



JPMorgan Smaller Companies Investment Trust plc

(formerly JPMorgan Fleming Smaller Companies Investment Trust plc)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31ST JANUARY 2007

Six Months Performance

+26.1% Return to shareholders¹

+25.5% Return on net assets²

+19.4% Benchmark return^{3,4}

Capital only returns	31st JAN 2007	31st JULY 2006	% CHANGE
ASSETS			
Total net assets (£'000)	142,486	118,326	+20.4
Net asset value per share	634.9p	513.8p	+23.6
Share price	550.8p	440.5p	+25.0
Discount of share price to net asset value per share	13.2%	14.3%	
Three year information ratio ⁵	2.49	2.47	

¹Change in share price with net dividends reinvested
(Source: Standard & Poor's – www.funds-sp.com).

²Change in net asset value with net dividends reinvested
(Source: Fundamental Data Ltd).

³Change in value with net dividends reinvested
(Source: Datastream).

⁴The Company's benchmark is the FTSE Small Cap Index (excluding investment trusts). Comparison of the Company's performance is made with this benchmark. 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 benchmark and, consequently, there may be some divergence between its performance and that of the Company.

⁵The information ratio is calculated by dividing the excess average annualised return of the Company by its tracking error and measures the relationship between excess risk and relative return. The higher the ratio, the better, as it shows that the risk taken by the Fund Manager relative to the benchmark has been rewarded.

Chairman's Statement

Performance

Following on from the excellent results achieved in the last financial year, I am pleased to report that your Company has enjoyed another period of strong investment performance in the six months to 31st January 2007. Georgina Brittain and Mark Davids are again to be congratulated for the Company's consistent performance.

The FTSE Small Cap Index (excluding investment trusts) rose by 19.4%, whilst your Company achieved a total return on net assets of +25.5%, an outperformance of 6.1%. The return to shareholders was better still at +26.1%, reflecting a further narrowing of the discount to 13.2%. A full review of the Company's performance for the first six months is given in the Investment Managers' Review opposite.

The Company repurchased 589,000 of its shares over the six month period at an average discount of 13.1% and a total cost of £2,925,000. Subsequent to the period end, the Company has bought back a further 100,000 shares for cancellation.

Gearing remained at an average of just over 7% throughout the review period, reflecting the Board's cautious stance to gearing. The Company has a one year committed loan facility of £13.5m with the Bank of Ireland, of which £12.6m is currently drawn. This loan facility will be renewed when it matures in April of this year.

Change of Name

Following shareholder approval at the 2006 Annual General Meeting, the Company changed its name from JPMorgan Fleming Smaller Companies Investment Trust plc to JPMorgan Smaller Companies Investment Trust plc.

Outlook

A more detailed outlook for the remainder of the year is discussed in the Investment Managers' Review.

Strone Macpherson

Chairman

26th March 2007

Investment Managers' Review

Market Background

Stockmarkets around the globe continued to enjoy the fourth successive year of the bull market in the second half of 2006, and the UK stockmarket was no exception. Buoyed by global and domestic liquidity, by generally benign economic data, and by positive newsflow on the ground from companies themselves, share prices in the UK continued their upward trend.

Fifty-seven consecutive quarters of economic growth in the UK provided a stable and robust backdrop to the market. That said, inflationary concerns were an issue in the period, and the Monetary Policy Committee came close to having to write a letter to the Chancellor explaining why the CPI data (inflation statistics) was so significantly above the 2% target. However, this did not unsettle the stockmarket, as the view was taken that the three interest rate rises during the six month period would bring inflation back under control. By January 2007 UK interest rates were at 5.25%, a level last seen in 2001.

In addition to the pre-emptive interest rate rises, inflationary pressures were assuaged by falling oil prices, a slowdown in the meteoric commodity price rises and, towards the end of the year, a significant decline in energy prices. Despite increasing their level of savings, the UK consumer did not collapse; and the fourth quarter business investment, which has been very muted in this recovery, was up significantly.

Portfolio Review

Your portfolio had a strong start to the new financial year. The net asset value total return for the six months to the end of January 2007 was +25.5%, which compares to a return of +19.4% for the FTSE Small Companies (ex Investment Trusts) benchmark. Key to this outperformance was stock selection. Gearing, which remained fairly constant throughout the period at around 7%, was also a contributor.

