

**ENNISMORE SMALLER COMPANIES PLC**

**ENNISMORE EUROPEAN  
SMALLER COMPANIES FUND**

**Interim Unaudited Report for the six months ended 30 June 2011**

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
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**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**COMPANY DETAILS**

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**DIRECTORS**

Nicholas Durlacher (British) (Chairman)\*  
Lars Gårdö (Swedish)\*  
Matthew Minch (Irish)\*  
Geoff Oldfield (British)  
Paul McNaughton (Irish)\*

**INVESTMENT MANAGER**

Ennismore Fund Management Limited  
Kensington Cloisters  
5 Kensington Church Street  
London W8 4LD  
United Kingdom

Telephone: +44 (0)20 7368 4200  
E-Mail: [es@ennismorefunds.com](mailto:es@ennismorefunds.com)

**CUSTODIAN**

Northern Trust Fiduciary Services (Ireland) Limited  
54-62 Townsend Street  
Dublin 2  
Ireland

**SECRETARY**

Northern Trust Administration Services (Ireland)  
Limited  
54-62 Townsend Street  
Dublin 2  
Ireland

**REGISTERED OFFICE**

George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland  
Registered Number: 294512

**REGISTRAR AND ADMINISTRATOR**

Northern Trust International Fund  
Administration Services (Ireland) Limited  
54-62 Townsend Street  
Dublin 2  
Ireland

Telephone: +353 1 542 2000

**INDEPENDENT AUDITORS**

KPMG  
Chartered Accountants  
1-2 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland

**LEGAL ADVISORS**

McCann FitzGerald  
Riverside One  
Sir John Rogerson's Quay  
Dublin 2  
Ireland

\* Independent Directors

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**SUMMARY INFORMATION**

**FUND PERFORMANCE**

Year	Fund NAV <sup>2</sup> GBP %	HSBC Index <sup>3</sup> GBP %	Fund NAV <sup>2</sup> EUR%	HSBC Index <sup>3</sup> EUR%	MSCI Index <sup>4</sup> Loc Curr %	S&P Ranking Large & Small Cap <sup>5</sup>	S&P Ranking Small Cap <sup>5</sup>
2011 to date	14.0	4.2	8.2	-1.1	2.4	N/A <sup>6</sup>	N/A <sup>6</sup>
2010	18.4	21.9	22.8	25.9	6.8	418/2871	257/369
2009	-1.6	47.7	7.0	59.7	27.7	2365/2394	417/419
2008	-5.7	-36.8	-28.3	-51.5	-38.9	47/2087	3/323
2007	9.1	3.1	0.1	-5.5	6.0	614/1177	63/240
2006	8.4	30.5	10.6	33.2	19.1	1630/1695	299/307
2005	30.4	32.6	34.4	36.3	24.9	106/1244	105/278
2004	23.5	24.6	22.9	24.4	12.2	66/1310	69/260
2003	29.3	48.8	19.6	37.5	19.8	254/1168	206/235
2002	6.2	- 19.8	- 0.3	- 24.8	- 29.4	11/1258	2/211
2001	1.5	- 18.3	5.3	- 15.6	- 16.4	10/1130	1/164
2000	35.6	- 3.3	34.3	- 4.7	- 2.2	4/885	1/124
1999 <sup>1</sup>	49.0	27.2	65.2	42.1	29.8	52/687	40/87
1999 <sup>1</sup> to date	572.6	216.7	419.0	143.5	35.7	2/441 <sup>6</sup>	1/71 <sup>6</sup>

<sup>1</sup>Since inception on 27/1/99 <sup>2</sup>Source: Administrator, Net Asset Value, net income reinvested <sup>3</sup>HSBC Smaller European Total Return Index, Source: Bloomberg <sup>4</sup>MSCI Europe, local currencies, total return Source: Bloomberg <sup>5</sup>Pan European funds, Source: Standard and Poors. <sup>6</sup>In 2011 S&P reclassified the fund as a "Specialist Equity Fund". S&P do not provide peer group rankings for this category of funds. Ranking since inception is for the period until 31 December 2010. All performance figures net of fees.

**FUND DETAILS**

Ennismore Smaller Companies plc (the "Company") was established on 8 October 1998, as an umbrella type investment company with variable capital incorporated in Ireland in which different funds may be created from time to time. It is authorised in Ireland by the Central Bank of Ireland (the "Central Bank") as an investment company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) ("UCITS") Regulations 2003 (as amended). The Company has one sub-fund, the Ennismore European Smaller Companies Fund (the "Fund"), which launched 27 January 1999 with the issue of a single class of shares (GBP "A" shares) which are listed on the Official List of the Irish Stock Exchange. In January 2011 three additional share classes have been issued: GBP "B" shares, EUR "A" shares and EUR "B" shares.

The fee rates and liquidity terms are the same for all share classes. The classes differ in that performance fees are based on performance in the class currency and that the performance fee for "B" shares is calculated using an equalisation method rather than at share class level. "B" shares are for institutional investors.

The Fund is recognised by the Financial Services Authority (FSA) in the UK.

The Fund has been granted U.K. distributor status for the GBP "A" shares for 2010. The Fund has also entered the Reporting Status for the GBP denominated share classes for future periods, beginning 1 January 2011.

**INVESTMENT OBJECTIVE**

The objective of the Fund is to achieve capital growth by investing principally in small capitalisation European equity securities. The Fund aims to achieve positive absolute returns in each calendar year.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**SUMMARY INFORMATION (continued...)**

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**BASE CURRENCY**

The Fund is based in Pounds Sterling (GBP).

**MINIMUM SUBSCRIPTION**

The minimum initial subscription for the GBP “A” shares is GBP 5,000. The minimum amount for subsequent subscriptions by existing Redeemable Participating Shareholders (“Shareholders”) is GBP 1,000. Different minimum subscription apply to the other share classes. Please see, however, the important notice below.

**DEALING**

The dealing procedures should be read in conjunction with the following important notice section below. The Dealing Day is each Business Day. Applications for issue and repurchase of redeemable participating shares (“Shares”) must be received by the Administrator prior to 5.00pm (Dublin time) on the Business Day preceding a Dealing Day in order to be dealt with on that Dealing Day. Any applications received after 5.00pm (Dublin Time) on the Business Day immediately preceding the Dealing Day shall, unless otherwise determined by the Administrator, be processed on the next following Dealing Day.

Applications should be addressed to the Administrator:

Northern Trust International Fund Administration Services (Ireland) Limited  
George’s Court  
54-62 Townsend Street  
Dublin 2  
Ireland

Tel: +353 1 542 2000

Fax: +353 1 670 1181

**IMPORTANT NOTICE**

The number of Shares in the Fund is being capped but some capacity is currently available. If you would like to subscribe please call Eleanor Scott on +44 (0)20 7368 4219. Redemptions can be made through the Administrator in the usual way.

**CHARGES PAID BY THE FUND**

**Investment Management Fees**

The Fund pays the Investment Manager a fee of:

2% per annum of the NAV of the Fund payable monthly in arrears.

20% per annum performance fee on value added. Any performance fee is paid annually in January for performance achieved in the previous calendar year. Any underperformance is carried forward indefinitely.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**SUMMARY INFORMATION (continued...)**

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**Administration Fees**

The Fund pays the Administrator's fees monthly in arrears:

Northern Trust International Fund Administration Services (Ireland) Limited, is paid by the Fund an administration charge and fees in respect of its duties as Administrator and Registrar. The administration charge will accrue and be calculated daily and will be paid monthly in arrears at a rate of 0.07% per annum on the first £50 million of the Net Asset Value of each Fund on the last Dealing Day of each month and 0.06% per annum on the Net Asset Value of each Fund in excess of £50 million. This is subject to a minimum fee of £5,000 per month for a Fund with up to four types of Shares and £5,250 per month for a Fund with five or more types of Shares. The Administrator will also be entitled to Shareholder dealing fees of £15 per Shareholder transaction and a Shareholder account fee of £15 per Shareholder account. The Administrator will also be entitled to an annual fee of £7,500 per Fund for German tax reporting services. The fees payable to the Administrator may be varied from time to time by agreement with the Company subject to the minimum disclosed above. Any such variation will be notified to Shareholders. The fees are exclusive of value added tax (if any) payable by the Fund.

