European corporate earnings for this year and next with banks and financial services bearing the brunt. Smaller companies have not been immune from this trend with over half reporting third quarter earnings which failed to meet forecasts.

European companies have become adept at adjusting promptly their costs bases and working capital to the prevailing economic mood and, with net debt to equity at the lowest level in over ten years, are in good shape to weather current uncertainty. Equity valuations remain attractive and the prospective price to earnings ratio for European equities for 2012 now stands at just over 9.0. We are alert to improving market confidence as an opportunity to more fully deploy the Company's gearing capacity.

**Jim Campbell**  
**Francesco Conte**  
Investment Managers

29th November 2011

# List of Investments

at 30th September 2011

Company	Country	Valuation £'000	%
Groupe Eurotunnel	France	10,024	2.9
MTU Aero Engines	Germany	9,965	2.9
Kabel Deutschland	Germany	9,932	2.9
Dufry	Switzerland	9,898	2.9
Yoox	Italy	9,856	2.9
Imtech	Netherlands	9,850	2.9
CFAO	France	9,768	2.9
Zodiac Aerospace	France	9,662	2.8
Galenica	Switzerland	9,662	2.8
Coloplast	Denmark	9,523	2.8
Elisa	Finland	9,460	2.8
Elekta	Sweden	9,419	2.8
BIC	France	9,257	2.7
Andritz	Austria	9,188	2.7
Gemalto	Netherlands	8,636	2.5
Salvatore Ferragamo	Italy	8,583	2.5
Paddy Power	Ireland	8,405	2.5
Ingenico	France	8,389	2.5
Biomerieux	France	8,283	2.4
SBM Offshore	Netherlands	7,847	2.3
Fielmann	Germany	7,755	2.3
William Demant	Denmark	7,454	2.2
Topdanmark	Denmark	7,339	2.1
Nutreco	Netherlands	6,978	2.0
Gjensidige Forsikring	Norway	6,880	2.0
Rubis	France	6,454	1.9
Davide de Campari	Italy	6,418	1.9
Viscofan	Spain	6,416	1.9
Freenet	Germany	6,314	1.8
Hugo Boss	Germany	6,149	1.8
Recordati	Italy	6,081	1.8
Barry Callebaut	Switzerland	5,954	1.7
Marcolin	Italy	5,757	1.7
Sorin	Italy	5,379	1.6
Brenntag	Germany	5,271	1.5

# List of Investments continued

Company	Country	Valuation £'000	%
Remy Cointreau	France	5,197	1.5
Castellum	Sweden	5,099	1.5
Koninklijke Ten Cate	Netherlands	5,080	1.5
Symrise	Germany	4,898	1.4
Chr.Hansen	Denmark	4,533	1.3
Rhoen-Klinikum	Germany	4,452	1.3
Deutsche EuroShop	Germany	4,232	1.2
Tessenderlo Chemie	Belgium	3,743	1.1
Piaggio	Italy	3,693	1.1
Trevi Finanziaria Industriale	Italy	2,595	0.8
Frigoglass	Greece	2,348	0.7
Naturex	France	2,312	0.7
IMA	Italy	2,139	0.6
Eurofins	France	1,782	0.5
Wihlborgs Fastigheter	Sweden	1,773	0.5
Gerry Weber International	Germany	1,696	0.5
Medica	France	1,672	0.5
Mediq	Netherlands	1,590	0.5
Amplifon	Italy	1,587	0.5
Lectra	France	1,575	0.5
Tecan	Switzerland	1,565	0.5
Draegerwerk	Germany	1,509	0.4
Construcciones y Auxiliar de Ferrocarriles	Spain	1,483	0.4
Betsson	Sweden	1,427	0.4
Gerresheimer	Germany	1,424	0.4
Deutsche Wohnen	Germany	1,410	0.4
Amer Sports	Finland	1,365	0.4
Wire Card	Germany	1,364	0.4
Exact	Netherlands	1,340	0.4
Intrum Justitia	Sweden	1,081	0.3
Delticom	Germany	1,075	0.3
Loomis	Sweden	1,056	0.3
Carraro	Italy	1,030	0.3
Sulzer	Switzerland	1,024	0.3
Xing	Germany	984	0.3

