

THE EUROPEAN SMALLER COMPANIES TRUST PLC

Report for the half-year ended 31 December 2023 *(unaudited)*

THE EUROPEAN SMALLER COMPANIES TRUST PLC**Unaudited results for the half-year ended 31 December 2023****INVESTMENT OBJECTIVE**

The Company seeks capital growth by investing in smaller and medium sized companies which are quoted, domiciled, listed or have operations in Europe (ex UK).

PERFORMANCE

Total return performance (including dividends reinvested and excluding transaction costs)

	6 months	1 year	3 years	5 years	10 years
	%	%	%	%	%
NAV ¹	4.7	11.6	14.8	91.6	201.9
Benchmark index ²	7.1	11.1	8.0	54.9	136.4
Average sector ³ NAV	2.9	7.3	-0.7	60.5	152.1
Share price ⁴	8.6	14.0	10.4	93.1	199.0
Average sector ³ share price	5.2	7.2	-5.2	60.3	146.3

Financial highlights**Shareholders' funds****at 31 December 2023****at 30 June 2023**

Net assets (£'000)	757,776	738,642
Net asset value per ordinary share	189.29p	184.26p
Discount ⁵	13.6%	16.4%
Share price	163.50p	154.00p
Gearing	13.1%	13.1%

**Half-year ended
31 December 2023
£'000****Year ended
30 June 2023
£'000****Total return to equity shareholders**

Revenue return after taxation	4,752	20,927
Capital return after taxation	28,150	83,454

Total return

	32,902	104,381
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Total return per ordinary share

Revenue	1.19p	5.22p
Capital	7.02p	20.82p

Total return per ordinary share

	8.21p	26.04p
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1. Net asset value ('NAV') per ordinary share total return
2. Euromoney Smaller European Companies ex UK Index up to 30 June 2022, thereafter the MSCI Europe ex UK Small Cap Index
3. The sector is the Association of Investment Companies ('AIC') European Smaller Companies
4. Share price total return using closing price
5. The discount is calculated using the net assets at 31 December 2023 and the share price

Sources: Morningstar Direct, Janus Henderson Investors

INTERIM MANAGEMENT REPORT

Chairman's Statement Performance

The European economy has proved to be far more resilient than the bears had feared, though there has been a wide dispersion between the various economies. Curiously, we have seen an inversion of the economic narrative on the continent, with peripheral countries such as Portugal, Ireland and Greece delivering strong performances, while core economies such as Germany and France have struggled, even as gas prices have stabilised. It now seems apparent that inflation has been somewhat brought under control and that the interest rate cycle has peaked, which should allow the pressure on the core economies to alleviate. This in turn should help the stock market begin to rerate from very cheap levels and provide the opportunity for the value in the portfolio to be recognised.

NAV total return performance for the six months to 31 December 2023 was 4.7%, behind our benchmark of 7.1%. This was driven by our higher exposure to smaller capitalised companies in comparison to our immediate competitors, a cyclical bias in the portfolio and some poor stock selection. The share price total return, however, was considerably stronger than NAV growth with an increase of 8.6%, against the AIC European Smaller Companies sector of 5.2%.

Discount management

The Board continuously monitors the level of the discount and evaluates the appropriateness of buying back shares when we believe this is not indicative of the sector. The end of the summer break saw nearly all investment trusts step to wider discounts, with the average across the sector reaching -19%. However, as interest rate expectations turned in November, sentiment rapidly improved towards the close of the year, particularly for trusts with a small cap exposure. We consider the principal driver for this narrowing to be the European smaller companies sector coming back into favour as economic prospects begin to brighten.

Over the six months to 31 December 2023, the Company's shares traded in a range of -12.9% to -17.9%, averaging 14.5% and narrowing to 13.6% at the end of the period. In conjunction with your fund management team, we decided to repurchase 545,988 shares in the Company during the period at an average price of £1.40. The Board takes the discount of the Company's shares compared to its NAV seriously and we consider share repurchases at wide discounts to be part of a sensible balance when allocating capital and creating value for our shareholders.