**Custody Fees**

Northern Trust International Fund Administration Services (Ireland) Limited, is paid by the Fund fees accruing and calculated daily and paid monthly in arrears at a rate of 0.02% per annum of the Net Asset Value of the Fund (on the last Dealing Day of each month) subject to a minimum monthly fee of €1,000 per Fund. In addition, the Custodian shall be reimbursed for all sub-custody fees and charges (charged at a normal commercial rate). The fees payable to the Custodian may be varied from time to time by agreement with the Company. Any increase in the fees payable will be notified to Shareholders. The fees are exclusive of value added tax (if any) payable by the Fund.

**CHARGES PAID TO THE FUND**

**Anti-Dilution Levy**

Up to 31 October 2008 an anti-dilution levy of 0.8% was payable to the Fund on both subscriptions and redemptions. From that date until 13 October 2009 an anti-dilution levy of 3.0% was payable to the Fund on redemptions, nil on subscriptions. This was to pay for the cost of the Fund investing or divesting in the underlying markets.

During 2009 the Directors decided that, given the improvement in market conditions, it was appropriate to reduce the anti-dilution levy on redemption of shares to 2.0% as of 14 October 2009. No charge is currently being made on subscriptions. The Directors will keep the level of charge under on-going review in the light of prevailing market conditions.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**SUMMARY INFORMATION (continued...)**

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**DIRECTORS**

The Directors of the Company are as follows:

***Nicholas Durlacher (British) (Chairman)***

Mr Durlacher was Chairman of the Balancing and Settlement Code Company, ELEXON and the Panel overseeing the New Electricity Trading Arrangements in Great Britain from 2000 to 2010. He was also Chairman of EMX Co Ltd, the electronic messaging platform for unitised financial products within Europe from February 2000 to January 2007. He was formerly Chairman of The Securities and Futures Authority from 1995 to 31 March 2001. Between 1992 and 1995 he was Chairman of LIFFE, the world's second largest derivative exchange, having been elected a member of the LIFFE board in 1984. Between 1986 and 1996 he was Chief Executive and then Chairman of BZW Futures Limited. Mr Durlacher is currently Chairman of Xoserve a National Grid Subsidiary Co involved in services to the gas shipping and transportation industry in Great Britain.

***Lars Gårdö (Swedish)***

Mr Gårdö is a Senior Advisor of 3i (Nordic) plc. From 1993 to 2001, Mr Gårdö was President and Chief Executive Officer of Atle AB, a venture capital company quoted on the Stockholm Stock Exchange. From 1985 to 1993, Mr Gårdö was president of Ax Trade AB, a large publicly owned trading conglomerate. Between 1979 and 1984, Mr Gårdö was Executive Vice President of Hexagon AB, where he was responsible for finance and acquisitions. Mr Gårdö's positions prior to this include that of Financial Controller of the Agricultural Finance Corporation in Nairobi.

***Matthew Minch (Irish)***

Mr Minch has been a Director of Tilman Asset Management Ltd since 1995, where his primary role is that of Portfolio Manager with additional responsibility for company secretarial, financial administration and compliance activities. From 1989 to 1995, Mr Minch worked as a management consultant in the area of company restructuring and acquisition advice for a number of Irish companies, particularly in the food sector. Prior to that, he was Managing Director of Minch Norton plc, Ireland's largest malt manufacturer, now part of Greencore plc. Mr Minch is a fellow of the Chartered Institute of Management Accountants.

***Geoff Oldfield (British)***

Mr Oldfield is a joint founder of the Investment Manager. He was a Director and Senior Fund Manager at Baring Asset Management where he was responsible for European smaller companies. From 1993 to 1994, he worked at Enskilda Securities in Frankfurt researching and marketing German smaller companies. Prior to this, Mr Oldfield was a European Fund Manager at Gartmore and at Midland Montagu. He is a CFA Charterholder and an Associate of the Chartered Institute of Bankers.

***Paul McNaughton (Irish)***

Mr McNaughton was a Managing Director and former Global Head of Fund Administration and Custody for Deutsche Bank Group. Mr McNaughton was also Chief Executive of Deutsche Bank Group's fund administration and custody business in Ireland for ten years. Prior to this, Mr McNaughton held several senior management positions in the financial services industry in Ireland, including General Manager of IFSC operations with the Investment Bank of Ireland from 1987 to 1991. He is also currently a director of a number of Irish investment companies.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**SUMMARY INFORMATION (continued...)**

**FUND DEVELOPMENT**

Date	Fund Size (in millions)		NAV per GBP "A" Share	
	GBP	EUR	GBP	EUR
30/06/2011	180.9	200.3	66.01	73.09
31/12/2010	99.3	115.9	57.90	67.57
30/06/2010	86.8	106.0	51.39	62.76
31/12/2009	88.4	99.5	48.89	55.02
30/06/2009	108.6	127.5	43.63	51.23
31/12/2008	146.9	151.9	49.69	51.40
30/06/2008	196.1	247.7	52.84	66.74
31/12/2007	179.3	244.2	52.67	71.71
30/06/2007	186.4	277.0	51.39	76.34
31/12/2006	177.5	263.6	48.28	71.66
30/06/2006	182.3	263.7	47.72	69.03
31/12/2005	170.0	247.5	44.54	64.82
30/06/2005	147.8	218.9	38.43	56.90
31/12/2004	128.7	181.7	34.15	48.24
30/06/2004	114.7	170.9	30.56	45.55
31/12/2003	99.3	140.8	27.65	39.24
30/06/2003	87.1	125.2	24.14	34.69
31/12/2002	68.7	105.3	21.49	32.98
30/06/2002	71.5	110.3	22.34	34.48
31/12/2001	63.7	104.1	20.52	33.54
30/06/2001	62.3	103.8	19.78	32.95
31/12/2000	60.4	95.2	20.21	31.84
30/06/2000	60.5	96.1	20.24	32.19
31/12/1999	35.0	55.8	14.90	23.71
30/06/1999	15.3	23.3	11.35	17.32
27/01/1999 <sup>1</sup>	9.9	14.2	10.00	14.35

**PUBLICATION OF PRICES**

**Financial Times** – under “FT Managed Funds Service”

**Bloomberg** – Ticker: ENNSMCI ID Equity

**Reuters** – Ticker: Ennismore European Smaller Companies Fund

**Micropal** – “Offshore Funds – Smaller Companies – Europe”

**Telekurs** – No 995895

**VWD Fondsservice on the Internet** – <http://www.finanztreff.de/ftreff/index.htm>

**SECURITY NUMBERS**

**Sedol** – 0451523

**WKN** – 921181

**ENNISMORE SMALLER COMPANIES PLC**  
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**INVESTMENT MANAGER'S REPORT**  
*for the six months ended 30 June 2011*

**PERFORMANCE**

The Net Asset Value (NAV) per share of the GBP Class A shares increased by 14.0% in the first six months of 2011. This compares to an increase of 4.2% in the HSBC Smaller European Total Return Index (in sterling) and of 2.4% for the MSCI Daily Total Return index (in local currencies). In euros the Fund's NAV per share for the GBP Class A shares increased 8.2% while the HSBC Smaller European Total Return Index declined 1.1%. Three additional share classes were launched in the period and the increase in NAV per share for these classes is shown in the following table.

