

Montanaro European Smaller Companies Trust plc
LEI: 213800CWSC5B8BG3RS21

Unaudited Half-Yearly Report for the Six Months
Ended 30 September 2021

The Board of Montanaro European Smaller Companies Trust plc (the “Company”) announces the unaudited half-yearly results of the Company for the six months ended 30 September 2021.

Highlights (unaudited)
for the six months ended 30 September 2021

Performance

Capital Returns%(2)	6 Month	1 year	3 year	5 year	10 year	MAM*
Ordinary share price	24.2	42.6	107.3	221.2	456.3	526.5
Net Asset Value ('NAV') per Ordinary share**	25.0	38.5	87.6	161.3	412.1	481.2
Benchmark (Composite)(1)**	8.6	26.7	30.2	62.9	235.7	212.3

Total Returns%(2)	6 Month	1 year	3 year	5 year	10 year	MAM*
Ordinary share price	24.7	43.3	111.7	234.9	523.6	656.6
NAV per Ordinary share**	25.6	39.2	91.6	171.4	470.1	588.1
Benchmark (Composite)(1)**	9.8	28.6	36.8	77.3	301.8	313.6

Sources: Morningstar Direct, Association of Investment Companies ('AIC'), Montanaro Asset Management Limited.

	As at 30 September 2021	As at 30 September 2020	12 month % change	As at 31 March 2021 (Audited)	6 month % change
Ordinary share price*	200.0p	140.2p***	42.6%	161.0p***	24.2%
NAV per Ordinary share**	198.7p	143.5p***	38.5%	158.9p***	25.0%
Premium/(Discount) to NAV(2)	0.7%	(2.2%)		1.3%	
Gross assets** (£'000s)	365,600	249,140	46.7%	284,560	28.5%
Net assets** (£'000s)	357,015	240,068	48.7%	276,065	29.3%
Market capitalisation** (£'000s)	359,365	234,600	53.2%	279,709	28.5%
Net gearing employed(2)	0.9%	0.6%		2.4%	

	6 months ended 30 September 2021	6 months ended 30 September 2020	12 month % change	12 months ended 31 March 2021 (Audited)	6 month % change
Revenue return per Ordinary share	0.80p	0.25p***	220.0%	0.31p***	158.1%
Dividend per Ordinary share	0.200p	0.200p***		0.925p***	
Ongoing charges (annualised) ⁽²⁾	1.1%	1.2%		-	1.2%
Portfolio turnover (rolling twelve months)**	15%	12%			22%

*From 5 September 2006, when Montanaro Asset Management Limited ('MAM') was appointed as Investment Manager.

**Details provided in the Glossary below.

***30 September 2020 and 31 March 2021 restated to reflect the subsequent 10 for 1 share split.

⁽¹⁾From 5 September 2006, the benchmark was the MSCI Europe SmallCap Index. The benchmark was changed on 1 June 2009 to the MSCI Europe SmallCap (ex UK) Index (in sterling terms).

⁽²⁾Refer to Alternative Performance Measures below.

Chairman's Statement

Performance

The first six months of the financial year was another strong period of absolute and relative performance for your Company. It should be noted that previous year numbers have been adjusted to account for the share split (detailed below) for comparative purposes.

The Net Asset Value rose by 25.0% to 198.7p per share, thus outperforming the Benchmark (MSCI Europe SmallCap (ex-UK) index), which rose by 8.6%. At the end of the period the premium was 0.7% versus 1.3% at the start. As a result, the share price of the company rose by 24.2% during the period, providing a total return of 24.7%. This builds further on our strong long term performance record.

Montanaro take a long-term approach to investing and so it is pleasing to report that your Company has delivered NAV per share total returns of 91.6%, 171.4% and 470.1% over the three, five and ten year periods to 30 September 2021 respectively. This is well ahead of the benchmark and makes it the best performing European investment trust over these time periods.

ESG

These results have also been achieved while adopting a strong ESG overlay. Montanaro believes there is a clear correlation between how well a business fares on Environmental, Social and Corporate Governance grounds and the value it creates for its shareholders. This is why ESG considerations have formed an integral part of their assessment of a company's "Quality" and have been fully integrated into the investment process for many years.