Company	Country	Valuation £'000	%
Oesterreichische Post	Austria	952	0.3
CTS Eventim	Germany	926	0.3
Carl Zeiss Meditec	Germany	917	0.3
Jazztel	Spain	913	0.3
NIBE Industrier	Sweden	893	0.3
PubliGroupe	Switzerland	871	0.3
Bonduelle	France	841	0.2
Barco	Belgium	789	0.2
Bucher Industries	Switzerland	720	0.2
Mekonomen	Sweden	691	0.2
United Drug	Ireland	610	0.2
Atea	Norway	524	0.1
Glanbia	Ireland	494	0.1
Manitou	France	369	0.1
Sogefi	Italy	181	–
GfK	Germany	29	–
Implenia	Switzerland	20	–
Net current liabilities		(32,134)	(9.4)
<b>Total assets less current liabilities</b>		<b>341,945</b>	<b>100.0</b>

# Portfolio Analyses

Geographical	at 30th September 2011		at 31st March 2011	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
France	22.1	11.3	12.1	12.5
Germany	20.4	14.7	9.0	14.4
Italy	15.7	10.9	16.8	10.8
Netherlands	12.1	4.2	15.4	4.1
Switzerland	8.7	11.9	18.0	11.2
Denmark	8.4	3.7	5.4	3.2
Sweden	6.3	9.7	7.0	9.1
Finland	3.2	6.1	9.0	5.9
Austria	3.0	2.8	2.7	3.2
Ireland	2.8	2.4	1.8	2.2
Spain	2.6	7.5	9.1	7.6
Norway	2.1	6.6	2.1	6.9
Belgium	1.3	4.2	4.2	3.8
Greece	0.7	2.3	3.7	3.5
Portugal	–	1.7	0.4	1.3
Luxembourg	–	–	–	0.3
Total equities	109.4	100.0	116.7	100.0
Liquidity fund	–	–	0.4	–
Net current liabilities	(9.4)	–	(17.1)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Based on total assets less current liabilities of £341.9m (31st March 2011: £477.4m).

Sector	at 30th September 2011		at 31st March 2011	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Consumer Discretionary	25.6	16.2	20.3	15.7
Industrials	23.1	25.1	39.5	24.4
Health Care	23.0	8.3	3.9	8.2
Consumer Staples	10.1	5.6	1.9	5.7
Financials	7.8	21.3	25.3	20.9
Information Technology	6.9	6.6	11.4	8.0
Telecommunication Services	4.9	1.1	0.2	0.5
Materials	3.8	8.3	12.0	8.6
Energy	2.3	4.8	2.2	5.3
Utilities	1.9	2.7	–	2.7
Total equities	109.4	100.0	116.7	100.0
Liquidity fund	–	–	0.4	–
Net current liabilities	(9.4)	–	(17.1)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Based on total assets less current liabilities of £341.9m (31st March 2011: £477.4m).

# Income Statement

for the six months ended 30th September 2011

	(Unaudited) Six months ended 30th September 2011			(Unaudited) Six months ended 30th September 2010			(Audited) Year ended 31st March 2011		
	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>(112,497)</b>	<b>(112,497)</b>	–	(8,720)	(8,720)	–	78,917	78,917
Net foreign currency gains/(losses)	–	<b>475</b>	<b>475</b>	–	(379)	(379)	–	(1,540)	(1,540)
Income from investments	<b>7,688</b>	–	<b>7,688</b>	6,484	–	6,484	8,963	–	8,963
Other interest receivable and similar income	<b>155</b>	–	<b>155</b>	194	–	194	278	–	278
<b>Gross return/(loss)</b>	<b>7,843</b>	<b>(112,022)</b>	<b>(104,179)</b>	6,678	(9,099)	(2,421)	9,241	77,377	86,618
Management fee	<b>(741)</b>	<b>(1,728)</b>	<b>(2,469)</b>	(1,980)	–	(1,980)	(4,298)	–	(4,298)
Other administrative expenses	<b>(300)</b>	–	<b>(300)</b>	(283)	–	(283)	(664)	–	(664)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>6,802</b>	<b>(113,750)</b>	<b>(106,948)</b>	4,415	(9,099)	(4,684)	4,279	77,377	81,656
Finance costs	<b>(182)</b>	<b>(425)</b>	<b>(607)</b>	(322)	–	(322)	(1,304)	–	(1,304)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>6,620</b>	<b>(114,175)</b>	<b>(107,555)</b>	4,093	(9,099)	(5,006)	2,975	77,377	80,352
Taxation	<b>(591)</b>	–	<b>(591)</b>	(581)	–	(581)	(606)	–	(606)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>6,029</b>	<b>(114,175)</b>	<b>(108,146)</b>	3,512	(9,099)	(5,587)	2,369	77,377	79,746
<b>Return/(loss) per share</b> (note 5)	<b>14.28p</b>	<b>(270.46)p</b>	<b>(256.18)p</b>	7.80p	(20.20)p	(12.40)p	5.33p	174.02p	179.35p