**MONTHLY RETURNS**

	Share Class <sup>2</sup>					HSBC Index <sup>3</sup>		MSCI Index <sup>4</sup>
	GBP A £	GBP A €	GBP B	EUR A	EUR B	GBP	EUR	(local)
<b>NAV per Share<sup>1</sup></b>	<b>66.01</b>	<b>73.09</b>	<b>11.14</b>	<b>10.59</b>	<b>10.59</b>			
<b>Period</b>	<b>% Change</b>					<b>% Change</b>		
<b>June 11</b>	<b>4.4</b>	<b>1.0</b>	<b>4.4</b>	<b>1.8</b>	<b>1.6</b>	<b>-1.0</b>	<b>-4.1</b>	<b>-1.6</b>
May 11	-0.2	1.8	-0.2	1.5	1.5	-1.8	-0.2	-1.4
April 11	0.5	-0.1	0.6	-0.1	0.0	3.1	2.5	3.4
March 11	5.3	1.0	5.2	1.9	1.8	2.9	-1.1	-1.9
February 11	0.5	1.3	0.4	0.7	0.9	0.7	1.3	2.1
January 11	2.9	3.0				0.4	0.7	1.9
<b>2011 to date<sup>6</sup></b>	<b>14.0</b>	<b>8.2</b>	<b>11.4</b>	<b>5.9</b>	<b>5.9</b>	<b>4.2</b>	<b>-1.1</b>	<b>2.4</b>
<b>Annualised return<sup>5</sup></b>	<b>16.6</b>	<b>14.2</b>				<b>9.7</b>	<b>7.4</b>	<b>2.5</b>
<b>Since launch<sup>5</sup></b>	<b>572.6</b>	<b>419.0</b>				<b>216.7</b>	<b>143.5</b>	<b>35.7</b>

<sup>1</sup>Source: Administrator, Net Asset Value. <sup>2</sup>Source: Administrator, Net Asset Value, net income reinvested. <sup>3</sup>Source: Bloomberg, HSBC Smaller European Total Return Index. <sup>4</sup>Source: Bloomberg, MSCI Europe Index, local currencies, total return. <sup>5</sup>Since inception of GBP A share class on 27/01/99 to date. <sup>6</sup>From launch to date for GBP B, EUR A, and EUR B share classes. GBP B launched 19/01/11, EUR A and EUR B launched 31/01/11. Note: All performance figures net of fees.

Comments below on performance refer to the NAV per share of the GBP Class A shares in sterling, exclude cash returns and are prior to expenses.

The Fund generated solid returns in both relative and absolute terms in the first half of the year. We are pleased that our long and short books both contributed positively, reflecting our strong stock picking investment culture. Long positions added a total of 10.3% to the NAV during the first half and, with an average weighting of 82% during the period, the implied return came to 12.6%. The Fund's short exposure contributed 5.1% which, based on average short exposure of 33%, implies that the underlying stocks fell in value by an average of 15.3%.

The largest single contribution on the long side came from German professional networking website Xing, which added 3.0% to the Fund's return in the first half. The business continued to grow revenue strongly (up 25% year on year) and doubled its operating profit for the first quarter of the year, with the relatively new revenue stream of job advertising performing particularly well (up 89%). We believe it can continue to increase revenues significantly for several years to come and benefit from very clear operating leverage. The initial public offering (IPO) of US peer LinkedIn was very well received with the shares currently trading at more than three times the initial indicated price range. While our investments are not made based on relative valuation, the difference between the market capitalisation of Xing and of LinkedIn is striking given how similar the two services are – LinkedIn trades at an enterprise value (EV) of 32 times historic sales and over 537 times operating profit, Xing on 4.4 and 18.4 times respectively. LinkedIn should grow faster from here but this is partly a reflection of Xing's success in already monetising its more active and geographically concentrated user base, which has meant it has been profitable since 2007. One of the reasons given by LinkedIn for its IPO is to provide it with resources to make acquisitions and, if they plan to be a truly global service, they will need to buy in several key countries where they have not been able to dislodge the local market leader, most notably Xing's home turf of Germany. An acquisition would provide very large synergies as these are largely fixed cost businesses (the largest expense for Xing is software developers) offering the same service. If we assume a third of Xing's cost base could be saved this would roughly double our estimate for profitability this year, suggesting LinkedIn can afford to pay a significant premium to the current share price and still get a prized asset at an attractive valuation.

**ENNISMORE SMALLER COMPANIES PLC**  
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*for the six months ended 30 June 2011*  
*(continued)*

Building insulation manufacturer Sto added 2.0% to performance in the first half. The company reported excellent 2010 results, with its highest ever revenues and operating profit, and ended the year with net cash equivalent to nearly 20% of its market cap. We expect Sto to continue to grow its business steadily in the coming years as residential construction recovers somewhat in Europe and building standards for energy efficiency continue to be tightened. The political consensus in Germany, Sto's home market, to move away from nuclear power is beneficial in this respect as it means other ways must be found to reduce carbon dioxide emissions, with improved subsidies for insulating existing buildings announced by the government.

In June we agreed to the sale of the Fund's claim in the administration of Lehman Brothers International (Europe). No value had been attributed to this claim at 31 December 2010 so this contributed 2.5% in the first half.

**TOP TEN HOLDINGS AS AT 30 JUNE 2011\***

	<b>Company</b>	<b>Country</b>	<b>Sector</b>	<b>% of NAV</b>	<b>Performance Contribution (%)</b>
1	Xing	Germany	Technology	6.6	3.0
2	Sto	Germany	Construction	6.4	2.1
3	Buzzi Unicem	Italy	Construction	3.6	0.1
4	Howden Joinery	United Kingdom	Construction	2.8	(0.1)
5	JD Sports	United Kingdom	Consumer	2.5	0.3
6	Kentz Corp	United Kingdom	Industrials	2.5	0.8
7	LSL Property Services	United Kingdom	Property	2.4	0.2
8	VIB Vermoegen	Germany	Property	2.1	0.2
9	Informa	Jersey	Media	2.0	0.2
10	PubliGroupe	Switzerland	Media	1.8	0.8
			<b>Total</b>	<b>32.7</b>	

\* Excludes short exposure

**PORTFOLIO ACTIVITY**

Our ten largest holdings account for 33% of the Fund's total NAV. Seven of the top ten holdings – Xing, Sto, Buzzi Unicem, JD Sports, Kentz, LSL Property Services and Informa - remain from the end of last year. We added to our positions in Howden Joinery, the UK's largest manufacturer of kitchens, and VIB Vermoegen, a commercial real estate company based in Bavaria, and both have come into the top ten, as has Swiss media group PubliGroupe, a long term holding that performed very well in the first half.

We sold our long held investment in Diploma, a UK based specialist distributor. The company reported continued strong trading in the first half of the year and we took the opportunity to sell out at what we believe to be a fair valuation. This is a top quality business, which is reflected in its return on capital over the business cycle, and we will continue to follow it closely. We would be very happy to be shareholders in the company in future.

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*for the six months ended 30 June 2011*  
*(continued...)*

**EXPOSURES BY COUNTRY, MARKET CAP AND SECTOR AS A PERCENTAGE OF NAV AT 30 JUNE 2011**

Country	Gross%	Net%	Market Cap	Gross%	Net%	Sector	Gross%	Net%
Austria	1.9	1.9	>£2bn	3.6	0.4	Construction	14.5	14.6
Bermuda	2.1	-0.1	£700m - £2bn	21.9	-0.1	Consumer	15.2	-3.1
Denmark	1.7	1.7	£200m - £700m	48.7	14.8	Energy	2.9	-2.3
France	4.4	0.3	<£200m	38.5	27.5	Financial	3.1	1.3
Germany	32.4	23.8				Food	2.7	0.4
Ireland	2.3	2.3				Industrials	15.2	7.6
Italy	8.3	7.1				Leisure	4.1	-3.3
Jersey	5.6	-0.2				Materials	1.1	0.3
Netherlands	1.8	1.8				Media	13.8	10.2
Spain	1.4	-1.4				Property	6.4	5.7
Sweden	2.0	-1.0				Services	5.5	3.0
Switzerland	4.2	0.0				Technology	18.8	10.7
UK	36.9	4.4				Telecoms	6.8	-4.8
US	3.6	-0.3				Transport	1.9	1.9
Other	4.1	2.3				Other	0.7	0.4

The geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business.

**3. Portfolio as at 30 June 2011**

Longs %	Shorts %	Gross Exposure %	Net Exposure %
77.6 (87.0)	35.1 (31.1)	112.7 (118.1)	42.6 (55.9)

The portfolio became more conservatively positioned during the first half of 2011 with a net exposure of 42.6% compared with 55.9% at the start of the year. This is the result of both lower long exposure and higher short exposure. Gross exposure remains modest and, as always, the Fund has no external funding requirement.