The depth of Montanaro's commitment is perhaps best exemplified by the fact that they are one of the few UK asset managers to be a certified B Corporation – a certification Montanaro have held since 2019. Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

Share Split

Following shareholder approval at the AGM, shareholders on 14 September 2021 received 10 New Ordinary Shares in exchange for each Existing Ordinary Share held at the Record Date. The New Ordinary Shares were admitted to trading on the premium segment of the Main Market of the London Stock Exchange on 14 September 2021. Following the completion of the share split, as at 14 September 2021, the Company had 179,682,600 New Ordinary Shares in issue.

Subsequent to the share split, the Company made an application to the FCA and the London Stock Exchange to increase its block listing facility commensurate with the share split. Application was made for 11,533,260 Ordinary Shares of 5

pence each (the "Shares") to be admitted to the Official List, and to trading on the premium segment of the Main Market of the London Stock Exchange. The admission was effective 16 September 2021.

Earnings and Dividends

Revenue earnings per share rose significantly in the period to 0.80p (2020: 0.25p) as many companies returned to paying dividends on the back of strong earnings and better visibility than in the previous period.

The Board has declared an unchanged interim dividend of 0.2p per Ordinary Share (2020: 0.2p per share) payable on 4 January 2022 to shareholders on the register on 3 December 2021.

Borrowings

At the end of the period, the Company had gearing, net of cash, of 0.9% compared to 2.4% at 31 March 2021.

Treasury Shares

At 31 March 2021, the Company had 75,000 shares remaining in treasury, which have since been re-issued. In addition, during the six months to 30 September 2021 a further 520,000 new shares were issued before the share split at a weighted average premium of 1.8%. The Board believes that at its current size, issuing new shares in the Company at a premium is in the interests of both new and existing shareholders as it improves the liquidity of the shares and provides a larger base over which fixed costs can be spread.

Outlook

After a remarkable year and a half in which the MSCI Europe ex-UK Small Cap Index has approximately doubled in Euro terms, the profit-taking seen in September is perhaps not surprising. The aftershocks of the global pandemic continue to reverberate around the world as supply chains strain to support the recovery of demand in certain areas and input prices begin to rise.

Through all the uncertainty and change the Montanaro investment process and philosophy remains the same: to invest in the highest quality, growing smaller companies at reasonable valuations and hold them for as long as possible. Rather than worrying about whether inflation will rise or fall, Montanaro prefer to invest in companies that have the pricing power to pass higher input costs onto their customers.

This approach has delivered strong absolute and relative returns since Montanaro were appointed and enables us to look forward to the future with confidence.

