

THE EUROPEAN SMALLER COMPANIES TRUST PLC

Report for the half-year ended 31 December 2021 *(unaudited)*

THE EUROPEAN SMALLER COMPANIES TRUST PLC

(formerly TR European Growth Trust PLC)

Unaudited results for the half-year ended 31 December 2021

This announcement contains regulated information

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	-1.4	17.6	96.3	97.1	447.2
Benchmark index ²	4.1	15.4	65.5	78.1	306.1
Average sector ³ NAV	8.1	21.3	96.1	116.3	405.0
Share price ⁴	-2.4	13.4	98.4	104.8	532.0
Average sector ³ share price	11.0	21.3	106.9	141.8	477.9

Financial highlights

At 31 December 2021

At 30 June 2021

Shareholders' funds

Net assets (£'000)	820,546	840,667
Net asset value per ordinary share	204.69p	209.71p*
Discount ⁵	13.3%	11.5%
Mid-market price per ordinary share	177.50p	185.63p*
Gearing	10.5%	11.0%

**Half-year ended
31 December 2021
£'000**

**Year ended
30 June 2021
£'000**

Total return to equity shareholders

Revenue return after taxation	6,204	10,390
Capital return after taxation	(17,879)	318,127

Total return

(11,675)	328,517
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Total return per ordinary share

Revenue	1.55p	2.59p*
Capital	(4.46p)	79.36p*

Total return per ordinary share

(2.91p)	81.95p*
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* Comparative figures for the period ended 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.

1. Net asset value per ordinary share total return
2. The benchmark index is the Euromoney Smaller European Companies (ex UK) Index expressed in Sterling
3. The sector is the AIC European Smaller Companies sector
4. Share price total return using mid-market closing price
5. The discount is calculated using the net assets at 31 December 2021 and the mid-market share price

Sources: Janus Henderson, Morningstar Direct, Refinitiv Datastream

INTERIM MANAGEMENT REPORT

Chairman's statement

Performance

The six-months to 31 December 2021 was a disappointing one for the Company. The NAV total return performance was negative 1.4%, which underperformed the benchmark by 5.5%. The share price finished the period at 177.50p having started at 185.63p*.

Underperformance has been driven by a combination of an unfavourable prevailing trend of 'growth at any price' stocks leading the market and some stock specific issues. Despite inflation showing itself to be more than transitory, the equity market took the view that interest rates would stay low for a persistent period of time and the very expensive growth stocks experienced a significant rally as a result. Our Fund Manager's valuation discipline and more balanced style were not favoured by this trend over the period.

Dividend

The Board is pleased to declare an interim dividend of 1.25p per ordinary share for the year ending 30 June 2022. Taking account of the share split, this is a 22% increase on the interim dividend paid last year (31 December 2020: 1.025p*). The interim dividend will be paid on 29 April 2022 to shareholders on the register on 1 April 2022, with shares trading ex-dividend on 31 March 2022.

Share split, name and ticker change

I am pleased to report that the key strategic initiatives outlined in my statement in the Annual Report 2021 have now been completed. These included the name change to The European Smaller Companies Trust PLC and an 8 for 1 share split. Along with the revised management fee, which was implemented last year, the Board believes these changes will better position the Company in attracting retail shareholders to the register.

Outlook

As events unfold in Ukraine, we are all very concerned at the humanitarian cost of the conflict which is escalating at an alarming rate as I write this statement. It is too early to predict the geopolitical impact which is dependent upon Russian ambition and the West's resolve to resist – and resistance will come at a high cost. These circumstances have given rise to market volatility from which your Company is not immune. The Company's funds are invested in a balanced portfolio which is the best positioning for these uncertain times and the fund management team are absolutely focussed on manoeuvring that balance to best advantage as visibility clears.