**Long positions**

**Stocks with a current year's price-earnings ratio of under 10 times: 25% of NAV (33%)**

On single digit price-earnings ratios, these are typically overlooked or out of fashion stocks with good defensive properties and scope for a re-rating on strong operating results. In this category we also include investment and property companies that are trading at a discount to net asset value as the price-earnings ratio for these companies is not meaningful (these account for about 5% of NAV in total).

**Stocks with a current year's price-earnings ratio of 10-15 times: 38% (33%)**

These stocks typically combine a strong business franchise, high profitability and cash generation with earnings growth of 15% plus.

**Stocks with a current year's price-earnings ratio of 15-25 times: 13% (16%)**

These stocks typically combine an exceptionally strong competitive position with significantly higher growth.

**Stocks with a current year's price-earnings ratio of 25 times plus: 2% (5%)**

These include stocks with depressed earnings (including loss-making ones) where the valuation is at a significant discount to the asset base.

**Short Positions -35% (-31%)**

These are stocks that we believe to be fundamentally over-valued.

**Cash and money market instruments 18% (13%)**

The Fund's cash position gives us flexibility to pursue opportunities quickly.

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**INVESTMENT MANAGER'S REPORT**  
*for the six months ended 30 June 2011*  
*(continued...)*

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## **OUTLOOK**

As always, we will stick closely to our investment philosophy and process outlined below, we consider it to be well suited to the current environment.

## **INVESTMENT PHILOSOPHY AND PROCESS**

We focus our research on European smaller companies because we believe many are mispriced due to the lack of interest from brokers and investors. Banks' and brokers' research coverage on small and mid cap stocks is limited by the lower level of fees that they can earn from these companies, which tends to lead to greater pricing inefficiencies in the segment. Even so, relatively few of these stocks meet our stringent selection criteria.

The following list gives some examples of what we are looking for:

- **Great business franchises** - the small cap sector is their likely birthplace. To identify them at an early stage is the most financially rewarding part of our job as small cap investors.
- **Highly entrepreneurial, flexible and equity focused management teams** - the best small cap managers leave most of their large cap counterparts trailing.
- **Domination of market niches** - some small companies dominate their market to a degree that is unusual amongst large companies. Their significantly lower unit costs in areas such as product development and distribution can enable them to sustain high levels of profitability for long periods.
- **Strong exposure to a superior, yet under distributed product combined with high entry barriers** - investors can often benefit from fast growth whilst the risks are low despite the lack of diversification.

By focusing on strong business franchises and on attractive valuations we expect to generate positive returns independent of the fortunes of the asset class.

Ennismore has a stock picking approach emphasising detailed in-house fundamental analysis. Our ideal investments are high quality companies run for shareholders that are under researched, with accelerating earnings growth and the scope for a re-rating. We are opportunistic – we focus on areas where bargains are easiest to come by – as well as risk averse. Our investment process has four key features:

### **1. Focus on inefficiencies**

As smaller companies generate low commission volumes for brokers, they are often under researched and mispriced. This makes them an ideal hunting ground. We systematically monitor Initial Public Offerings, underperformers and 'fallen angels' (high quality growth stocks that have been de-rated sharply). In order to ensure a margin of safety, we insist on significant mispricings that a clearly identifiable catalyst will correct within twelve months.

### **2. Focus on high quality**

We look for companies that are capable of creating high and sustainable returns. Our measure for this is an expected minimum Return on Net Operating Assets (RONOA) of 10% per annum over a business cycle. Most companies we invest in achieve returns of well over 20%.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**INVESTMENT MANAGER'S REPORT**  
*for the six months ended 30 June 2011*  
*(continued...)*

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**What is RONO?**

$$\text{RONOA} = \frac{\text{Operating Profit}}{\text{Net Operating Assets}}$$

This ratio indicates what return the company's operating assets (i.e. its machines, stocks, buildings etc.) generate. By focusing on operating rather than pre-tax income, we ignore income from any cash balances and interest payments on any debt. A high and sustainable RONO has important financial implications: the company generates a strong cash flow, enabling it to finance strong growth, accumulate cash or repay any debt quickly.

**3. Focus on risk minimisation**

In our fundamental research, we analyse what could go wrong under the headings operational, financial and valuation risk. A selection of the questions asked are:

**Operational risk**

- Is a high level of profitability sustainable? What stops others from imitating good products or services? Could strongly growing mass markets attract fierce competition from large companies?
- Is the 'company line' confirmed by independent sources, e.g. industry associations, customers, suppliers and competitors?
- Which costs are fixed and which costs are variable? What is the sensitivity to price and volume changes?
- At what stage in its cycle is the industry?
- Is the company growing organically or by acquisition?

**Financial risk**

- Is the level of debt comfortable in relation to future cash flows and expansion plans?
- Are there potential risks in the balance sheet? Are the accounting policies conservative? Are trade debtors and stocks moderate in relation to turnover and profits?

**Valuation risk**

- Is there a significant discount to the company's real value?
- Is this an established growth stock where a deteriorating earnings outlook would lead to a sharp de-rating?

**Liquidity risk**

Liquidity risk is an important consideration when deciding stock weightings in the portfolio. Naturally, the highest weightings are given to those positions that have the largest discount to their target price, but we would normally not purchase more than 10% of the free float.

**4. Due diligence and ongoing monitoring**

Detailed due diligence and ongoing monitoring are important tools in order to safeguard strong returns. Limiting the number of stocks per Fund Manager gives us sufficient time to conduct an in depth analysis of each position and to monitor positions on an ongoing basis. Our investment disciplines include the written documentation of all relevant factors, including an assessment of the positive and negative factors affecting a company's competitive position and business strategy, possible risks and the major catalyst for the expected price movement.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**PORTFOLIO OF INVESTMENTS**  
*as at 30 June 2011*

COUNTRY	NOMINAL	SECTOR	VALUE GBP	FUND%
<b>Security</b>				
<b>TRANSFERABLE SECURITIES : 86.55% (2010: 86.9%)</b>				
<b>EQUITIES : 77.47% (2010: 86.8%)</b>				
<b>Austria : 1.86% (2010: Nil)</b>				
Mayr Melnhof Karton	15,870	Packaging&Containers	1,166,328	0.65
Polytec Holding	319,167	Consumer Durables & Apparel	2,167,803	1.21
<b>Belgium : 0.58% (2010: 0.7%)</b>				
RealDolmen	70,910	Technology Hardware & Equipment	1,031,002	0.58
<b>Bermuda : Nil (2010: 0.5%)</b>				
<b>Denmark: 1.69% (2010: 2.2%)</b>				
Rella Holding	248,514	Media	1,143,368	0.64
Ringkjoebing Landbobank	25,964	Banks	1,882,999	1.05
<b>France: 2.39% (2010: 1.2%)</b>				
Canal	85,535	Media	390,473	0.22
Spir Communication	78,361	Media	2,398,976	1.34
Tonnellerie Francois Freres	54,777	Technology Hardware & Equipment	1,476,620	0.83
<b>Germany: 28.33% (2010: 27.7%)</b>				
Amadeus Fire	48,625	Commercial Services	1,330,542	0.74
Augusta Technologie	124,212	Miscellaneous Manufacturer	2,094,838	1.17
Centrotec Sustainable	56,320	Building Materials	1,076,737	0.60
CompuGroup Medical	176,672	Software & Services	1,715,151	0.96
COR&FJA	729,476	Software & Services	1,166,032	0.65
Elexis	152,990	Technology Hardware & Equipment	2,620,247	1.46
Gesco	2,853	Miscellaneous Manufacturer	163,736	0.09
Homag Group	31,318	Machinery-Diversified	450,260	0.25
KROMI Logistik	30,942	Transportation	227,876	0.13
LPKF Laser & Electronics	130,176	Electronics	1,574,120	0.88
Nemetschek	80,845	Software & Services	2,384,491	1.33
Nexus	83,651	Software & Services	518,229	0.29
OHB	45,145	Aerospace	520,627	0.29
STO	108,855	Building Materials	11,688,439	6.52
Surteco	50,689	Miscellaneous Manufacturer	1,247,402	0.70
Tomorrow Focus	429,713	Internet	1,785,100	1.00
VIB Vermoegen	513,232	Real Estate	3,847,427	2.15
VIB Vermoegen A	163,872	Real Estate	1,162,458	0.65
Washtec	194,419	Machinery-Diversified	1,685,529	0.94
Westag & Getalit	82,061	Building Materials	1,485,859	0.83
Westag & Getalit	20,350	Building Materials	367,554	0.21
XING	239,988	Internet	11,605,806	6.49
<b>Greece: 0.28% (2010: 0.3%)</b>				
Thessaloniki Port Authority	42,349	Commercial Services	509,035	0.28
<b>Gurnsey, Channel Islands: 0.02% (2010: 0.9%)</b>				
Ingenious Media Active Capital	380,582	Investment Companies	37,107	0.02
<b>Hong Kong: 0.98% (2010: Nil)</b>				
Asia Satellite Telecommunications Holdings	1,245,293	Telecommunications	1,754,438	0.98
<b>Ireland: 4.76% (2010: 8.1%)</b>				
CPL Resources	1,067,679	Commercial Services	2,603,339	1.45
Kentz	1,017,039	Oil&Gas Services	4,413,949	2.47
TVC Holdings	1,400,041	Investment Companies	960,906	0.54
Worldspreads Group	1,347,866	Diversified Financial Services	539,146	0.30