Interim dividend

The Board is pleased to declare an interim dividend of 1.45p (2022: 1.45p) per ordinary share for the year ending 30 June 2024. This will be paid on 3 May 2024 to shareholders on the register at 5 April 2024.

We remain confident that the Company will be able to deliver a healthy dividend as the underlying portfolio companies continue to generate steady cash flows. We may, however, not achieve the significant growth of recent years, particularly if the economy improves, as it is likely to lead our fund management team placing greater emphasis on capital growth.

Outlook

European smaller companies have rarely traded as cheaply as they currently do. Investors have shunned the space as concerns about an impending recession, that has yet to materialise, have dominated the attractive valuations. Performance over the period has reflected our bias towards investing in smaller capitalised companies, meaning we have not benefitted from the recent returns delivered by the mid-cap space. However, the Board is confident that the growing optimism will reach the smaller companies sector in due course.

Whilst energy prices remain elevated in Europe, falling interest rates and increasing consumer optimism should help drive stock markets. We remain of the view that we are unlikely to go back to the negative/zero interest rate era that we left after the pandemic, but we do see scope for interest rates to drop meaningfully. European smaller companies are first and foremost a derivative of global growth and the remarkable performance of the US is encouraging from that perspective, though we keep a wary eye on the struggling Chinese economy as it wrestles with a bursting property bubble.

We believe your fund management team has an abundance of very attractively priced investment opportunities at their disposal and are diligently pursuing the best ones to deliver returns for our shareholders.

Christopher Casey
Chairman
26 February 2024

Fund Manager's Report

The beginning half of the financial year ending 30 June 2024 has seen the Company underperform its benchmark by 2.4%. This was due to a combination of reasons. First, our size bias to smaller companies continued to be a detractor. Second, the portfolio had notable positions in the consumer discretionary and industrials sectors, while the market continued to worry about a recession that has yet to come. As these sectors are traditionally vulnerable in a recession, their prices were suppressed by the market. These two factors were exacerbated by some poor stock selection.

It has been an unusual period, with US, UK and European stock markets being driven by a small number of large cap companies. The US has 'The Magnificent Seven', the seven tech stocks that have dominated index performance. In Europe, we have large-cap names such as GLP-1 producer Novo Nordisk, semiconductor equipment titan ASML and luxury goods behemoth LVMH. We think the focus on these companies partly reflects a search for safety in liquid names and is partly motivated by a thematic focus on obesity drugs, Artificial Intelligence and luxury goods. We expect the performance of stock markets to broaden in due course.

Sector positioning has been a frustration as the economy has been more robust than stock markets feared. However, we have experienced stock-specific challenges too. Dutch listed conglomerate **TKH** suffered from buyers destocking in its Smart Vision (machine vision technology) and Smart Connectivity (on- and offshore energy cables) divisions. Italian listed stator and rotor manufacturer **Eurogroup Laminations** was confronted by surprisingly lacklustre electric vehicle numbers, its main market.

Similarly impacted by the poor performance of electric vehicles was Dutch listed specialty minerals producer **AMG**, which suffered persistent earnings downgrades due to the collapse in the lithium price, tightly linked to electric vehicle sales. A further challenge came from an unexpected and highly dilutive rights issue from **ams OSRAM**, the Swiss listed semiconductor producer, forced by a stretched balance sheet.

Positive contributors to performance include Italian listed electronic component producer, **SAES Getters**, which sold its medical division for more than the market capitalisation of the company. Also positive was **Gaztransport et Technigaz**, a producer of Liquefied Natural Gas ('LNG') container vessel liner systems. The company has taken large order volumes for its technology as the world is increasingly reliant on LNG to keep the lights on. Further support for performance came from **Alleima**, the specialty steel producer that was spun out of Sandvik Materials Technology at an attractive valuation and has benefited from its exposure to the medical and oil & gas sectors.

We opened a new position in **Eckert & Ziegler**, the German listed producer of radioactive isotopes that we believe will benefit from the growth in nuclear medicine. We also opened a position in French listed semiconductor producer **S.O.I.T.E.C.**, in anticipation of renewed demand for new smartphones. We added Norwegian specialty chemical producer **Borregaard** as we think it has been too harshly derated on expectations of a recession. We also added Greek challenger bank **Optima** as it continues to take share in the Greek banking market.