R M CURLING

Chairman

18 November 2021

Portfolio Summary

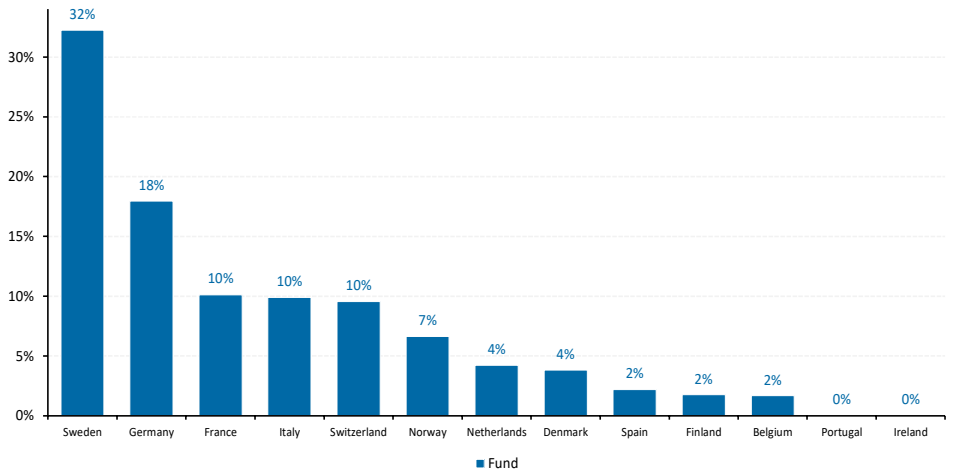
Twenty Largest Holdings

As at 30 September 2021

Holding	Country	Value £'000	% of investment portfolio	% of net assets
NCAB	Sweden	17,143	4.8	4.8
Sartorius Stedim	France	16,631	4.7	4.7
Fortnox	Sweden	15,212	4.3	4.3
Esker	France	12,457	3.5	3.5
Thule	Sweden	11,201	3.1	3.1
MIPS	Sweden	11,147	3.1	3.1
IMCD	Netherlands	9,940	2.8	2.8
VZ Holding	Switzerland	9,631	2.7	2.7
Atoss Software	Germany	9,211	2.6	2.6
Amadeus FiRe	Germany	8,453	2.4	2.4
Tecan	Switzerland	8,441	2.4	2.4
CTS Eventim	Germany	8,404	2.3	2.3
Reply	Italy	8,221	2.3	2.3
Vitrolife	Sweden	8,172	2.3	2.3
Chemometec	Denmark	7,935	2.2	2.2
Belimo Holdings	Switzerland	7,256	2.0	2.0
Medistim	Norway	6,998	2.0	2.0
MTU Aero Engines	Germany	6,741	1.9	1.9
Gruppo Mutuonline	Italy	6,614	1.8	1.8
QT Group	Finland	6,214	1.7	1.7
Twenty Largest Holdings		196,022	54.9%	54.9%

Geographical Analysis

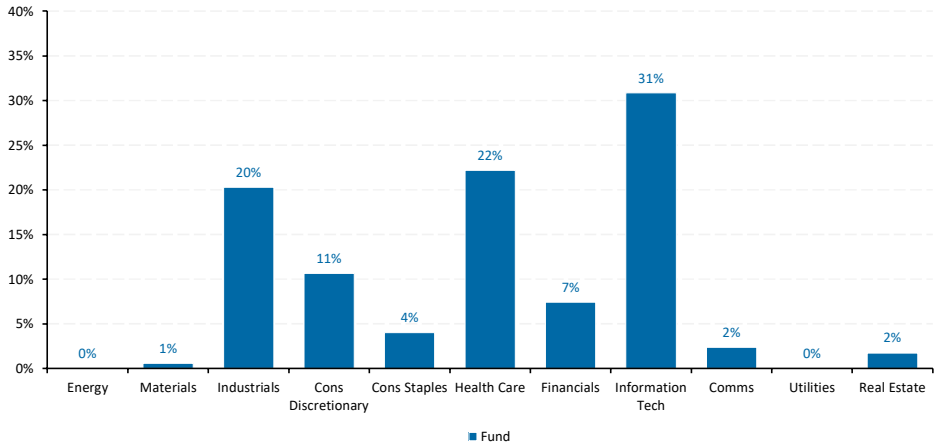
As at 30 September 2021



Source: Montanaro Asset Management Limited

Sector Analysis

As at 30 September 2021



Source: Montanaro Asset Management Limited

Interim Management Report

The important events that have occurred during the period under review and the key factors influencing the financial statements are set out in the Chairman's Statement above.

Statement of Principal Risks and Uncertainties:

Most of the principal risks that could threaten the Company's objective, strategy, future returns and solvency are market related and comparable to those of other investment trusts investing primarily in quoted securities. The principal risks faced by the Company are investment and strategic, gearing, financial, discount volatility, regulatory, operational and manager risks. These risks, including the impact of the Covid-19 pandemic on the market and the Company's business operations, and the way in which they are mitigated, are described in more detail under the heading 'Principal and Emerging Risks and Uncertainties and Risk Mitigation' within the Business Model and Strategy section on pages 12 to 14 of the Company's Annual Report for the year ended 31 March 2021. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year. The Directors have ensured that all risks will be kept under review at every meeting as the implications of Covid-19 continue to emerge.

Related party transactions:

Related party transactions are disclosed in note 15 below. There have been no material changes in the related party transactions described in the last Annual Report.

Going concern:

As stated in note 14 to the condensed financial statements, the Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Directors' Responsibility Statement in respect of the Half-Yearly Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rule ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;

- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the Chairman's Statement, together with the condensed set of financial statements, include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Half-Yearly Report and Accounts were approved by the Board and the above responsibility statement was signed on its behalf by:

R M CURLING

Chairman

18 November 2021

**Condensed Statement of Comprehensive Income (unaudited)
for the six months ended 30 September 2021**

Notes	Six months to 30 September 2021			Six months to 30 September 2020			Year to 31 March 2021 (Audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value	-	69,767	69,767	-	81,738	81,738	-	108,742	108,742
Exchange losses	-	(114)	(114)	-	(337)	(337)	-	(109)	(109)
Revenue									
Investment income	2,447	-	2,447	1,209	-	1,209	2,166	-	2,166
Total income	2,447	69,653	72,100	1,209	81,401	82,610	2,166	108,633	110,799
Expenditure									
Management expenses	(530)	(984)	(1,514)	(335)	(622)	(957)	(766)	(1,422)	(2,188)
Other expenses	(271)	(36)	(307)	(303)	-	(303)	(646)	-	(646)
Total expenditure	(801)	(1,020)	(1,821)	(638)	(622)	(1,260)	(1,412)	(1,422)	(2,834)
Profit before finance costs and tax	1,646	68,633	70,279	571	80,779	81,350	754	107,211	107,965
Finance costs	(28)	(51)	(79)	(36)	(43)	(79)	(56)	(105)	(161)
Profit before tax	1,618	68,582	70,200	535	80,736	81,271	698	107,106	107,804
Tax	(222)	-	(222)	(113)	-	(113)	(169)	-	(169)
Total comprehensive income	1,396	68,582	69,978	422	80,736	81,158	529	107,106	107,635
Return per share¹	0.80p	39.14p	39.94p	0.25p	48.25p	48.50p	0.31p	63.24p	63.55p

The total column of this statement represents the Company's Income Statement and Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards.

The supplementary revenue return and capital return columns are both prepared under guidance published by the AIC.

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

¹In accordance with IAS 33 'Earnings per Share', the comparative return per ordinary share figures have been restated using the new number of shares in issue following the ten for one share split. For weighted average purposes, the share split has been treated as happening on the first day of the accounting period. See note 5 for further details.

**Condensed Balance Sheet (unaudited)
as at 30 September 2021**

	Notes	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 (Audited) £'000
Non-current assets				
Investments held at fair value through profit and loss		357,152	241,298	282,575
Current assets				
Trade and other receivables		3,636	559	782
Cash and cash equivalents		5,465	7,712	1,767
		9,101	8,271	2,549
Total assets		366,253	249,569	285,124
Current liabilities				
Trade and other payables		(663)	(429)	(564)
		(663)	(429)	(564)
Non-current liabilities				
Interest-bearing bank loans		(8,575)	(9,072)	(8,495)
Total liabilities		(9,238)	(9,501)	(9,059)
Net assets		357,015	240,068	276,065
Capital and reserves				
Called-up share capital		8,984	8,724	8,724
Share premium account		24,410	5,283	12,707
Capital redemption reserve		2,212	2,212	2,212
Capital reserve		318,052	220,377	249,185
Revenue reserve		3,357	3,472	3,237
Shareholders' funds		357,015	240,068	276,065
NAV per share¹		198.7p	143.5p	158.9p

¹The comparative NAV figures have been restated using the new number of shares in issue following the ten for one share split. Restating the NAVs following the share split allows the reader to see how the NAVs have evolved. See note 10 for further details.

**Condensed Statement of Changes in Equity (unaudited)
for the six months ended 30 September 2021**

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2021	8,724	12,707	2,212	249,185	3,237	276,065
Return after taxation	-	-	-	68,582	1,396	69,978
Share issues	260	11,703	-	285	-	12,248
Dividends paid	-	-	-	-	(1,276)	(1,276)
As at 30 September 2021	8,984	24,410	2,212	318,052	3,357	357,015

for the six months ended 30 September 2020 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2020	8,724	5,283	2,212	139,641	4,263	169,123
Return after taxation	-	-	-	80,736	422	80,158
Dividends paid	-	-	-	-	(1,213)	(1,213)
As at 30 September 2020	8,724	5,283	2,212	220,377	3,472	240,068

for the year ended 31 March 2021 (Audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve £'000	Revenue reserve £'000	Total £'000
As at 1 April 2020	8,724	5,283	2,212	139,641	4,263	160,123
Return after taxation	-	-	-	107,106	529	107,635
Share issues	-	7,424	-	2,438	-	9,862
Dividends paid	-	-	-	-	(1,555)	(1,555)
As at 31 March 2021	8,724	12,707	2,212	249,185	3,237	276,065

**Condensed Statement of Cash Flows (unaudited)
for the six months ended 30 September 2021**

	Six months to 30 September 2021 £'000	Six months to 30 September 2020 £'000	Year to 31 March 2021 (Audited) £'000
Net cash(outflow)/inflow from operating activities	(7,098)	9,595	(5,430)
Cash inflow/(outflow) from financing activities	10,858	(2,166)	7,277
	3,760	7,427	1,847
Exchange (losses)/gains	(62)	120	(485)
Increase in cash and cash equivalents	3,698	7,307	1,362