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**PORTFOLIO OF INVESTMENTS**  
*as at 30 June 2011(continued...)*

COUNTRY	NOMINAL	SECTOR	VALUE GBP	FUND%
<b>Security</b>				
<b>EQUITIES (continued)</b>				
<b>Isle of Man: 0.89% (2010: 1.6%)</b>				
Carpathian	5,509,320	Real Estate	1,592,114	0.89
<b>Italy: 7.36% (2010: 7.5%)</b>				
Buzzi Unicem	1,336,781	Building Materials	5,770,513	3.22
Caltagirone Editore	785,911	Media	984,410	0.55
Danieli & C Officine Meccaniche	34,320	Machinery-Construction & Mining	323,264	0.18
El.En.	45,432	Electronics	488,242	0.27
Industria Macchine Automatiche	138,916	Hand/Machine Tools	1,895,584	1.05
Piquadro	666,304	Apparel	1,568,098	0.88
Sabaf	33,009	Electronics	589,935	0.33
Servizi Italia	84,930	Healthcare-Products	511,580	0.29
Tesmec	2,498,361	Machinery-Construction & Mining	1,053,655	0.59
<b>Jersey, Channel Islands : Nil (2010: 2.8%)</b>				
<b>Luxembourg : Nil (2010: 0.5%)</b>				
<b>Netherlands: 1.84% (2010: 3.1%)</b>				
Jubii Europe	12,132,124	Commercial Services	843,634	0.47
Trader Media East	2,027,654	Advertising	2,447,659	1.37
<b>Norway: 0.05% (2010: Nil)</b>				
Tomra Systems	18,500	Environmental Control	100,297	0.05
<b>Singapore: 1.01% (2010: Nil)</b>				
XP Power	115,183	Electric	1,812,980	1.01
<b>Sweden: 0.53% (2010: 0.7%)</b>				
Odd Molly International	70,954	Retail	385,221	0.22
Studsвик	118,726	Environmental Control	555,513	0.31
<b>Switzerland: 4.21% (2010: 2.3%)</b>				
Informa	849,779	Media	3,671,895	2.05
Orell Fuessli Holding	7,154	Commercial Services	659,414	0.37
PubliGroupe	28,297	Advertising	3,198,563	1.79
<b>Turkey: 0.40% (2010: 0.3%)</b>				
Dogan Burda Dergi Yayincilik ve Pazarlama	762,023	Media	710,218	0.40
<b>United Kingdom: 19.90% (2010: 25.0%)</b>				
Burford Capital	849,725	Diversified Financials	1,104,643	0.62
Cello Group	3,501,670	Advertising	1,365,651	0.76
Empresaria Group	2,246,993	Commercial Services & Supplies	1,011,147	0.57
Expansys	34,066,604	Telecommunications	408,799	0.23
French Connection Group	2,420,606	Consumer Durables & Apparel	1,960,691	1.10
FW Thorpe	134,528	Technology Hardware & Equipment	1,049,318	0.59
Hargreaves Services	281,410	Transportation	2,926,664	1.64
Howden Joinery Group	4,738,827	Consumer Durables & Apparel	5,065,806	2.83
Ideal Shopping Direct	598,313	Media	1,313,297	0.73
JD Sports Fashion	495,467	Retail	4,558,296	2.55
LSL Property Services	1,581,147	Real Estate	4,395,589	2.46
MBL Group	524,257	Consumer Durables & Apparel	36,698	0.02
Norman Broadbent	611,507	Commercial Services	354,674	0.20
Promethean World	1,958,494	Technology Hardware & Equipment	1,135,927	0.63
Quarto Group	1,620,941	Telecommunications	2,188,270	1.22
Software Radio Technology	697,376	Telecommunications	258,029	0.14
Spark Ventures	15,628,793	Telecommunications	1,601,951	0.90

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**PORTFOLIO OF INVESTMENTS**  
*as at 30 June 2011 (continued...)*

COUNTRY	NOMINAL	SECTOR	VALUE GBP	FUND%
<b>Security</b>				
<b>EQUITIES (continued)</b>				
<b>United Kingdom: 19.90% (2010: (25.0%)) continued</b>				
Staffline Group	256,872	Commercial Services & Supplies	649,886	0.36
Superglass Holdings	1,388,543	Materials	166,625	0.09
Universe Group	12,671,799	Technology Hardware & Equipment	221,757	0.12
Vitec Group	415,690	Technology Hardware & Equipment	2,514,925	1.41
Zetar	642,820	Food Beverage & Tobacco	1,311,353	0.73
<b>United States: 0.39% (2010: 2.30%)</b>				
Somero Enterprises	4,970,646	Miscellaneous Manufacturer	695,891	0.39
<b>TOTAL EQUITIES</b>			<b>138,652,625</b>	<b>77.47</b>
<b>LONG TERM BONDS AND NOTES : 9.08% (2010: 0.1%)</b>				
<b>France</b>				
France Treasury Bill 0.00% 28.07.2011	7,000,000	Sovereign	6,316,567	3.52
France Treasury Bill 0.00% 07.07.2011	7,000,000	Sovereign	6,320,929	3.53
<b>United Kingdom</b>				
Essenden 0.00% 29.04.2049	461,111	Leisure Time	138,333	0.08
United Kingdom Treasury Bill 0.00% 08.08.2011	3,500,000	Sovereign	3,498,040	1.95
<b>Total Bonds</b>			<b>16,273,869</b>	<b>9.08</b>
<b>TOTAL TRANSFERABLE SECURITIES</b>			<b>154,926,494</b>	<b>86.55</b>
<b>CONTRACTS FOR DIFFERENCE: 1.94% (2010: -0.1%)</b>			<b>Unrealised</b>	
			<b>gain/(loss) GBP</b>	<b>FUND%</b>
<b>Belgium : 0.10% (2010 : Nil)</b>				
BE003	(2,777,000)	Capital Goods	180,505	0.10
<b>France : -0.39% (2010 : -0.7%)</b>				
FR009	(39,884)	Healthcare-Services	(867,477)	(0.48)
FR011	(243,800)	Media	165,722	0.09
<b>Germany : 0.88% (2010 : 0.4%)</b>				
DE022	(31,316)	Capital Goods	(149,889)	(0.08)
DE003 (rts)	(5,061,677)	Utilities	-	0.00
DE003	(632,710)	Utilities	1,713,218	0.96
DE027	(7,934)	Semiconductors	93,731	0.05
DE005	(123,530)	Energy	21,740	0.01
DE030	(931,818)	Semiconductors	337,444	0.19
DE012	(198,152)	Diversified Industrials	(23,176)	(0.01)
DE025	(120,927)	Media	(228,850)	(0.13)
DE013	(139,031)	Energy	(91,246)	(0.05)
DE019	(75,391)	Commercial Services & Supplies	(115,270)	(0.06)
DE028	(3,586)	Telecommunication Services	(5,537)	(0.00)
<b>Ireland : -0.05% (2010 : Nil)</b>				
IE001	(497,636)	Software & Services	(89,230)	(0.05)
<b>Italy : 0.11% (2010 : Nil)</b>				
IT006 (rts)	(101,054)	Bank	(4,289)	(0.00)
IT007	(7,020)	Software & Services	48,777	0.03
IT005	(35,838)	Insurance	36,663	0.03
IT006	(101,054)	Banks	50,406	0.03
IT008	(162,931)	Consumer Durables & Apparel	34,353	0.02