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 2011 (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 2011</b>	10,877	1,312	4,759	457,728	2,752	<b>477,428</b>
Repurchase and cancellation of the Company's own shares	(636)	–	636	(25,612)	–	<b>(25,612)</b>
Net (loss)/return on ordinary activities	–	–	–	(114,175)	6,029	<b>(108,146)</b>
Dividends appropriated in the period	–	–	–	–	(1,725)	<b>(1,725)</b>
<b>At 30th September 2011</b>	10,241	1,312	5,395	317,941	7,056	<b>341,945</b>

Six months ended 30th September 2010 (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 2010</b>	11,771	1,312	3,865	397,184	1,750	<b>415,882</b>
Repurchase and cancellation of the Company's own shares	(240)	–	240	(6,548)	–	<b>(6,548)</b>
Purchase of shares into Treasury	–	–	–	(4,591)	–	<b>(4,591)</b>
Cancellation of shares held in Treasury	(487)	–	487	–	–	<b>–</b>
Net (loss)/return on ordinary activities	–	–	–	(9,099)	3,512	<b>(5,587)</b>
Dividends appropriated in the period	–	–	–	–	(1,367)	<b>(1,367)</b>
<b>At 30th September 2010</b>	11,044	1,312	4,592	376,946	3,895	<b>397,789</b>

Year ended 31st March 2011 (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 2010</b>	11,771	1,312	3,865	397,184	1,750	<b>415,882</b>
Repurchase and cancellation of the Company's own shares	(407)	–	407	(12,242)	–	<b>(12,242)</b>
Purchase of shares into Treasury	–	–	–	(4,591)	–	<b>(4,591)</b>
Cancellation of shares held in Treasury	(487)	–	487	–	–	<b>–</b>
Net return on ordinary activities	–	–	–	77,377	2,369	<b>79,746</b>
Dividends appropriated in the year	–	–	–	–	(1,367)	<b>(1,367)</b>
<b>At 31st March 2011</b>	10,877	1,312	4,759	457,728	2,752	<b>477,428</b>

# Balance Sheet

at 30th September 2011

	(Unaudited) 30th September 2011 £'000	(Unaudited) 30th September 2010 £'000	(Audited) 31st March 2011 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	374,079	411,406	557,047
Investments in liquidity funds held at fair value through profit or loss	–	693	2,010
<b>Total investments</b>	<b>374,079</b>	412,099	559,057
<b>Current assets</b>			
Debtors	10,937	13,593	5,164
Cash and short term deposits	15	183	87
Derivative financial instruments: forward currency contracts held at fair value through profit or loss	1	8	5
	10,953	13,784	5,256
<b>Creditors:</b> amounts falling due within one year	<b>(43,087)</b>	(28,088)	(86,885)
Derivative financial instruments: forward currency contracts held at fair value through profit or loss	–	(6)	–
<b>Net current liabilities</b>	<b>(32,134)</b>	(14,310)	(81,629)
<b>Total assets less current liabilities</b>	<b>341,945</b>	397,789	477,428
<b>Net assets</b>	<b>341,945</b>	397,789	477,428
<b>Capital and reserves</b>			
Called up share capital	10,241	11,044	10,877
Share premium	1,312	1,312	1,312
Capital redemption reserve	5,395	4,592	4,759
Capital reserves	317,941	376,946	457,728
Revenue reserve	7,056	3,895	2,752
<b>Equity shareholders' funds</b>	<b>341,945</b>	397,789	477,428
<b>Net asset value per share</b> (note 6)	<b>834.8p</b>	900.4p	1097.3p