Reconciliation of profit before finance costs and tax to
net cash inflow from operating activities

Profit before taxation	70,200	81,271	107,804
Gains on investments held at fair value	(69,667)	(81,738)	(108,742)
Exchange losses	114	337	109
Finance costs	79	79	161
Withholding tax	(222)	(113)	(136)
Purchases of investments	(28,563)	(24,897)	(57,443)
Sales of investments	20,863	34,415	52,578
Changes in working capital and other non-cash items	98	241	400
Net cash (outflow)/inflow from operating activities	(7,098)	9,595	(5,430)

Notes to the Accounts (unaudited)

- The condensed unaudited financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Company for the year ended 31 March 2021. The condensed financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 March 2021, which were prepared under full IFRS requirements.
- Earnings for the first six months should not be taken as a guide to the results for the full year.
- Income for the period is derived from:

	Six months to 30 September 2021 £'000	Six months to 30 September 2020 £'000	Year ended 31 March 2021 (Audited) £'000
Overseas dividend income	2,445	1,200	2,175
Exchange (losses)/gains	1	-	(10)
Other Income	1	9	1
Total	2,447	1,209	2,166

- Management fee:

	Six months to 30 September 2021 £'000			Six months to 30 September 2020 £'000			Year ended 31 March 2021 (Audited) £'000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	521	968	1,489	226	606	932	748	1,390	2,138
AIFM fee	9	16	25	9	16	25	18	32	50
	530	984	1,514	335	622	957	766	1,422	2,188

As set out in the Company's Annual Report, with effect from 1 April 2021, the management fee will be linked to the size of the Company, as follows:

- 0.90% p.a. of the amount of the Company's market capitalisation up to £500 million;
- 0.75% p.a. of the amount of the Company's market capitalisation between £500 million and £750 million; and
- 0.65% p.a. of the amount of the Company's market capitalisation above £750 million.

Prior to 1 April 2021 MAM received an investment management fee of 0.9% per annum of the Company's market capitalisation.

The management fee is payable monthly in arrears.

MAM is also entitled to a fee of £50,000 per annum for acting as the Company's Alternative Investment Fund Manager ("AIFM").

5. Return per Share

Earnings per Ordinary Share is based on a weighted average of 175,223,174 Ordinary Shares in issue during the period (year ended 31 March 2021: 169,360,950* and six months ended 30 September 2020: 167,332,600*), excluding those shares bought back and held in treasury.

*Restated to reflect the subsequent 10 for 1 share split, see note 9 for further details.

6. Dividends

The interim dividend relating to the year ended 31 March 2021 of 0.200p per Ordinary Share will be paid on 4 January 2022 to shareholders on the register on 3 December 2021. In accordance with IFRS, this dividend has not been recognised in these financial statements. The ex-dividend date for this payment is 2 December 2021.

A final dividend relating to the year ended 31 March 2021 of 0.725*p per Ordinary Share was paid during the six months to 30 September 2021 and amounted to £1,276,000.

*Restated to reflect the subsequent 10 for 1 share split.

7. Investments at Fair Value Through Profit and Loss:

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000 (Audited)
Opening book cost	145,479	121,712	121,712
Holding gains	137,096	47,306	47,306
Opening fair value	282,575	169,018	169,018
Purchases at cost	28,563	24,897	57,443
Sales – proceeds	(23,753)	(34,352)	(52,628)
– gains on sales	10,085	14,248	18,952
Holding gains	59,682	67,487	89,790
Closing fair value	357,152	241,298	282,575
Closing book cost	160,374	126,505	145,479
Holding gains	196,778	114,793	137,096
Closing valuation	357,152	241,298	282,575

8. Interest-Bearing Bank Loans:

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000 (Audited)
Opening balance	8,495	8,809	8,809
Amortisation of set-up costs	5	5	11
Non-cash foreign currency movements	75	258	(325)
Closing balance	8,575	9,072	8,495

The Company has a €10 million secured loan with ING Bank N.V. ('ING') at a fixed rate of 1.33% per annum. This loan will mature on 13 September 2023.

The Company also has a €15 million five year secured revolving loan facility with ING which will also mature on 13 September 2023.