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**PORTFOLIO OF INVESTMENTS**  
*as at 30 June 2011 (continued...)*

COUNTRY Security	NOMINAL	SECTOR	Unrealised gain/(loss) GBP	FUND%
<b>Luxembourg : 0.07% (2010 : Nil)</b>				
LU001	(143,020)	Real Estate	116,592	0.07
<b>Malaysia : 0.33% (2010 : Nil)</b>				
BM003	(2,309,332)	Food Beverage & Tobacco	592,842	0.33
<b>Spain : 0.33% (2010 : 2.0%)</b>				
ES006	(432,230)	Banks	117,101	0.07
ES005	(486,855)	Media	471,397	0.26
<b>Sweden : 0.40% (2010 : 0.3%)</b>				
SE019	(2,697,849)	Telecommunication Services	348,914	0.20
SE020	(458,001)	Consumer Services	362,556	0.20
<b>Switzerland : 1.12% (2010 : 0.6%)</b>				
CH011	(8,095)	Pharmaceuticals, Biotechnology	49,106	0.03
CH012	(174,500)	Technology Hardware & Equipment	490,826	0.27
CH010	(872,203)	Capital Goods	1,464,008	0.82
<b>United Kingdom : -0.57% (2010 : -0.8%)</b>				
GB052	(4,375,480)	Media	(21,569)	(0.01)
GB032	(67,078)	Media	(464,580)	(0.26)
GB046	(1,425,279)	Telecommunication Services	942,717	0.53
GB049	(370,184)	Media	(5,553)	(0.00)
GB005	(244,548)	Retailing	126,286	0.07
GB053	(10,000,000)	Retailing	(320,734)	(0.18)
GB011	(1,835,100)	Retailing	(157,498)	(0.09)
GB050	(4,505,261)	Retailing	67,579	0.04
GB054	(1,181,260)	Commercial Services & Supplies	(10,430)	(0.01)
GB051	(2,679,039)	Consumer Services	(208,376)	(0.12)
GB047	(1,075,148)	Capital Goods	(652,361)	(0.36)
GB055	(127,550)	Retailing	43,367	0.02
GB026	(1,038,391)	Media	(355,178)	(0.20)
<b>United States : -0.35% (2010 : -2.0%)</b>				
US017	(809,460)	Software & Services	(450,972)	(0.25)
US016	(33,269)	Telecommunication Services	(174,023)	(0.10)
Unrealised Gain on Contracts for Difference			7,875,850	4.42
Unrealised Loss on Contracts for Difference			(4,396,238)	(2.44)
<b>Net Unrealised Gain on Contracts for Difference</b>			<b>3,479,612</b>	<b>1.98</b>
<b>Total Financial Derivative Instruments</b>			<b>3,479,612</b>	<b>1.98</b>
<b>PORTFOLIO OF INVESTMENTS</b>			<b>158,406,106</b>	<b>88.53</b>
Cash and Bank Balances and Bank Overdrafts			24,464,671	13.67
Other Current Assets			3,672,917	2.05
<b>TOTAL ASSETS</b>			<b>186,543,694</b>	<b>104.25</b>
Current Liabilities			(7,602,605)	(4.25)
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (at bid market prices)</b>			<b>178,941,089</b>	<b>100.00</b>

The counterparties for the contracts for differences are Goldman Sachs International, Morgan Stanley and UBS.  
The cash held with counterparties disclosed on the Balance Sheet is held with Goldman Sachs International, Morgan Stanley and UBS.  
The names of the equity securities underlying the contracts for difference are not disclosed due to the commercial sensitivity of short positions.  
Details of the underlying securities will be provided to shareholders on request.  
Note: 2010 comparative percentages (in brackets) refer to December 2010 Annual percentages.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**PORTFOLIO CHANGES**  
*during the six months ended 30 June 2011*

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<b>TOP 20 PURCHASES*</b>	<b>VALUE GBP</b>
Howden Joinery Group	3,435,878
Buzzi Unicem	2,607,890
Polytec Holding	2,035,793
XING	1,965,062
XP Power	1,909,457
STO	1,848,845
Industria Macchine Automatiche	1,629,699
LPKF Laser & Electronics	1,521,239
JD Sports Fashion	1,484,124
Nemetschek	1,477,508
Tonnellerie Francois Freres	1,336,302
LSL Property Services	1,277,132
VIB Vermoegen	1,260,729
Promethean World	1,229,554
Centrotec Sustainable	1,182,998
Augusta Technologie	1,162,664
VIB Vermoegen A	1,147,931
Mayr Melnhof Karton	1,140,081
Spir Communication	1,136,194
Informa	1,052,315

<b>TOP 20 SALES*</b>	<b>VALUE GBP</b>
Diploma	3,437,900
STO	2,239,227
Norkom Group	2,027,901
RSM Tenon Group	1,490,181
Cove Energy	640,022
SES	633,166
Dragon - Ukranian Properties & Development	617,905
Kentz	532,961
Vitec Group	527,464
Nexus	444,670
Centrotec Sustainable	415,687
Informa	358,970
London Capital Group	358,298
Telegate	347,710
Burford Capital	160,524
OHB	94,823
Servizi Italia	28,393
Tomorrow Focus	15,737
Velti	4,053

\* This table is designed to reflect economic changes in our long book and therefore excludes short exposure, CFDs and related transactions.

Copies of all portfolio changes are available, free of charge, from the registered office of the Company.

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**PROFIT AND LOSS ACCOUNT**  
*for the six months ended 30 June 2011*

	Note	Period ended 30/06/2011 GBP	Year ended 31/12/2010 GBP	Period ended 30/06/2010 GBP
Net realised gains on investments during the period/year		13,608,452	3,559,164	5,148,240
Net unrealised gains/(losses) on investments during the period/year		<u>11,856,943</u>	<u>15,271,264</u>	<u>(281,120)</u>
Net gains on investments during the period/year		25,465,395	18,830,428	4,867,120
Gross Income		<span style="border: 1px solid black;">2,010,836</span>	<span style="border: 1px solid black;">1,589,064</span>	<span style="border: 1px solid black;">1,018,146</span>
Expenses		<span style="border: 1px solid black;">(6,752,623)</span>	<span style="border: 1px solid black;">(4,488,450)</span>	<span style="border: 1px solid black;">(1,210,956)</span>
Net deficit for the period/year		<u>(4,741,787)</u>	<u>(2,899,386)</u>	<u>(192,810)</u>
<b>Finance cost</b>				
Interest paid		(699,430)	(919,404)	(429,761)
<b>Gain for the financial period/year</b>		<u>20,024,178</u>	<u>15,011,638</u>	<u>4,244,549</u>
Withholding tax	1 (d)	<u>(379,254)</u>	<u>(128,200)</u>	<u>(92,769)</u>
<b>Net increase in net assets attributable to holders of redeemable participating shareholders from operations</b>		<u><u>19,644,924</u></u>	<u><u>14,883,438</u></u>	<u><u>4,151,780</u></u>

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE**  
**TO REDEEMABLE PARTICIPATING SHAREHOLDERS**  
*for the six months ended 30 June 2011*