Sector allocation was also positive in the period. Notable sectoral contributors included Support Services and Construction & Materials, which were overweight positions relative to the benchmark, and Pharmaceuticals & Biotechnology, where we had a large underweight position. On the negative side were Mining, where the absence of a holding in UK Coal detracted from performance, and General Financials, where the position in Accuma Group, a debt solution company, was a disappointment.

As your investment managers have emphasised, stock selection is their key focus, and a broad spread of stocks contributed to the outperformance. Familiar names which have been held for some time in the portfolio, such as

Hunting (oil services), Axon (IT services) and Carter & Carter (support services), contributed to performance very strongly. A recent addition to the fund, Tanfield Group (electric vehicle manufacturer) was notable for its strong share price rise, as was Teesland, which was bid for.

The investment process underlying the fund, as discussed in the last annual report, remains unchanged. The methodology uses a quantitative screen which breaks down the individual stocks in the investible universe and ranks them according to four factors: value, earnings momentum, price momentum and growth. After fundamental research to check the data, the balance sheet and the market environment, the portfolio is constructed around stocks which demonstrate these tilts. This aims to ensure not only that the portfolio is constructed around our underlying philosophy of fast-growing cheap stocks with good newsflow, but also that the portfolio has both growth and value signatures, which academic evidence has demonstrated to be the two long-term drivers of outperformance in the stockmarket. This quantitative approach is the starting point for the stock selection that is the bedrock of the portfolio; it is then overlaid by the fund managers' extensive knowledge of individual companies and their markets, and their own research efforts.

Market Outlook

The stockmarket has been through a significantly risk-seeking period in the last few years, as evidenced by the shrinking of credit spreads and the very strong performance from high-risk assets such as emerging market equities. An occasional retrenchment and reassessment of risk, much as was seen in markets last May and more recently at the end of February 2007, is not unexpected.

There remain potential areas of concern: inflationary pressures, especially wage inflation which has been highly subdued for a long period; the unwinding of the Yen carry trade; US sub-prime lending and any knock-on to the spending patterns of the US consumer.

That said, the growth and inflation forecasts for the UK still paint a very positive picture, company newsflow remains good, corporate activity is ongoing and we are seeing continuing evidence of management desire to invest their cash for growth. Combining this with valuations that remain unstretched, and pockets of the stockmarket where real value is beginning to re-emerge, provides your investment managers with confidence for the outlook.

Georgina Brittain

Mark Davids

Investment Managers

26th March 2007

Income Statement (Unaudited)

for the six months ended 31st January 2007

	(Unaudited) Six months ended 31st January 2007			(Unaudited) Six months ended 31st January 2006			(Audited) Year ended 31st July 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains from investments held at fair value through profit or loss	—	28,056	28,056	—	23,298	23,298	—	29,718	29,718
Income from investments	1,108	—	1,108	776	—	776	2,034	—	2,034
Other interest receivable and similar income	8	—	8	8	—	8	23	—	23
Gross return	1,116	28,056	29,172	784	23,298	24,082	2,057	29,718	31,775
Management fee	(321)	(321)	(642)	(248)	(248)	(496)	(552)	(552)	(1,104)
Other administrative expenses	(172)	—	(172)	(102)	—	(102)	(277)	—	(277)
Net return on ordinary activities before finance costs and taxation	623	27,735	28,358	434	23,050	23,484	1,228	29,166	30,394
Finance costs	(147)	(147)	(294)	(87)	(87)	(174)	(203)	(203)	(406)
Net return on ordinary activities before taxation	476	27,588	28,064	347	22,963	23,310	1,025	28,963	29,988
Taxation	—	—	—	—	—	—	—	—	—
Net return on ordinary activities after taxation	476	27,588	28,064	347	22,963	23,310	1,025	28,963	29,988
Return per share (note 3)	2.09p	120.94p	123.03p	1.47p	97.41p	98.88p	4.37p	123.54p	127.91p

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 of the Company, and the revenue and capital columns represent supplementary information. 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.

The notes on page 7 form part of these accounts.