We exited our positions in Italian truck producer **IVECO** taking profit as we have short-term concerns about the shape of the global truck cycle. We sold our position in French financial advisor **Rothschild & Co.** as the family took the company private. We also exited our position in Dutch listed food equipment producer **Marel** over governance concerns.

As we look into 2024, the inflation beast looks largely slain and we anticipate interest rates will fall over the course of the year, though we do not think we are returning to a world of zero inflation and zero rates. The European economy has been remarkably resilient in light of the challenges of the energy shock, the supply chain shock, the inflation shock and the resulting monetary policy responses. However, European smaller companies are still trading at extremely low valuation multiples. While we rarely struggle to find investment ideas at attractive valuations, we are currently spoilt for choice which makes for a very exciting environment. As sentiment begins to improve, we are focused on finding the best investment ideas to grow the value of your capital.

Ollie Beckett, Rory Stokes and Julia Scheufler
26 February 2024

Sector exposure (*% of portfolio excluding cash*)

	at 31 December 2023	at 30 June 2023
	%	%
Industrials	33.4	38.6
Consumer Discretionary	20.7	20.9
Technology	12.8	11.6
Financials	12.2	13.0
Basic Materials	5.0	3.2
Utilities	3.7	3.1
Real Estate	3.6	2.3
Health Care	3.1	3.1
Consumer Staples	2.5	2.0
Energy	2.1	1.7
Telecommunications	0.9	0.5
	100.0	100.0

Geographical exposure (*% of portfolio excluding cash*)

	at 31 December 2023	at 30 June 2023
	%	%
Germany	19.4	17.4
France	12.8	14.6
Netherlands	10.8	11.9
Sweden	10.7	10.0
Switzerland	8.7	8.1
Italy	7.2	10.3
Spain	5.7	5.4
Belgium	5.7	4.2
Greece	3.0	3.2
Norway	2.9	2.3
Finland	2.6	3.0
Ireland	2.5	2.5
Denmark	2.4	2.8
Austria	2.3	2.0
Portugal	2.3	1.3
Malta	1.0	1.0
	100.0	100.0

Top 40 investments at 31 December 2023

Rank	Company	Sector	Geographical area	Valuation £'000	Percentage of portfolio
1	Van Lanschot Kempen	Financials	Netherlands	25,879	3.0
2	TKH	Industrials	Netherlands	25,229	3.0
3	u-blox	Technology	Switzerland	16,463	1.9
4	KSB	Industrials	Germany	16,134	1.9
5	DFDS	Industrials	Denmark	15,494	1.8
6	Ipsos	Consumer Discretionary	France	14,557	1.7
7	Fugro	Industrials	Netherlands	13,897	1.6
8	Stroeer	Consumer Discretionary	Germany	13,832	1.6
9	eDreams ODIGEO	Consumer Discretionary	Spain	13,382	1.6
10	Nordnet	Financials	Sweden	13,151	1.5
10 largest				168,018	19.6
11	Mersen	Industrials	France	12,139	1.4
12	BFF Bank	Financials	Italy	11,912	1.4
13	Suess MicroTec	Technology	Germany	11,661	1.4
14	Nexans	Industrials	France	11,221	1.3
15	Daetwyler	Industrials	Switzerland	11,154	1.3
16	Gaztransport et Technigaz	Energy	France	10,955	1.3
17	Trigano	Consumer Discretionary	France	9,898	1.2
18	Criteo	Technology	France	9,801	1.1
19	Deme	Industrials	Belgium	9,776	1.1
20	Andritz	Industrials	Austria	9,768	1.1
20 largest				276,303	32.2
21	Dermapharm	Health Care	Germany	9,750	1.1
22	ALSO	Technology	Switzerland	9,694	1.1
23	Credito Emiliano	Financials	Italy	9,654	1.1
24	Recticel	Industrials	Belgium	9,561	1.1
25	Dalata Hotel	Consumer Discretionary	Ireland	9,530	1.1
26	Renewi	Utilities	Netherlands	9,517	1.1
27	SAES Getters	Industrials	Italy	9,440	1.1
28	PVA TePla	Technology	Germany	9,205	1.1
29	Kaufman & Broad	Consumer Discretionary	France	9,060	1.1
30	Acerinox	Basic Materials	Spain	8,922	1.1
30 largest				370,636	43.2
31	Greenergy Renovables	Utilities	Spain	8,915	1.0
32	Mytilineos	Industrials	Greece	8,825	1.0
33	Quadient	Technology	France	8,752	1.0
34	Kindred	Consumer Discretionary	Malta	8,625	1.0
35	Alimak	Industrials	Sweden	8,392	1.0
36	Grupo Catalana Occidente	Financials	Spain	8,083	1.0
37	Munters	Industrials	Sweden	8,009	1.0
38	ams OSRAM	Technology	Austria	7,956	0.9
39	Modern Times	Consumer Discretionary	Sweden	7,637	0.9
40	VGP	Real Estate	Belgium	7,573	0.9
40 largest				453,403	52.9