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	Period ended 30/06/2011 GBP	Year ended 31/12/2010 GBP	Period ended 30/06/2010 GBP
Net assets attributable to redeemable participating share holders at beginning of period/year	<u>98,063,317</u>	<u>87,270,958</u>	<u>87,270,958</u>
<i>Share Transactions</i>			
Amounts received on sale of Shares	78,162,509	8,040,075	2,254,420
less: Amount paid on repurchase of Shares	<u>(16,929,661)</u>	<u>(12,131,154)</u>	<u>(8,097,836)</u>
	<u>61,232,848</u>	<u>(4,091,079)</u>	<u>(5,843,416)</u>
Net increase in net assets attributable to redeemable participating shareholders resulting from operations	<u>19,644,924</u>	<u>14,883,438</u>	<u>4,151,780</u>
Net assets attributable to redeemable participating shareholders at end of period/year	<u><u>178,941,089</u></u>	<u><u>98,063,317</u></u>	<u><u>85,579,322</u></u>

**ENNISMORE SMALLER COMPANIES PLC**  
**ENNISMORE EUROPEAN SMALLER COMPANIES FUND**  
**BALANCE SHEET**  
*as at 30 June 2011*

	Note	Period ended 30/06/2011 GBP	Year ended 31/12/2010 GBP	Period ended 30/06/2010 GBP
<b>Current Assets</b>				
Financial assets at fair value through profit or loss	1 (c)			
Transferable Securities		154,926,494	85,142,830	68,778,178
Money market instruments		-	-	4,093,325
Unrealised gain on contracts for difference		7,875,850	4,608,666	3,800,584
Unrealised gain on spot foreign currency contracts		-	-	560
		<u>162,802,344</u>	<u>89,751,496</u>	<u>76,672,647</u>
Debtors	2	3,672,917	2,344,539	324,768
Cash and bank balances	3	21,145,284	9,503,560	12,344,629
Cash held with counterparties		3,319,387	3,856,563	1,075,509
		<u>190,939,932</u>	<u>105,456,158</u>	<u>90,417,553</u>
<b>Current Liabilities</b>				
Financial Liabilities at fair value through profit or loss	1 (c)			
Unrealised loss on contracts for difference		(4,396,238)	(4,694,724)	(1,016,371)
Creditors	4	(7,602,605)	(2,698,117)	(3,821,860)
		<u>(11,998,843)</u>	<u>(7,392,841)</u>	<u>(4,838,231)</u>
Net assets attributable to holders of redeemable participating shares		<u>178,941,089</u>	<u>98,063,317</u>	<u>85,579,322</u>

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**1. Significant accounting policies**

**a) Basis of accounting**

These condensed interim financial statements have been prepared in accordance with the Accounting Standards Board (ASB) Statement: Half yearly Financial Reports, the provisions of the Companies Act 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) regulations 2003 (as amended). The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with accounting standards generally accepted in Ireland and with the provisions of the Companies Act 1963 to 2006 and the European Communities (Undertakings for Collective Investment in transferable Securities) regulations 2003 (as amended). Accounting standards generally accepted in Ireland are those published by the Institute of Chartered Accountants in Ireland and issued by the ASB.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

The financial statements are prepared in GBP.

**b) Use of estimates**

The preparation of financial statements in accordance with Accounting Standards generally accepted in Ireland (Irish GAAP) requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**c) Investments at fair value through profit or loss**

This category has two sub-categories: financial assets and liabilities held for trading, and those designated by the Directors at fair value through profit or loss at inception. All instruments on the Fund's Portfolio of Investments are classified as held for trading. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Profit and Loss Account.

Subsequent to initial recognition, securities listed on a recognised stock exchange or traded on any other organised market, are valued at the current bid price on the stock exchange or market which constitutes the principal market for such securities. If for specific assets the current bid prices do not, in the opinion of the Directors, reflect their fair value or are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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**1. Significant accounting policies**

**c) Investments at fair value through profit or loss**

If there has been a change in economic circumstances such that the Directors consider that the use of the last traded price for a specific asset may overstate its fair value, the fair value of the asset may be estimated using valuation methods including reference to price/earnings ratios of similar companies and discounted cash flow techniques.

Contracts for differences (CFDs) which do not reset are valued at fair value with reference to the close of business market price of the underlying stock. All other CFDs are valued as the difference between the close of business market price at year end and the reset price. Margin is paid at each fair value point to/from the broker thereby determining the new reset price. The Administrator may adjust the value of any such assets if, in relation to currency, marketability and such other considerations as it deems relevant, it considers that such adjustment is required to reflect the fair value thereof with the approval of the Custodian.

Cash and deposits with credit institutions consist principally of short-term investments, which are readily convertible into cash and have original maturities of 90 days or less.

Purchases and sales of investments are recognised on trade date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**d) Income and expense recognition**

Dividends are recognised as income in the Profit and Loss Account on the dates the securities are first quoted 'ex dividend'. Bank deposit interest income and expense is recognised in the Profit and Loss Account using the accruals method. Income which suffers a deduction of tax at source is shown gross of such withholding tax. Franked investment income (which comprises UK source dividend income) is shown net of the notional tax credit. Withholding tax is shown separately in the Profit and Loss Account. Expenses are accrued on a daily basis.

**e) Realised gains and losses on investments**

Realised gains and losses on sales of investments are calculated based on the average book cost of the investment in local currency and are included in net losses on investment at fair value during the year in the Profit and Loss Account.

**f) Unrealised gains and losses on investments**

Unrealised gains and losses on investments arising during the year are included in net gains or losses on investment at fair value during the period in the Profit and Loss Account.

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**1. Significant accounting policies (continued)**

**g) Foreign exchange (continued)**

The functional currency of the Fund is British Pounds (GBP). GBP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives the majority of subscriptions from its investors. The financial statements are presented also in GBP, the presentation currency of the Fund.

Foreign currency assets and liabilities, including investments at fair value, are translated into GBP at the exchange rate prevailing at the period end. The foreign exchange gain or loss based on the translation of the original cost of the transferable securities is included in the net gains or losses on investments at fair value in the Profit and Loss Account. All other foreign currency exchange differences relating to monetary items, including transactions in foreign currency are translated at the foreign currency exchange rate prevalent at the date of the transaction.

**h) Redeemable Participating Shares**

The Company provides its shareholders with the right to redeem their interest in the Company at any dealing date for cash equal to their proportionate share of the net asset value of the Company.

**2. Debtors**

	<b>30/06/2011</b>	<b>31/12/2010</b>	<b>30/06/2010</b>
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Accrued income	131,460	184,874	180,590
Sale of securities awaiting settlement	3,535,459	154,493	21,618
Amounts receivable on creation of redeemable participating shares	-	1,993,299	110,326
Other debtors	5,998	11,873	12,234
	<u>3,672,917</u>	<u>2,344,539</u>	<u>324,768</u>

**3. Cash and bank balances**

Cash and bank balances are held with Northern Trust Fiduciary Services (Ireland) Limited.

**4. Creditors**

	<b>30/06/2011</b>	<b>31/12/2010</b>	<b>30/06/2010</b>
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Accrued expenses	(4,991,403)	(2,523,235)	(369,456)
Amounts payable on redemption of redeemable participating shares	-	(86,686)	(307,649)
Purchase of securities awaiting settlement	(2,520,622)	(28,732)	(3,109,444)
Other creditors	(90,580)	(59,464)	(35,311)
	<u>(7,602,605)</u>	<u>(2,698,117)</u>	<u>(3,821,860)</u>

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**5. Exchange rates**

The exchange rates used in the interim report for conversion to GBP at 30/06/11 are:

Danish Krone	8.2594	Singapore Dollar	1.9708
Euro	1.1073	Swedish Krona	10.1305
Hong Kong Dollar	12.4924	Swiss Franc	1.3517
Japanese Yen	129.6561	Turkish Lira	2.6073
Norwegian Krone	8.6139	US Dollar	1.6054

The exchange rates used in the prior year's annual report for conversion to GBP at 31/12/10 were:

Bermudan Dollar	1.5657	Israeli Shekel	5.5448	Swiss Franc	1.4593
Canadian Dollar	1.5557	Japanese Yen	126.9821	Turkish Lira	2.4095
Czech Koruna	29.2812	Norwegian Krone	9.1003	US Dollar	1.5657
Danish Krone	8.6970	Singapore Dollar	2.0057		
Euro	1.1670	Swedish Krona	10.5256		

**6. Share capital**

The Company has authorised share capital divided into 300,000,000 Shares of no par value and 30,000 Management shares of EUR1.2697 each. For details of the issued Share capital as at 30 June 2011 please refer to the table below. Additionally EUR8.8879 is represented by 7 Management shares of EUR1.2697 each, which have been issued to the Investment Manager and its nominees and on which EUR2.222, i.e. a quarter, has been paid up. The Company has met the minimum capital requirement whereby the Company must, at all times, maintain a minimum capital requirement equivalent to EUR 125,000.