As at 30 September 2021, €10 million was drawn down under these facilities.

Under the bank covenants relating to these facilities, the Company is to ensure that at all times the total borrowings of the Company do not exceed 40% of the Adjusted NAV (as defined in the loan agreements) and that the Adjusted NAV does not fall below £45 million. The Company met all covenant conditions during the period.

The carrying value of the balances above approximates to fair value.

9. Share Capital

Allotted, issued and fully paid
Ordinary Shares of 5p each (2020: 50p)
For the six months ended 30 September 2021

	Listed Number	£'000	Held in Treasury		In Issue Number	£'000
			Number	£'000		
Opening balance in issue*	17,448,260	8,724	(75,000)	(38)	17,373,260	8,686
Shares issued from treasury*	-	-	75,000	38	75,000	38
Shares issued*	520,000	260	-	-	520,000	260
Shares issued through share split	161,714,340	-	-	-	161,714,340	-
Closing balance in issue	179,682,600	8,984	-	-	179,682,600	8,984

*Balances stated prior to the subsequent 10 for 1 share split.

At the Annual General Meeting of the Company held on 9 September 2021,

shareholders approved a resolution for a ten for one share split such that each shareholder would receive ten shares with a nominal value of 5 pence each for every one share held. These new shares were listed on 14 September 2021. Expenses associated with the share split amount to £36,000.

10. Net Assets Value per Ordinary Share

The NAV per Ordinary Share was based on 179,682,600 Ordinary Shares in issue at the end of the period (31 March 2021: 173,732,600* and 30 September 2020: 167,332,600*), excluding those shares bought back and held in treasury. As at 30 September 2021, there were no Ordinary Shares held in treasury (31 March 2021: 750,000* and 30 September 2020: 7,150,000*).

*Restated to reflect the subsequent 10 for 1 share split, see note 9 for further details.

11 Fair value Hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 September 2021				
Investments	357,152	-	-	357,152
Loan	-	(8,575)	-	(8,575)
30 September 2020				
Investments	241,298	-	-	241,298
Loan	-	(9,072)	-	(9,072)
31 March 2021 (Audited)				
Investments	282,575	-	-	282,575
Loan	-	(8,495)	-	(8,495)

There were no transfers between levels during the period ended 30 September 2021 (year ended 31 March 2021 and period ended 30 September 2020: None).

Listed investments held (see note 7) are valued at fair value through profit or loss. For listed securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. The fair value of the loans is calculated using a discounted cash flow technique based on relevant current interest rates compared to their value as stated on the Balance Sheet at amortised cost of £8,575,000 (31 March 2021: £8,495,000 and 30 September 2019: £9,072,000). The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown above.

Other aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements, as at and for the year ended, 31 March 2021.

12. Rates of exchange (to Sterling):

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000 (Audited)
Danish Krone	8.65	8.20	8.56
Euro	1.16	1.10	1.15
Norwegian Krone	11.77	12.10	12.04
Swedish Krona	11.80	11.57	11.74
Swiss Franc	1.26	1.19	1.26

13. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, that of investing in European quoted smaller companies, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

14. Going Concern:

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern. They have considered the current cash position of the Company, the availability of the borrowing facilities to 13 September 2023, compliance with their covenants, the Company's other liabilities and forecast revenues. The

Directors have also taken into account the Company's investment policy, which is subject to regular Board monitoring processes and is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian and has financial covenants, relating to its bank borrowings with which it complied during the period.

The Directors believe, in light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets and liabilities, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

15. Related Parties:

The following are considered related parties: the Board of Directors. The Directors of the Company received fees for their services and dividends from their shareholdings in the Company as outlined below.

The amount charged by the Manager during the period was £1,514,000 (six months to 30 September 2020: £957,000; year to 31 March 2021: £2,188,000). At 30 September 2021, the amount due to the Manager, included in creditors, was £561,000. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

Directors' Emoluments

At 30 September 2021, the Board consisted of three non-executive Directors. All Directors are considered to be independent of the Manager. None of the Directors has a service contract with the Company. The Chairman receives an annual fee of £36,050, the Chair of the Audit Committee receives an annual fee of £30,900 and non-executive Directors receive £25,750 per annum.

At 30 September 2021, the amount outstanding in respect of Directors' fees was £nil (31 March 2021: £nil).