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are:

Investment strategy and objective

The investment objective or policy is not appropriate in the prevailing market or sought by investors, leading to a wide discount and hostile shareholders.

Operational

Failure of, disruption to or inadequate service levels provided by principal third-party service providers leading to a loss of shareholder value or reputational damage. This includes cyber security risks which may compromise the integrity of data and the effective operation of third-party service providers.

Legal and regulatory

Loss of investment trust status, breach of the Companies Act 2006, Listing Rules, Prospectus and/or Disclosure Guidance and Transparency Rules or the Alternative Fund Managers Directive and/or legal action brought against the Company and/or directors and/or the investment manager leading to a decrease in shareholder value and reputational damage.

Financial

Market, liquidity and/or credit risk, inappropriate valuation of assets or poor capital management leading to a loss of shareholder value.

Information on these risks and how they are managed is given in the Annual Report 2023. In the view of the Board, these principal risks and the uncertainties facing the Company remained largely unchanged over the six months under review. The Board anticipates that these principal risks will remain applicable to the remaining six months of the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each director (as set out in note 15) confirms, to the best of their knowledge, that:

- the condensed set of financial statements has been prepared in accordance with UK adopted International Accounting Standards and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by Disclosure and Transparency Rule ('DTR') 4.2.4 R;
- the interim management report includes a fair review of the information required:
 - by DTR 4.2.7 R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and
 - by DTR 4.2.8 R (disclosure of related party transactions and changes therein).

On behalf of the Board
Christopher Casey
Chairman
26 February 2024

STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 31 December 2023 (unaudited)			Half-year ended 31 December 2022 (unaudited)			Year ended 30 June 2023 (audited)		
	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
Investment income	6,444	-	6,444	6,746	-	6,746	25,054	-	25,054
Other income	11	-	11	1	-	1	9	-	9
Gains on investments held at fair value through profit or loss	-	31,881	31,881	-	61,176	61,176	-	96,206	96,206
Total income	6,455	31,881	38,336	6,747	61,176	67,923	25,063	96,206	121,269
Expenses									
Management and performance fees (note 7)	(400)	(1,602)	(2,002)	(362)	(7,666)	(8,028)	(776)	(10,284)	(11,060)
Other operating expenses	(402)	-	(402)	(322)	-	(322)	(760)	-	(760)
Profit before finance costs and taxation	5,653	30,279	35,932	6,063	53,510	59,573	23,527	85,922	109,449
Finance costs	(531)	(2,129)	(2,660)	(154)	(625)	(779)	(595)	(2,382)	(2,977)
Profit before taxation	5,122	28,150	33,272	5,909	52,885	58,794	22,932	83,540	106,472
Taxation	(370)	-	(370)	(102)	(86)	(188)	(2,005)	(86)	(2,091)
Profit for the period and total comprehensive income	4,752	28,150	32,902	5,807	52,799	58,606	20,927	83,454	104,381
Return per ordinary share – basic and diluted (note 2)	1.19p	7.02p	8.21p	1.45p	13.17p	14.62p	5.22p	20.82p	26.04p

The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with UK adopted International Accounting Standards. The revenue and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. All income is attributable to the equity holders of the Company.