Reconciliation of Movements in Shareholders' Funds (Unaudited)

for the six months ended 31st January 2007

	Called up Share Capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31st July 2005 (as restated)¹	5,986	18,360	680	68,649	1,078	94,753
Adjustment to opening shareholders' funds at 1st August 2005 to reflect the adoption of bid prices	—	—	—	(1,991)	—	(1,991)
Shares bought back and cancelled	(229)	—	229	(3,546)	—	(3,546)
Total return from ordinary activities	—	—	—	28,963	1,025	29,988
Dividends appropriated in the year	—	—	—	—	(878)	(878)
At 31st July 2006	5,757	18,360	909	92,075	1,225	118,326
Shares bought back and cancelled	(147)	—	147	(2,925)	—	(2,925)
Total return from ordinary activities	—	—	—	27,588	476	28,064
Dividends appropriated in the period	—	—	—	—	(979)	(979)
At 31st January 2007	5,610	18,360	1,056	116,738	722	142,486

The notes on page 7 form part of these accounts.

¹The results for the year ended 31st July 2005 have been restated in accordance with Financial Reporting Standards 21, 25 and 26.

Balance Sheet (Unaudited)

	(Unaudited) 31st January 2007 £'000	(Unaudited) 31st January 2006 £'000	(Audited) 31st July 2006 £'000
Fixed assets			
Investments at fair value through profit or loss	151,056	123,569	125,529
Investments in liquidity funds at fair value through profit or loss	4,210	—	1,518
Total portfolio	155,266	123,569	127,047
Current assets			
Debtors	796	315	676
Cash at bank and in hand	23	17	794
	819	332	1,470
Creditors:			
amounts falling due within one year	(13,599)	(8,347)	(10,191)
Net current liabilities	(12,780)	(8,015)	(8,721)
Total assets less current liabilities	142,486	115,554	118,326
Total net assets	142,486	115,554	118,326
Capital and reserves			
Called up share capital	5,610	5,869	5,757
Share premium	18,360	18,360	18,360
Capital redemption reserve	1,056	797	909
Capital reserve	116,738	89,983	92,075
Revenue reserve	722	545	1,225
Shareholders' funds	142,486	115,554	118,326
Net asset value per share (note 4)	634.9p	492.2p	513.8p
Share price	550.8p	427.8p	440.5p
Discount	13.2%	13.1%	14.3%

The notes on page 7 form part of these accounts.

Cash Flow Statement (Unaudited)

	(Unaudited) Six months ended 31st January 2007 £'000	(Unaudited) Six months ended 31st January 2006 £'000	(Audited) Year ended 31st July 2006 £'000
Net cash inflow from operating activities	322	140	485
Net cash outflow from returns on investments and servicing of finance	(253)	(214)	(347)
Net cash (outflow)/inflow from capital expenditure and financial investment	(536)	1,481	2,614
Dividends paid	(979)	(878)	(878)
Net cash inflow/(outflow) from financing	675	101	(466)
(Decrease)/increase in cash for the period	(771)	630	1,408

The notes on page 7 form part of these accounts.

Notes to the Accounts

1. 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' dated 31st December 2005.

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

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31st July 2006.

2. Dividends

	(Unaudited) Six months ended 31st January 2007 £'000	(Unaudited) Six months ended 31st January 2006 £'000	(Audited) Year ended 31st July 2006 £'000
Final dividend in respect of the year ended 31st July 2006 of 4.25p (2005: 3.75p)	979	878	878

No interim dividend has been declared in respect of the six months ended 31st January 2007 (2006: nil).

3. Return per share

	(Unaudited) Six months ended 31st January 2007 £'000	(Unaudited) Six months ended 31st January 2006 £'000	(Audited) Year ended 31st July 2006 £'000
Return per share is based on the following:			
Revenue return	476	347	1,025
Capital return	27,588	22,963	28,963
Total return	28,064	23,310	29,988
Weighted average number of shares			
in issue	22,810,148	23,573,686	23,445,186
Revenue return per share	2.09p	1.47p	4.37p
Capital return per share	120.94p	97.41p	123.54p
Total return per share	123.03p	98.88p	127.91p

4. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 31st January 2007 of 22,441,186 (31st January 2006: 23,476,186 and 31st July 2006: 23,030,186).