The pandemic has seen further variants emerge over 2021, culminating with the highly infectious Omicron variant towards the end of the year, which, thankfully, seems to be somewhat milder. No doubt, further variants will emerge in the years to come, however, the developed world now has a population that is overwhelmingly vaccinated and relatively well disposed to coping with further waves of infection. The unwinding of monetary and fiscal stimulus will have to be done delicately by policy makers who will need to navigate the balance of rising inflation and the risk of a recession. As the worst of the global pandemic passes, we expect to see an easing of supply chain disruptions that hindered 2021 and the global economy should be able to deliver decent growth. I remain confident that our fund management team has been able to find a good number of undervalued opportunities in the European smaller companies market in which to deploy your capital.

Christopher Casey
Chairman
28 February 2022

**Taking account of the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.*

Fund Manager's report

The first half of the financial year ending 30 June 2022, saw the Company underperform the benchmark in a market led by very expensive growth stocks in contrast to our balanced portfolio comprised of sensibly priced growth, value and self-help stocks. The underperformance was exacerbated by the unwinding of share price performance in some stocks perceived as 'Covid Winners', some poor decision making around certain Initial Public Offerings ('IPOs') and some unhelpful events in other holdings.

The biggest drag on the portfolio in the period was German online furniture and interior décor retailer **Westwing**, which had been a substantial contributor to the portfolio in the previous year. The stock was perceived as being a 'Covid Winner' and sold off along with many other such names despite delivering strong organic growth in 2021. Another 'Covid Winner' that suffered was Swedish game developer **Stillfront**, that was further punished for a profit warning driven by the changes in Apple's policies aimed at enhancing user privacy disrupting the online customer acquisition model of mobile gaming companies.

The IPO market has historically been a good source of return for the Company, unfortunately this was not the case in the six months ending 31 December 2021. There were a huge number of IPOs that drove market indigestion and too many of the names we invested in failed to deliver on the expectations that they had set. German energy infrastructure contractor **Friedrich Vorwerk** came to market with many promises of orders to drive the energy transition, but they have proved slow to arrive. German omnichannel eyewear retailer **Mister Spex** contrived to deliver two profit warnings within six months of listing, acting as a reminder that investment bankers, greedy management teams and ruthless private equity vendors need treating with extreme caution. It is a source of pain to us that we need to relearn these lessons.

Swedish listed online gambling company **Kindred** was hit hard as they had to temporarily close their very profitable Dutch business as they transition to being a regulated player in that market.

The positive contributors to the portfolio largely came from stock specific stories. German lender **Aareal Bank** received an inadequate takeover offer which nonetheless boosted the price of this very undervalued bank and technology company. Norwegian owner of liquified natural gas ('LNG') container vessels **FLEX LNG** benefited from the rising gas price boosting the rates for LNG container vessels. Spanish online travel retailer **eDreams ODIGEO** was boosted by the reopening of global economies and successfully taking market share.

We opened a new position in Spanish stainless-steel producer **Acerinox** where we expect the higher prices and economy reopening to unlock the significant undervaluation of the stock. We opened a position in German automotive supplier **Norma** when it suffered a significant sell off after warning on supply chain issues that we anticipate clearing over the course of 2022. We invested in UK listed **Renewi**, which has 90% of its business in the Netherlands, performing waste management and recycling services that should continue to be boosted by economic recovery.

We exited positions in German semiconductor equipment manufacturer **PVA** and Irish healthcare business **Uniphar** as the valuations had become stretched after a very strong share price performance. We also exited our position in Swedish public transportation provider **Nobina**, that received a takeover approach. This bid, and the one for **Aareal Bank**, are a reminder that private equity and trade buyers retain the need to pay sensible prices that can deliver the returns they demand.

As we head into 2022, there are clear geopolitical tensions that pose risks for the markets. Russian aggression towards Ukraine demonstrates a genuine challenge to the post Cold War world we have lived in for the last three decades. This escalation could cause economic pain. Other permanent changes seem to have arrived with the early stages of the end of the pandemic. There is a post global financial crisis normalisation to occur typified by an environment with higher interest rates. As a result, we anticipate the market will begin to consider valuations more carefully. While we are keen to invest in companies that can grow, we will retain the valuation disciplines that we have always applied when deploying your capital. We anticipate the market will recognise the positive attributes of these companies as the global economy recovers.