The Company does not have any other comprehensive income and hence the net profit for the period as disclosed above is the same as the Company's total comprehensive income.

The accompanying notes are an integral part of the condensed financial statements.

STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2023 (unaudited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 July 2023	6,264	120,364	13,964	564,880	33,170	738,642
Total comprehensive income:						
Profit for period	-	-	-	28,150	4,752	32,902
Transaction with owners recorded directly to equity:						
Buy-back of shares for cancellation (note 3)	(9)	-	9	(758)	-	(758)
Ordinary dividends paid	-	-	-	-	(13,010)	(13,010)
Total equity at 31 December 2023	6,255	120,364	13,973	592,272	24,912	757,776

Half-year ended 31 December 2022 (unaudited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 July 2022	6,264	120,364	13,964	481,409	30,463	652,464
Total comprehensive income:						
Profit for the period	-	-	-	52,799	5,807	58,606
Transactions with owners recorded directly to equity:						
Costs relating to subdivision of shares	-	-	-	17	-	17
Ordinary dividends paid	-	-	-	-	(12,408)	(12,408)
Total equity at 31 December 2022	6,264	120,364	13,964	534,225	23,862	698,679

Year ended 30 June 2023 (audited)	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Total equity at 1 July 2022	6,264	120,364	13,964	481,409	30,463	652,464
Total comprehensive income:						
Profit for the year	-	-	-	83,454	20,927	104,381
Costs relating to sub-division of shares	-	-	-	17	-	17
Transactions with owners recorded directly to equity:						
Ordinary dividends paid	-	-	-	-	(18,220)	(18,220)
Total equity at 30 June 2023	6,264	120,364	13,964	564,880	33,170	738,642

The accompanying notes are an integral part of these condensed financial statements.

BALANCE SHEET

	At 31 December 2023 (unaudited) £'000	At 31 December 2022 (unaudited) £'000	At 30 June 2023 (audited) £'000
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Non-current assets

Investments held at fair value through profit or loss	857,284	775,230	835,744
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Current assets

Receivables	4,258	3,481	7,323
Cash and cash equivalents	265	-	2
	4,523	3,481	7,325

Total assets

	861,807	778,711	843,069
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Current liabilities

Payables	(3,319)	(8,608)	(10,411)
Bank overdrafts	(100,712)	(71,424)	(94,016)
	(104,031)	(80,032)	(104,427)

Net assets

	757,776	698,679	738,642
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Equity attributable to equity shareholders

Called-up share capital (note 3)	6,255	6,264	6,264
Share premium account	120,364	120,364	120,364
Capital redemption reserve	13,973	13,964	13,964
Retained earnings:			
Other capital reserves	592,272	534,225	564,880
Revenue reserve	24,912	23,862	33,170
	757,776	698,679	738,642
Net asset value per ordinary share – basic and diluted (note 4)	189.29p	174.29p	184.26p

The accompanying notes are an integral part of these condensed financial statements.