***Management shares***

Management shares do not entitle the holders to any dividend and on a winding up entitle the holder to receive the amount paid up thereon but not otherwise to participate in the assets of the Company. The Management shares do not form part of the net assets attributable to redeemable participating shareholders. They are thus disclosed by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's business as an investment fund.

***Redeemable Participating Shares***

The Redeemable Participating Shares are classified as a liability in accordance with Financial Reporting Standard No. 25 "Financial Instruments: Presentation and Disclosure", as they are redeemable at the request of the holders. These Shares issued by the Company are freely transferable and are entitled to participate equally in the profits and dividends of the Company and its assets if it were to be liquidated.

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**6. Share capital (continued...)**

***Redeemable Participating Shares (continued)***

Each Shareholder shall have one vote in relation to any matter relating to the Company which is submitted to Shareholders for a vote by show of hands. Each Share gives the holder one vote in relation to any matter relating to the Company which is submitted to Shareholders for a vote by poll. All Shares have equal voting rights.

The movement in the number of participating shares is as follows:

	<b>GBP "A"</b> <b>2011</b>	<b>GBP "A"</b> <b>2010</b>	<b>GBP "B"</b> <b>2011</b>	<b>EUR "A"</b> <b>2011</b>	<b>EUR "B"</b> <b>2011</b>
At beginning of period/year	1,715,172	1,808,126	-	-	-
Issued	288,090	148,437	1,609,936	300,235	4,814,187
Redeemed	(170,115)	(241,391)	(479,520)	-	(163,294)
At end of period/year	<u>1,833,147</u>	<u>1,715,172</u>	<u>1,130,416</u>	<u>300,235</u>	<u>4,650,893</u>

***NAV per redeemable participating shares***

The NAV of the Fund at year end as calculated and published by the Administrator differs from that presented in these financial statements. This is due to the difference in valuation principles adopted for the two purposes. The valuation principles, based on official closing prices, are the current valuation principles per the Company's prospectus and adopted in calculating the published NAV price for share dealing purposes. The valuation principles adopted as disclosed in the significant accounting policies in note 1 to the financial statements, based upon bid prices, are in accordance with the financial reporting standards issued by the ASB. Please see the fair value reconciliation below, reconciling the two valuation principles.

<b>Fair Value Reconciliation</b>	<b>30/06/2011</b> <b>GBP</b>	<b>31/12/2010</b> <b>GBP</b>	<b>30/06/2010</b> <b>GBP</b>
Net Asset Value per fair value prices	178,941,089	98,063,317	85,579,322
Fair value adjustment	1,995,626	1,238,749	1,179,784
Net Asset Value per dealing prices	<u>180,936,715</u>	<u>99,302,066</u>	<u>86,759,106</u>
Number of redeemable participating shares in issue			
GBP "A"	1,833,147	1,715,172	1,688,351
GBP "B"	1,130,416	N/A	N/A
EUR "A"	300,235	N/A	N/A
EUR "B"	4,650,893	N/A	N/A
Net Asset Value per redeemable participating share, based on dealing prices			
GBP "A"	GBP 66.01	GBP 57.90	GBP 51.39
GBP "B"	GBP 11.14	N/A	N/A
EUR "A"	EUR 10.59	N/A	N/A
EUR "B"	EUR 10.59	N/A	N/A

**Fair Value Reconciliation**

Net Asset Value per dealing prices is calculated based upon official closing prices of the investments held by the Fund in accordance with the prospectus.

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**7. *Soft Commission arrangements***

During 2011 a Commission sharing Agreement was entered into to pay for third party research. The total amount of commission credits charged to the fund was GBP 3,347.

**8. *Financial instruments***

The Fund may hold a number of financial instruments which comprise:

1. Equity shares held in accordance with the Fund's investment objective and policies.
2. Cash, liquid resources and short term debtors and creditors that arise directly from its operations.
3. Contracts for differences (CFDs) - see page 28 for a full explanation.
4. Debt instruments with a minimum credit rating of A from Moodys - at 30 June 2011 the Fund held a zero coupon corporate loan note which does not have a credit rating. This transferable instrument, which represents 0.1% on NAV, was acquired as a consequence of a corporate reconstruction by one of the Fund's equity holdings rather than being purchased by the Fund.

All financial assets and liabilities held at 30 June have been valued based on quoted market prices with the exception of the Fund's investment in Trader Media East of GBP 2,447,658 (31 December 2010: GBP 2,532,096), a company for which there is no reported trading on its relevant stock exchange. The position is currently valued at its reported net asset value (as at 30 June 2011 this was based on the reported results to 31 March 2011). As the valuation of this investment is based on unobservable inputs, as defined in IFRS, the actual amount that may be realised on this investment may differ from the reported carrying value and that difference could be significant.

**9. *Use of Derivatives***

At the discretion of the Directors, the Fund may use financial derivative instruments including, in particular, contracts for difference (CFDs) for investment purposes, to obtain short exposure to equity securities that the Investment Manager believes are overvalued or to reduce transaction costs. While the prudent use of such a derivative can be beneficial, derivatives also include risks different from, and in certain cases greater than, the risks presented by more traditional investments. The Fund may enter into financial derivative instruments with one or more counterparties for the purposes of efficient portfolio management in accordance with the requirements of the Central Bank.

Efficient portfolio management for these purposes, means an investment decision involving transactions that are entered into for one or more of the following specific reasons:

- a reduction of risk;
- a reduction of cost; or
- the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund and subject to the conditions and limits as set out in the UCITS Notices and within any further limits laid down by the Central Bank from time to time.

The Fund may be leveraged through the use of financial derivative instruments which may give it net market exposure to equities of up to 120% of its Net Asset Value.

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**9. *Use of Derivatives (continued)***

The Investment Manager employs a risk management process which enables it to monitor and measure the risks attached to financial derivative instruments, and details of this process have been provided to the Central Bank. The Investment Manager will not utilise financial derivative instruments which have not been included in the risk management process until such time as a revised risk management process has been submitted and approved by the Central Bank.

**10. *Contracts for difference (CFDs)***

The Fund uses Contracts for Difference (CFDs) to obtain short exposure.

CFDs are agreements between the Company and third parties which allow the Company to acquire an exposure to the price movement of specific securities without actually purchasing the securities. Upon entering into a CFD, the Company is normally required to deposit with a broker initial cash margin equal to a certain percentage of the contract amount.

Variation margin payments are made or received by the Company depending upon the fluctuation in the value of the underlying securities. While the contract or notional amounts reflect the involvement of the Company in these financial instruments, risks arise from possible adverse movements in foreign exchange rates and the prices of the underlying securities.

The total notional amount of CFDs held by the Fund at period end was GBP 63,564,917 (all short positions). As at 31 December 2010 the notional amount of short CFDs amounted to GBP 30,860,005 (all short positions).

**11. *Fair Value Hierarchy***

FRS29 requires disclosures surrounding the level in the fair value hierarchy in which fair value measurements are categorised for financial instruments measured in the Balance Sheet. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Financial instruments recognised at fair value were analysed in the 31 December 2010 annual report between those whose fair value is based on:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are based on observable market data (unobservable inputs) (Level 3).

During the period there were no significant transfers between levels of the fair value hierarchy from 31 December 2010 to 30 June 2011.

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**12. *Lehman Brothers International (Europe) Administration Claim***

In June 2011 the Company agreed to the sale of its entire claim in the administration of Lehman Brothers International (Europe) for USD 5.6 million and this amount is included in debtors at the period end. As at 23 August 2011 the USD 5.6 million amount due had been received. No asset had been recognised in respect of this claim as at 31 December 2010.

**13. *Approval of the financial statements***

The financial statements were approved by the Board of Directors on 23 August 2011.