Ollie Beckett, Rory Stokes and Julia Scheufler
28 February 2022

Sector exposure (*% of portfolio excluding cash*)

	at 31 December 2021	at 30 June 2021
	%	%
Industrials	36.9	33.3
Consumer Discretionary	23.5	25.1
Financials	12.8	12.5
Technology	9.9	11.4
Utilities	4.4	4.4
Energy	2.9	2.4
Consumer Staples	2.8	4.0
Health Care	2.8	3.4
Telecommunications	1.4	1.3
Real Estate	1.4	1.1
Basic Materials	1.2	1.1
	100.0	100.0

Geographical exposure (*% of portfolio excluding cash*)

	at 31 December 2021	at 30 June 2021
	%	%
Austria	0.9	0.9
Belgium	6.4	4.9
Denmark	2.5	2.5
Finland	3.9	3.7
France	13.9	12.1
Germany	21.0	24.3
Greece	1.5	1.5
Ireland	3.5	4.4
Italy	7.9	8.1
Malta	1.0	1.5
Netherlands	9.5	7.6
Norway	3.7	3.8
Portugal	1.5	1.5
Spain	5.6	4.2
Sweden	9.7	11.9
Switzerland	7.5	7.1
	100.0	100.0

Top 40 investments at 31 December 2021

Rank	Company	Sector	Geographical area	Valuation £'000	Percentage of portfolio
1	TKH	Industrials	Netherlands	22,726	2.5
2	Aareal Bank	Financials	Germany	22,210	2.4
3	Recticel	Industrials	Belgium	20,904	2.3
4	Van Lanschot Kempen	Financials	Netherlands	20,379	2.2
5	eDreams ODIGEO	Consumer Discretionary	Spain	18,143	2.0
6	DFDS	Industrials	Denmark	16,215	1.8
7	Boskalis Westminster	Industrials	Netherlands	14,276	1.6
8	FLEX LNG	Industrials	Norway	13,399	1.5
9	Manz	Technology	Germany	11,516	1.3
10	BFF Bank	Financials	Italy	11,479	1.3
10 largest				171,247	18.9
11	FNAC Darty	Consumer Discretionary	France	11,160	1.2
12	Montana Aerospace	Industrials	Switzerland	10,542	1.2
13	Deutz	Industrials	Germany	10,394	1.2
14	Mersen	Industrials	France	10,375	1.1
15	Outotec	Industrials	Finland	10,236	1.1
16	Criteo	Technology	France	10,063	1.1
17	Kaufman & Broad	Consumer Discretionary	France	10,016	1.1
18	Quadiant	Technology	France	9,990	1.1
19	Karnov	Consumer Discretionary	Sweden	9,968	1.1
20	Nexans	Industrials	France	9,798	1.1
20 largest				273,789	30.2
21	Barco	Technology	Belgium	9,579	1.1
22	Befesa	Utilities	Germany	9,490	1.0
23	Daetwyler	Industrials	Switzerland	9,417	1.0
24	Kindred	Consumer Discretionary	Malta	9,050	1.0
25	OC Oerlikon	Industrials	Switzerland	9,018	1.0
26	Credito Emiliano	Financials	Italy	8,974	1.0
27	Verallia	Industrials	France	8,865	1.0
28	Corticeira Amorim	Industrials	Portugal	8,823	1.0
29	Media and Games Invest	Consumer Discretionary	Sweden	8,609	1.0
30	Rothschild & Co	Financials	France	8,553	0.9
30 largest				364,167	40.2
31	Adva Optical Networking	Telecommunications	Germany	8,510	0.9
32	Energiekontor	Utilities	Germany	8,445	0.9
33	Krones	Industrials	Germany	8,259	0.9
34	Grenergy Renovables	Utilities	Spain	8,117	0.9
35	Mytilineos	Industrials	Greece	8,106	0.9
36	Gaztransport et Technigaz	Energy	France	8,045	0.9
37	C&C	Consumer Staples	Ireland	7,906	0.9
38	Acerinox	Industrials	Spain	7,893	0.9
39	Grupo Catalana Occidente	Financials	Spain	7,884	0.9
40	Piaggio	Consumer Discretionary	Italy	7,859	0.8
40 largest				445,191	49.1