CASH FLOW STATEMENT

	Half-year ended 31 December 2023 (unaudited) £'000	Half-year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Operating activities			
Profit before taxation	33,272	58,794	106,472
Add back: interest payable	2,661	779	2,977
Add back: gains on investments held at fair value through profit or loss	(31,881)	(61,176)	(96,206)
Sales of investments held at fair value through profit or loss	148,244	123,771	274,632
Purchases of investments held at fair value through profit or loss	(137,180)	(110,848)	(290,536)
Withholding tax on dividends deducted at source	(500)	(218)	(3,510)
Decrease/(increase) in prepayments and accrued income	1,228	496	(881)
Decrease in amounts due from brokers	2,023	3,133	1,215
Decrease in accruals and deferred income	(7,107)	(1,564)	(451)
Decrease in amounts due to brokers	(69)	(966)	(636)
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Net cash inflow/(outflow) from operating activities before interest and taxation	10,691	12,201	(6,924)
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Interest paid	(2,577)	(779)	(2,618)
Taxation (paid)/recovered	(56)	(94)	749
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Net cash inflow/(outflow) from operating activities	8,058	11,328	(8,793)
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Financing activities			
Equity dividends paid (net of refund of unclaimed dividends)	(13,010)	(12,408)	(18,220)
Share buy-backs	(758)	-	-
Net drawdown of bank overdraft	5,973	1,069	27,004
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Net cash (outflow)/inflow from financing	(7,795)	(11,339)	8,784
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Increase/(decrease) in cash and cash equivalents	263	(11)	(9)
Cash and cash equivalents at the start of the period	2	11	11
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Cash and cash equivalents at the period end	265	-	2
	=====	=====	=====

The accompanying notes are an integral part of these condensed financial statements.

Notes to the condensed financial statements

1. Accounting policies

a) Basis of preparation

The condensed financial statements comprise the unaudited results of the Company for the half-year ended 31 December 2023. They have been prepared on a going concern basis and in accordance with UK adopted International Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP'), issued in July 2022 where the SORP is consistent with the requirements of UK adopted International Accounting Standards.

For the period under review, the Company's accounting policies have not varied from those described in the annual report for the year ended 30 June 2023. These financial statements have not been audited or reviewed by the Company's auditors.

2. Return per ordinary share

The return per ordinary share is based on the profit for the half-year of £32,902,000 (half-year ended 31 December 2022: profit of £58,606,000; year ended 30 June 2023: profit of £104,381,000) and on 400,667,457 ordinary shares (half-year ended 31 December 2022 and year ended 30 June 2023: 400,867,176), being the weighted average number of ordinary shares in issue during the period.

The return per ordinary share detailed above can be further analysed between revenue and capital, as below.

	Half-year ended 31 December 2023 (unaudited) £'000	Half-year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Net revenue profit	4,752	5,807	20,927
Net capital profit	28,150	52,799	83,454
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Net profit	32,902	58,606	104,381
	=====	=====	=====
Weighted average number of ordinary shares in issue during the period	400,667,457	400,867,176	400,867,176

	Half-year ended 31 December 2023 (unaudited) Pence	Half-year ended 31 December 2022 (unaudited) pence	Year ended 30 June 2023 (audited) pence
Revenue return per ordinary share	1.19	1.45	5.22
Capital return per ordinary share	7.02	13.17	20.82
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Total return per ordinary share	8.21	14.62	26.04
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3. Share capital

At 31 December 2023 there were 400,321,188 ordinary shares in issue (31 December 2022 and 30 June 2023: 400,867,176).

During the half-year ended 31 December 2023, the Company repurchased 545,988 ordinary shares for cancellation, at a total cost of £758,000 (31 December 2022 and 30 June 2023: nil). No ordinary shares were issued (31 December 2022 and 30 June 2023: same).

4. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £757,776,000 (31 December 2022: £698,679,000; 30 June 2023: £738,642,000) and on 400,321,188 ordinary shares (31 December 2022 and 30 June 2023: 400,867,176), being the number of ordinary shares in issue at the period end.

5. Dividends

The Company has declared an interim dividend of 1.45p per ordinary share (31 December 2022: 1.45p) payable 3 May 2024 to members on the register as at 5 April 2024. The shares will trade ex-dividend on 4 April 2024.

A final dividend of 3.25p per ordinary share was paid on 1 December 2023 from the Company's revenue account in respect of the year ended 30 June 2023.

6. Transaction costs

Purchase transaction costs for the half-year ended 31 December 2023 were £130,000 (half-year ended 31 December 2022: £98,000; year ended 30 June 2023: £229,000). These comprise mainly stamp duty and commission. Sales transaction costs for the half-year ended 31 December 2023 were £69,000 (half-year ended 31 December 2022: £48,000; year ended 30 June 2023: £114,000).