5. Accounts for the year ended 31st July 2006

The figures and financial information for the year ended 31st July 2006 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 237(2) or 237(3) of the Companies Act 1985.

Analysis of the Portfolio

Ten Largest Investments

at 31st January 2007

Company	Sector	Valuation £,000	% ¹
Galliford Try	<i>Industrials</i>	3,460	2.4
Carter & Carter	<i>Industrials</i>	3,109	2.2
Foseco	<i>Industrials</i>	2,923	2.0
Aveva	<i>Technology</i>	2,909	2.0
WSP	<i>Industrials</i>	2,824	2.0
Keller	<i>Industrials</i>	2,808	2.0
DTZ	<i>Financials</i>	2,801	2.0
Axon	<i>Technology</i>	2,793	2.0
Hunting	<i>Oil & Gas</i>	2,704	1.9
Chloride	<i>Industrials</i>	2,637	1.8
Total²		28,968	20.3

¹Based on total assets less current liabilities of £142.5m.

²The value of the top ten largest represents 20.3% (July 2006: 19.6%) of total assets less current liabilities.

Sector Analysis

	Portfolio 31st January 2007 %	Benchmark 31st January 2007 %	Portfolio 31st July 2006 %	Benchmark 31st July 2006 %
Industrials	47.8	31.7	46.6	31.8
Financials	20.8	18.6	24.6	19.0
Consumer Services	15.9	17.1	14.6	18.2
Technology	9.4	12.4	6.9	10.6
Oil & Gas	3.6	1.2	5.9	1.3
Liquidity Funds	3.2	—	1.3	—
Consumer Goods	2.3	6.9	1.7	6.2
Healthcare	2.3	8.0	2.0	7.8
Basic Materials	2.1	2.1	3.5	3.4
Telecommunications	1.6	2.0	0.3	1.7
Net current liabilities	(9.0)	—	(7.4)	—
Total Portfolio	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £142.5m (July 2006: £118.3m).

Information about the Company

Financial Calendar

Financial year end	31st July
Interim results announced	March
Final results announced	September
Dividend on ordinary shares paid	December
Annual General Meeting	November/December

History

The Company was formed in June 1990 as River & Mercantile Smaller Companies Trust plc and raised £25 million by a public offer of shares. Its original policy was to invest in a diversified portfolio of investments in UK and foreign smaller companies. In April 1996, the Company changed its name to The Fleming Smaller Companies Investment Trust plc, and then again in November 2002 to JPMorgan Fleming Smaller Companies Investment Trust plc. It adopted its present name in November 2006.

Directors

Strone Macpherson (*Chairman*)
Ivo Coulson
Richard Fitzalan Howard
Michael Quicke

Company Numbers/Codes

Company registration number: 2515996
London Stock Exchange code: 0741600
Bloomberg Code: JMI LN
Reuters Code: JMI.L

Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's shares are listed daily on the London Stock Exchange. The market price of the shares is shown daily in The Daily Telegraph, Financial Times, The Herald, The Independent and on the JPMorgan Internet site at www.jpmsmallercompanies.com, where the share price is updated every fifteen minutes during trading hours.

Share Transactions

The shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the Investment Trust Share Plan, Individual Savings Account (ISA) and Personal Equity Plan (PEP).

Website

www.jpmsmallercompanies.com

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ

For company secretarial and administrative matters, please contact Lucy Dina at the above address, or telephone 020 7742 6000.

Registrars

Lloyds TSB Registrars

Reference 1139, The Causeway, Worthing, West Sussex, BN99 6DA. Tel: 0870 600 3984.

Notifications of changes of address and enquiries regarding certificates or dividend cheques should be made in writing to the Registrar quoting reference 1139.

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

Auditors

Deloitte & Touche LLP, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Brokers

Dresdner Kleinwort, 30 Gresham Street, London EC2V 7PG.

Savings Product Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details overleaf.

JPMorgan Helpline

Freephone 0800 40 30 30 or 020 7742 9999

9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 413 176 or 01722 414 888

9.00 am to 5.00 pm Monday to Friday

Please use this service if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security.

www.jpmsmallercompanies.com