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are:

- Investment strategy and objective
- Operational
- Legal and regulatory
- Financial

Information on these risks and how they are managed is given in the Annual Report 2021. In the view of the Board these principal risks, and the uncertainties facing the Company, remain largely unchanged over the last six months, although the Russian invasion of Ukraine has increased the volatility in European markets and the threat of nation-sponsored cyber-attacks generally. The Board anticipates that these principal risks will remain applicable to the next 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 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' 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
28 February 2022

STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 31 December 2021 (unaudited)			Half-year ended 31 December 2020 (unaudited)			Year ended 30 June 2021 (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	7,946	-	7,946	1,640	-	1,640	13,475	-	13,475
Other income	-	-	-	-	-	-	-	-	-
(Losses)/gains on investments held at fair value through profit or loss	-	(11,013)	(11,013)	-	194,547	194,547	-	326,600	326,600
Total income	7,946	(11,013)	(3,067)	1,640	194,547	196,187	13,475	326,600	340,075
Expenses									
Management and performance fees (note 7)	(459)	(6,486)	(6,945)	(371)	(2,539)	(2,910)	(826)	(7,853)	(8,679)
Other operating expenses	(383)	-	(383)	(367)	-	(367)	(720)	-	(720)
Profit/(loss) before finance costs and taxation	7,104	(17,499)	(10,395)	902	192,008	192,910	11,929	318,747	330,676
Finance costs	(95)	(380)	(475)	(63)	(258)	(321)	(155)	(620)	(775)
Profit/(loss) before taxation	7,009	(17,879)	(10,870)	839	191,750	192,589	11,774	318,127	329,901
Taxation	(805)	-	(805)	(159)	-	(159)	(1,384)	-	(1,384)
Profit/(loss) for the period and total comprehensive income	6,204	(17,879)	(11,675)	680	191,750	192,430	10,390	318,127	328,517
Return per ordinary share – basic and diluted (note 2)*	1.55p	(4.46p)	(2.91p)	0.17p	47.83p	48.00p	2.59p	79.36p	81.95p

* Comparative figures for the periods ended 31 December 2020 and 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.

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 2021 (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 2021	6,264	120,364	13,964	676,886	23,189	840,667
Total comprehensive income:						
(Loss)/profit for the period	-	-	-	(17,879)	6,204	(11,675)
Transactions with owners recorded directly to equity:						
Costs relating to subdivision of shares	-	-	-	(28)	-	(28)
Ordinary dividends paid	-	-	-	-	(8,418)	(8,418)
	-----	-----	-----	-----	-----	-----
Total equity at 31 December 2021	6,264	120,364	13,964	658,979	20,975	820,546
	=====	=====	=====	=====	=====	=====

Half-year ended 31 December 2020 (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 2020	6,264	120,364	13,964	358,759	24,023	523,374
Total comprehensive income:						
Profit for the period	-	-	-	191,750	680	192,430
Transactions with owners recorded directly to equity:						
Ordinary dividends paid	-	-	-	-	(7,115)	(7,115)
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Total equity at 31 December 2020	6,264	120,364	13,964	550,509	17,588	708,689
	=====	=====	=====	=====	=====	=====

Year ended 30 June 2021 (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 2020	6,264	120,364	13,964	358,759	24,023	523,374
Total comprehensive income:						
Profit for the year	-	-	-	318,127	10,390	328,517
Transactions with owners recorded directly to equity:						
Ordinary dividends paid	-	-	-	-	(11,224)	(11,224)
	-----	-----	-----	-----	-----	-----
Total equity at 30 June 2021	6,264	120,364	13,964	676,886	23,189	840,667
	=====	=====	=====	=====	=====	=====