7. Management and performance fees

The base management fee payable to the Manager is 0.55% of net assets up to £800m, reducing to 0.45% thereafter. Fees are charged quarterly in arrears.

The investment manager may also be eligible to receive a performance-related fee. In order to determine whether a performance fee is payable, performance is measured against, and expressed relative to, the benchmark, the MSCI Europe ex UK Small Cap Index expressed in Sterling. Performance of both the Company and the benchmark is measured on a NAV total return (with gross income reinvested) basis and is measured over three years. For the purpose of the performance fee calculation, performance prior to 1 July 2022 is based on the Company's former benchmark, the Euromoney Smaller European Companies (ex UK) Index expressed in sterling.

In any given year in which a performance fee is payable, the performance fee rate is 15% of the positive difference between the average annual NAV total return and the average annual total return of the benchmark. The upper limit on the total fee, including the base fee and any performance fee, for any given accounting year is 2.0% of the Company's NAV as at the last day of the relevant calculation period. A performance fee hurdle over the benchmark of 1.0% has to be reached before any performance fee can be earned. For clarity, performance is measured solely on the basis of NAV total return relative to the total return of the benchmark index; no account is taken of whether the NAV grows or shrinks in absolute terms. Any performance fee payable is allocated to capital.

No performance fee has been accrued as at 31 December 2023 (31 December 2022: £6,220,000; 30 June 2023: £7,180,000).

8. Financial instruments

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset or liability. The different levels are defined as follows:

Level 1: valued using quoted prices in active markets for identical assets;

Level 2: valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1; and

Level 3: valued by reference to valuation techniques that are not based on observable market data.

Financial assets and financial liabilities at fair value through profit or loss at 31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit or loss	857,284	-	-	857,284
	-----	-----	-----	-----
Total financial assets and liabilities carried at fair value	857,284	-	-	857,284
	=====	=====	=====	=====

There were no transfers between levels of fair value hierarchy during the period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or through a change in circumstances that caused the transfer.

9. Going concern

Having reassessed the principal risks and uncertainties, the directors consider that it is appropriate to continue to adopt the going concern basis of preparation and confirm that there are no material uncertainties of which they are aware. The assets of the Company consist mainly of securities, most of which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

10. Related party transactions

The Company's transactions with related parties in the period were with the directors and the investment manager. There were no material transactions between the Company and its directors during the period and the only amounts paid to the directors were in respect of expenses and remuneration for which there were no outstanding amounts payable at the period end. In relation to the provision of services by the investment manager, other than fees payable

by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there were no material transactions with the investment manager affecting the financial position of the Company during the period under review.

11. Comparative information

The financial information contained in this half-year report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half-years ended 31 December 2023 and 31 December 2022 has not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 30 June 2023 are an extract based on the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

12. Website

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, announcements, reports and details of general meetings can be found at www.europeansmallercompaniestrust.com

13. Half-year report

The Company's half-year report is available on the Company's website. An update extracted from the Company's report for the half-year ended 31 December 2023 will be posted to shareholders in March 2024 and will be available on the website thereafter.

14. Company status

The European Smaller Companies Trust PLC is registered in England and Wales, No. 2520734, has its registered office at 201 Bishopsgate, London EC2M 3AE and is listed on the London Stock Exchange.

SEDOL/ISIN: BMCF868/GB00BMCF8689

London Stock Exchange (TIDM) code: ESCT

Global Intermediary Identification Number (GIIN): JX9KYH.99999.SL.826

Legal Entity Identifier (LEI): 213800N1B1HCQG2W4V90

15. Directors and Secretary

At the date of this report, the directors of the Company are Christopher Casey (Chairman), Daniel Burgess (Chairman of the Audit Committee), Ann Grevelius, Simona Heidempergher (Senior Independent Director) and James Williams. The Corporate Secretary is Janus Henderson Secretarial Services UK Limited.

For further information please contact:

Ollie Beckett, Fund Manager
The European Smaller Companies Trust PLC
Telephone: 020 7818 4331

Harriet Hall, PR Manager
Janus Henderson Investors
Telephone: 020 7818 2919

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) are incorporated into, or form part of, this announcement.