At 30 September 2021, the interests of the Directors in the Ordinary Shares of the Company were as follows:

	As at 30 September 2021	As at 31 March 2021
	No. of shares**	No. of shares
R M Curling	100,000	10,000
G J Neilly	61,450	6,128
C A Roxburgh*	57,280	5,728

* Includes 214 shares held by Ms Roxburgh's spouse.

** Updated to reflect share split on 13 September 2021.

The following changes in the Directors' interests occurred between 30 September 2021 and the date of this report:

C A Roxburgh acquired 205 shares on 12 October 2021

16. These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and have not been audited or reviewed by the Company's Auditor. The information for the year ended 31 March 2021 has been extracted from the latest published financial statements and which have been filed with the Registrar of Companies. The Auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. No statutory accounts in respect of any period after 31 March 2021 have been reported on by the Company's Auditor or delivered to the Registrar of Companies.

Alternative Performance Measures (“APMs”)

The Company uses the following APMs:

Capital Return – NAV and Share Price Returns

Capital returns measure the effect of any rise or fall in the share price or NAV, excluding any dividends paid. As at 30 September 2021, the 6 month NAV Capital Return was 25.0%, and the 6 month Ordinary share price Capital Return was 24.2%, as shown in the Highlights above.

NAV Capital Return calculation as at 30 September 2021

NAV per share as at 30 September 2021	198.70	(a)
NAV per share as at 31 March 2021*	158.90	(b)
NAV Capital Return	25.0%	((a-b)/b)

Share Price Capital Return calculation as at 30 September 2021

Share Price as at 30 September 2021	200.00	(a)
Share Price as at 31 March 2021*	161.00	(b)
Share Price Capital Return	24.2%	((a-b)/b)

* Restated to reflect the subsequent 10 for 1 share split.

Total Return – NAV and Share Price Returns

Total returns measure the effect of any rise or fall in the share price or NAV, plus dividends paid which are reinvested at the prevailing NAV or share price on the ex-dividend date. As at 30 September 2021, the 6 month NAV Total Return was 25.6%, and the 6 month Ordinary share price Total Return was 24.7%, as shown in the Highlights above.

NAV Total Return calculation as at 30 September 2021

NAV per share as at 30 September 2021	198.70	(c)
NAV per share as at 31 March 2021*	158.90	(d)
Dividend adjustment factor (+1)	1.0040	(a)
Pre-Dividend Reinvestment Factor	1.2505	(b)(b=c/d)
NAV Total Return	25.60	((a*b)-1)

(a) Dividend Adjustment Factor

Dividend	PPS	Dividend XD date	NAV at Dividend XD date	Share price Multiplier
Final dividend*	0.725	12.Aug.21	196.90	0.0040
				0.0040

Share price Total Return calculation as at 30 September 2021

Share price as at 30 September 2021	200.00	(c)
Share price as at 31 March 2021*	161.00	(d)
Dividend adjustment factor (+1)	1.0036	(a)
Pre-Dividend Reinvestment Factor	1.2422	(b)(b=c/d)
Share price Total Return	24.70	((a*b)-1)

(a) Dividend Adjustment Factor

Dividend	PPS	Dividend XD date	Share price at Dividend XD date	Share price Multiplier
Final dividend*	0.725	12.Aug.21	201.00	0.0036
				0.0036

Discount or Premium to NAV

If the share price of an Investment Trust is less than its NAV per share, the shares are trading at a discount. If the share price is greater than the NAV per share, the shares are trading at a premium.

As at 30 September 2021, the NAV per share was 198.7p and the share price was 200.0p. The premium is therefore calculated at 0.7% as shown in the highlights above.

Net gearing employed

Unlike open-ended investment companies, Investment Trusts have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Trust has undertaken, and is stated as a percentage of shareholders' funds. The higher the level of borrowings, the higher the gearing ratio.

Net gearing is calculated as total debt, net of cash and cash equivalents, as a percentage of the total shareholders' funds.

As at 30 September 2021, interest bearing bank loans were (£8,575,000), cash and cash equivalents were £5,465,000 and net assets were £357,015,000. As at 30 September 2021, Gearing was therefore equal to 0.9% as shown in the highlights above.

Ongoing charges (expressed as a percentage)

Ongoing charges are the Company's revenue and capital expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average daily net assets of the Company during the period.