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

BALANCE SHEET

	At 31 December 2021 (unaudited) £'000	At 31 December 2020 (unaudited) £'000	At 30 June 2021 (audited) £'000
Non-current assets			
Investments held at fair value through profit or loss	906,484	762,635	933,499
Current assets			
Receivables	3,383	3,730	3,412
	3,383	3,730	3,412
Total assets	909,867	766,365	936,911
Current liabilities			
Payables	(7,211)	(4,511)	(7,145)
Bank overdrafts	(82,110)	(53,165)	(89,099)
	(89,321)	(57,676)	(96,244)
Net assets	820,546	708,689	840,667
Equity attributable to equity shareholders			
Called up share capital (note 3)	6,264	6,264	6,264
Share premium account	120,364	120,364	120,364
Capital redemption reserve	13,964	13,964	13,964
Retained earnings:			
Other capital reserves	658,979	550,509	676,886
Revenue reserve	20,975	17,588	23,189
Total equity	820,546	708,689	840,667
Net asset value per ordinary share – basic and diluted (note 4)*	204.69p	176.79p	209.71p

* Comparative figures for the periods ended 31 December 2020 and 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.

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

CASH FLOW STATEMENT

	Half-year ended 31 December 2021 (unaudited) £'000	Half-year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Operating activities			
(Loss)/profit before taxation	(10,870)	192,589	329,901
Add back: interest payable	475	321	775
Add/(less): losses/(gains) on investments held at fair value through profit or loss	11,013	(194,547)	(326,600)
Sales of investments held at fair value through profit or loss	160,534	220,075	458,813
Purchases of investments held at fair value through profit or loss	(145,949)	(215,858)	(495,971)
Withholding tax on dividends deducted at source	(840)	(232)	(2,116)
(Increase)/decrease in prepayments and accrued income	(702)	578	295
Decrease in amounts due from brokers	547	138	1,287
Increase in accruals and deferred income	49	1,506	5,415
Decrease in amounts due to brokers	-	(2,936)	(4,211)
	-----	-----	-----
Net cash inflow/(outflow) from operating activities before interest and taxation	14,257	1,634	(32,412)
	-----	-----	-----
Interest paid	(475)	(321)	(775)
Taxation recovered	213	2	144
	-----	-----	-----
Net cash inflow/(outflow) from operating activities	13,995	1,315	(33,043)
	-----	-----	-----
Financing activities			
Equity dividends paid (net of refund of unclaimed dividends)	(8,418)	(7,115)	(11,224)
Costs relating to subdivision of shares	(12)	-	-
Net (repayment)/drawdown of bank overdraft	(5,565)	5,743	44,210
	-----	-----	-----
Net cash (outflow)/inflow from financing	(13,995)	(1,372)	32,986
	-----	-----	-----
Decrease in cash and cash equivalents	-	(57)	(57)
Cash and cash equivalents at the start of the period	-	57	57
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Cash and cash equivalents at the period end	-	-	-
	=====	=====	=====

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 2021. 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 April 2021 where the SORP is consistent with the requirements of IFRS.

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 2021. 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 loss for the half-year of £11,675,000 (half-year ended 31 December 2020: profit of £192,430,000; year ended 30 June 2021: profit of £328,517,000) and on 400,867,176 ordinary shares (half-year ended 31 December 2020 and year ended 30 June 2021: 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 2021 (unaudited) £'000	Half-year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Net revenue profit	6,204	680	10,390
Net capital (loss)/profit	(17,879)	191,750	318,127
	-----	-----	-----
Net (loss)/profit	(11,675)	192,430	328,517
	=====	=====	=====
Weighted average number of ordinary shares in issue during the period*	400,867,176	400,867,176	400,867,176

	Half-year ended 31 December 2021 (unaudited) pence	Half-year ended 31 December 2020 (unaudited) pence	Year ended 30 June 2021 (audited) pence
Revenue return per ordinary share*	1.55	0.17	2.59
Capital return per ordinary share*	(4.46)	47.83	79.36
	-----	-----	-----
Total return per ordinary share*	(2.91)	48.00	81.95
	=====	=====	=====

* Comparative figures for the periods ended 31 December 2020 and 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.