Company registration number: 2431143

# Cash Flow Statement

for the six months ended 30th September 2011

	(Unaudited) Six months ended 30th September 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
<b>Net cash inflow from operating activities</b> (note 7)	<b>4,772</b>	3,782	2,063
Net cash outflow from returns on investments and servicing of finance	<b>(847)</b>	(330)	(1,049)
Tax recovered	<b>73</b>	177	513
Net cash inflow/(outflow) from capital expenditure and financial investment	<b>56,809</b>	6,280	(38,774)
Dividend paid	<b>(1,725)</b>	(1,367)	(1,367)
Net cash outflow from financing	<b>(60,232)</b>	(7,985)	38,227
<b>(Decrease)/increase in cash in the period</b>	<b>(1,150)</b>	557	(387)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash movement	<b>(1,150)</b>	557	(387)
Net loans repaid/(drawn down) in the period	<b>34,620</b>	(3,947)	(56,100)
Exchange movements	<b>478</b>	(610)	(1,527)
Movement in net debt in the period	<b>33,948</b>	(4,000)	(58,014)
Net debt at the beginning of the period	<b>(71,158)</b>	(13,144)	(13,144)
<b>Net debt at the end of the period</b>	<b>(37,210)</b>	(17,144)	(71,158)
<b>Represented by:</b>			
Cash and short term deposits and bank overdrafts	<b>15</b>	183	(334)
Debt falling due within one year	<b>(37,225)</b>	(17,327)	(70,824)
<b>Net debt at the end of the period</b>	<b>(37,210)</b>	(17,144)	(71,158)

# Notes to the Accounts

for the six months ended 30th September 2011

## 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 2011 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 2011.

## 3. Change in accounting basis

With effect from 1st April 2011, the Company has allocated 70% of the management fee and finance costs to capital and the remaining 30% to revenue. It had previously allocated 100% of the management fee and finance costs to revenue. It is the Board's determination that the capital return should reflect the indirect costs of earning capital returns and the above allocation reflects their expected long term split of returns in the form of capital and income respectively. The effect of this change is to increase net revenue return after taxation by £2,153,000 and to reduce capital return by the same amount. Total net return after taxation is unaffected by the change. The comparative figures have not been restated.

## 4. Dividends

	(Unaudited) Six months ended 30th September 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
Final dividend in respect of the year ended 31st March 2011 of 4.0p (2010: 3.0p)	1,725	1,387	1,387

An interim dividend of 6.0p (2010: nil) has been declared in respect of the six months ended 30th September 2011, amounting to £2,458,000.

# Notes to the Accounts continued

## 5. Return/(loss) per share

	(Unaudited) Six months ended 30th September 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
Return/(loss) per share is based on the following:			
Revenue return	6,029	3,512	2,369
Capital (loss)/return	(114,175)	(9,099)	77,377
Total (loss)/return	(108,146)	(5,587)	79,746
Weighted average number of shares in issue	42,214,624	45,036,035	44,464,022
Revenue return per share	14.28p	7.80p	5.33p
Capital (loss)/return per share	(270.46)p	(20.20)p	174.02p
Total (loss)/return per share	(256.18)p	(12.40)p	179.35p

## 6. Net asset value per share

The net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 30th September 2011 of 40,962,803 (30th September 2010: 44,178,739 and 31st March 2011: 43,508,739).

## 7. 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 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
Total (loss)/return on ordinary activities before finance costs and taxation	(106,948)	(4,684)	81,656
Less capital loss/(return) before finance costs and taxation	113,750	9,099	(77,377)
Scrip dividends received as income	(786)	(365)	(365)
Decrease/(increase) in accrued income	1,336	709	(653)
Decrease/(increase) in other debtors	40	30	(5)
Decrease in accrued expenses	(10)	(44)	(15)
Overseas withholding tax	(882)	(963)	(1,178)
Management fee charged to capital	(1,728)	–	–
Net cash inflow from operating activities	4,772	3,782	2,063

# 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 fall into the following broad categories: Investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational 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 2011.

## **Related parties 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.

## **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
- (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.

For and on behalf of the Board

**Paul Manduca**

Chairman

29th November 2011

# Glossary of Terms and Definitions

## **Return to shareholders**

Total return to shareholders 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 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 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 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 follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

## **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.

# Information about the Company

## Financial Calendar

Financial year end	31st March
Final results announced	June
Half year end	30th September
Half year results announced	November
Interim Management Statements announced	January/July
Annual General Meeting	July
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

Paul Manduca (Chairman)  
Anthony Davidson  
Carolyn Dobson  
Federico Marescotti  
Michael Wrobel

### Company Numbers

Company registration number: 2431143  
London Stock Exchange number: 0341969  
ISIN: GB0003419693  
Bloomberg code: JEF LN

### Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan Internet site 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 Asset Management (UK) Limited

**aic**

The Association of  
Investment Companies

A member of the AIC

### Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone: 020 7742 6000

For company secretarial issues and administrative matters, please contact Jonathan Latter.

### Custodian

JPMorgan Chase Bank, N.A.  
125 London Wall  
London EC2Y 5AJ

### Registrars

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

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 individual 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.

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)