Ongoing charges calculation

		Six months to 30 September 2021 £'000	Six months to 30 September 2020 £'000	31 March 2021 £'000 (Audited)
Total expenditure		1,785	1,339	2,834
Less negative interest		-	(79)	-
Total	(a)	1,785	1,260	2,834
Average daily net assets	(b)	325,750	216,742	240,757
Ongoing charges (c = a/b)*	(c)	1.1%	1.2%	1.2%

* 30 September 2021 and 30 September 2020 figures annualised for comparison (c = (a/b) x 2).

Glossary of terms

AIFMD

Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Investment Trusts, must, with effect from 22 July 2014, appoint a Depositary and an AIFM. The Board of Directors of an Investment Trust, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

AIC

The Association of Investment Companies is the trade body for Closed-end Investment Companies (www.theaic.co.uk).

Benchmark

This is a measure against which an Investment Trust's performance is compared. The benchmark of the Company is the MSCI Europe SmallCap (ex UK) Index (capital return in Sterling terms). The index averages the performance of a defined selection of companies listed in European smaller company stock markets and gives an indication of how those markets have performed in any period.

Closed-end Investment Company

A company, including an Investment Trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the NAV of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the NAV.

Custodian

A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company's Custodian is Bank of New York Mellon SA/NV.

Depositary

Under AIFMD rules applying from 22 July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary has strict liability for loss of any investments or other assets where it has safekeeping duties. The Depositary's oversight duties include, but are not limited to, oversight of share buybacks, dividend payments and adherence to investment limits. The Company's Depositary is The Bank of New York Mellon (International) Limited.

Dividend

The income from an investment. Some Investment Trusts pay dividends on a quarterly or monthly basis. Montanaro European Smaller Companies Trust plc currently pays

dividends twice a year.

Gearing

Gearing is calculated as total liabilities less current assets divided by net assets.

Gross assets

Gross assets are calculated as total assets less current liabilities.

IFRS

International Financial Reporting Standards.

Investment Manager

The Company's Investment Manager is Montanaro Asset Management Limited.

Investment Trust

A Closed-end Investment Company which satisfies the requirements of Section 1158 of the Corporation Tax Act 2010. Companies which meet these criteria are exempt from having to pay tax on the capital gains they realise from sales of the investments within their portfolios.

Leverage

As defined under the AIFMD rules, Leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash and cash equivalents and after certain hedging and netting positions are offset against each other.

Marked to Market

Accounting for the fair value of an asset or liability that can change over time and reflects its current market value rather than its book cost.

Market Capitalisation

The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

NAV per Ordinary Share

This is calculated as the net assets of an Investment Trust divided by the number of shares in issue, excluding those shares held in treasury.

Net Assets (or Shareholders' Funds)

This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors, less borrowings and any other creditors. It represents

the underlying value of an Investment Trust at a point in time.

Net Gearing

Net Gearing is calculated as total debt, net of cash and cash equivalents, as a percentage of the total shareholders' funds.

Ordinary Shares

The main type of equity capital issued by conventional Investment Trusts. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Trust, and any capital growth. Montanaro European Smaller Companies Trust plc has only Ordinary Shares in issue.

Portfolio Turnover

Calculated using total sales proceeds as a percentage of the average monthly net assets during the period, annualised.

Related Party Transactions

Under the Listing Rules, the Manager is regarded as a related party of the Company.

Share Price

The value of a share at a point in time as quoted on a stock exchange. The shares of Montanaro European Smaller Companies Trust plc are quoted on the Main Market of the London Stock Exchange.

SORP

Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

Total Assets

This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors.

Directors and Advisers

Registered Office

16 Charlotte Square
Edinburgh EH2 4DF

Registered in Scotland No. SC074677

An investment company as defined under Section 833 of the Companies Act 2006.

Depositary

THE BANK OF NEW YORK MELLON
(INTERNATIONAL) LIMITED
One Canada Square
London E14 5AL

Custodian

BANK OF NEW YORK MELLON SA/NV
One Canada Square
London E14 5AL

Directors

R M Curling (Chairman)

C A Roxburgh

G J Neilly

**Investment Manager and
Alternative Investment
Fund Manager ('AIFM')**

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London EC2R 7AS

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EH3 8EX

Website

<https://montanaro.co.uk/trust/montanaro-european-smaller-companies-trust/>

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

For further information, please contact:

Montanaro Asset Management Limited

Tel: 020 7448 8600