3. Share capital

At 31 December 2021 there were 400,867,176 ordinary shares in issue (31 December 2020 and 30 June 2021: 400,867,176*).

During the half-year ended 31 December 2021 the Company did not issue or repurchase for cancellation any ordinary shares (31 December 2020 and 30 June 2021: same).

* Comparative figures for the periods ended 31 December 2020 and 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.

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 £820,546,000 (31 December 2020: £708,689,000; 30 June 2021: £840,667,000) and on 400,867,176 ordinary shares (31 December 2020 and 30 June 2021: 400,867,176*), being the number of ordinary shares in issue at the period end.

* Comparative figures for the periods ended 31 December 2020 and 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.

5. Dividends

The Company has declared an interim dividend of 1.25p per ordinary share (31 December 2020: 1.025p*) payable on 29 April 2022 to members on the register as at 1 April 2022. The shares will trade ex-dividend on 31 March 2022.

A final dividend of 2.10p* per ordinary share was paid on 3 December 2021 from the Company's revenue account in respect of the year ended 30 June 2021.

** Comparative figures for the periods ended 31 December 2020 and 30 June 2021 have been restated due to the sub-division of each ordinary share of 12.5p into 8 ordinary shares of 1.5625p each on 13 December 2021.*

6. Transaction costs

Purchase transaction costs for the half-year ended 31 December 2021 were £178,000 (half-year ended 31 December 2020: £275,000; year ended 30 June 2021: £611,000). These comprise mainly stamp duty and commission. Sales transaction costs for the half-year ended 31 December 2021 were £67,000 (half-year ended 31 December 2020: £86,000; year ended 30 June 2021: £282,000).

7. Management and performance fees

With effect from 1 October 2021, the base management fee payable to the Manager is 0.55% of net assets up to £800m, reducing to 0.45% thereafter (prior to 1 October 2021 the base management fee payable to the Manager was 0.6% of net assets up to £500m, reducing to 0.5% thereafter). Fees are charged quarterly in arrears.

The 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 Euromoney Smaller European Companies index (ex UK) 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.

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 NAV of the Company as at the last day of the relevant calculation period. A performance 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.

A performance fee of £4,650,000 has been accrued as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £4,549,000).

8. Financial instruments

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

Financial instruments carried at 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 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments including derivatives:				
Investments at fair value through profit or loss	906,484	-	-	906,484
	-----	-----	-----	-----
Total financial assets and liabilities carried at fair value	906,484	-	-	906,484
	=====	=====	=====	=====

Level 3 investments at fair value through profit or loss	£'000
Opening balance	72
Acquisitions	-
Disposal proceeds	(221)
Transferred into Level 3	-

	(149)

Total gains included in the Statement of Comprehensive Income	
On assets sold	149
On assets held at period end	-

	149

Closing balance	-
	=====

There have been 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 change in circumstances that caused the transfer.

9. Going concern

The directors have considered the principal risks and uncertainties facing the Company, including the ongoing impact of the Covid-19 pandemic, cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayment of the bank overdraft, as they fall due for a period of at least twelve months from the date of approval of these financial statements. Having assessed these factors, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

10. Related party transactions

The Company's transactions with related parties in the period were with the directors and Janus Henderson. There have been no material transactions between the Company and its directors during the period and the only amounts paid to them 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 Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Janus Henderson 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 2021 and 31 December 2020 have not been audited or reviewed by the Company's auditors. The figures and financial information for the year ended 30 June 2021 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 included the Independent Auditors' 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, copies of announcements, reports and details of general meetings can be found at www.europeansmallercompaniestrust.com

13. Half-year report

The Company's half-year report will be available on the Company's website. An update extracted from the Company's report for the half-year ended 31 December 2021, will be posted to shareholders in March 2022 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: 0906692/GB0009066928

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 and Alexander Mettenheimer. The Corporate Secretary is Henderson Secretarial Services Limited.