

MONTANARO EUROPEAN SMALLER COMPANIES PLC

**CONDENSED INTERIM REPORT (UNAUDITED)
AND
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2011

MONTANARO EUROPEAN SMALLER COMPANIES PLC

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MONTANARO EUROPEAN SMALLER COMPANIES PLC

MANAGEMENT AND OTHER INFORMATION

Directors

Paul McNaughton (Irish) (Chairman)
Chris Jones (British)
David O'Donnell (Irish)
Rodney Barton (British)
Simon O'Sullivan (Irish)

All Directors are independent non-executive Directors.

Administrator and Secretary

State Street Fund Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

Legal Advisers

As to Irish Law
Matheson Ormsby Prentice
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
One Spencer Dock
Dublin 1
Ireland

Listing Sponsor

NCB Stockbrokers Limited
3 George's Dock
International Financial Services Centre
Dublin 1
Ireland

Custodian

State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

Legal Adviser

As to UK & US Law
Salans
Millenium Bridge House
2 Lambeth Hill
London EC4V 4AJ
United Kingdom

Investment Manager

Montanaro Asset Management Limited
53 Threadneedle Street
London EC2R 8AR
United Kingdom

Registered Number: 330162

INVESTMENT MANAGER'S REVIEW

Interim Review

1Q: January – March 2011

After a buoyant end to 2010, equities came under pressure due to several concerns, some quite unexpected. Political turmoil in North Africa and the Middle East led to increases in oil prices which, coupled with rising food prices, raised the spectre of rising inflation. A devastating 8.8 magnitude earthquake hit the North East of Japan causing a tsunami that damaged the Fukushima nuclear plant. In addition to a terrible human tragedy, this resulted in a disruption of component supplies to the electronic and automotive industries that have enjoyed a strong recovery. Overall, it was a lacklustre quarter with benchmark index and NAVs remaining virtually unchanged over the period. After an exceptional year in 2010 this is not surprising.

2Q: April – June 2011

The second quarter brought declines in most equity markets in Europe. However, a late rally in June followed and the resolution of the second Greek bailout brought some relief. The oil price weakened and weaker commodity prices in general gave renewed hope for lower inflation. Overall, equity markets remained broadly unchanged to slightly down over the first half of the year. We outperformed marginally over the six months.

Outlook

At the time of writing, investor sentiment is particularly fragile. The macro-economic uncertainties have rarely been so extreme: the PIIGS crisis has yet to be resolved as politicians have singularly failed to take the decisive action needed to restore confidence in the long-term viability of the Euro; forecasts for US GDP growth are being cut as it appears that the stimulus from QE2 has failed to stimulate growth and bring about a recovery in employment; the wrangle over increasing the debt ceiling highlighted the debt problems facing America; and doubts over the possibility of an additional stimulus has led some to predict a return to recession.

However, the companies we talk to and in which we invest on your behalf tell a different story. Since we seek to work with the highest quality and best managed small companies that we can find, they tend to be the market leaders within niche markets. Over recent months, they have enjoyed strong sales growth. In addition, they have passed on rising raw material costs through price increases, allowing them to expand margins. So balance sheets are particularly robust and the majority of our investee companies are sitting on piles of cash.

We continue to believe that we are witnessing a traditional mid-cycle slowdown in both the economy and stock markets. After the dramatic recovery of the past two years, it is unsurprising to see a pause – indeed this is healthy. China, one of the key drivers of global economic growth in recent years, rightly chose to put on the brakes to curb rising inflation. We expect evidence that this has succeeded in coming months to pave the way for a resumption of growth.

Cheap credit through QE2 has been replaced with cheap capital – we now have the lowest real cost of debt and capital in modern history which will continue to benefit corporate activity. A recession is unlikely as long as cheap capital remains and corporates spend the cash which stands at an all time high currently. Although mid-cycle slowdowns are unnerving, these are the times when it pays to hold one's nerve and not to panic. European SmallCap valuations are attractive at a time when few have invested in Europe. A recovery in investor sentiment – which is notoriously fickle and unpredictable – may well lead to future attractive returns.

Charles Montanaro

Montanaro Asset Management Limited

July 2011

MONTANARO EUROPEAN SMALLER COMPANIES PLC

BALANCE SHEET

As at 30 June 2011

| | Notes | Montanaro European Smaller Companies Fund € | Montanaro European Equity Income Fund € | Total* as at 30 June 2011 € |
|---|-------|--|--|--------------------------------------|
| Current Assets | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| -Transferable securities | | 801,925,944 | 10,205,709 | 812,131,653 |
| Cash and cash equivalents | 3 | 16,336,070 | 123,736 | 16,459,806 |
| Dividends and interest receivable | | 1,536,306 | 26,241 | 1,562,547 |
| Receivable for fund shares sold | | 329,739 | - | 329,739 |
| Compensation receivable | 5 | 742,912 | - | 742,912 |
| Other receivables | | 32,844 | 2,715 | 35,559 |
| Total current assets | | 820,903,815 | 10,358,401 | 831,262,216 |
| Current Liabilities | | | | |
| Payable for investments purchased | | (5,353,202) | - | (5,353,202) |
| Payable for fund shares repurchased | | (277,832) | - | (277,832) |
| Investment management fees payable | 5 | (2,922,644) | - | (2,922,644) |
| Performance fees payable | 5 | - | - | - |
| Administrator fee payable | | (83,715) | (1,252) | (84,967) |
| Custody & trustee fee payable | | (138,587) | (3,101) | (141,688) |
| Directors' fees payable | 12 | (51,333) | (390) | (51,723) |
| Professional fees payable | | (64,743) | (371) | (65,114) |
| Other accrued expenses payable | | (160,232) | 784 | (159,448) |
| Total current liabilities | | (9,052,288) | (4,330) | (9,056,618) |
| <i>(excluding net assets attributable to holders of redeemable participating shares)</i> | | | | |
| Net asset value attributable to holders of redeemable participating shares at bid market value | | | | |
| | | 811,851,527 | 10,354,071 | 822,205,598 |
| Adjustment from bid to last traded market value | | 1,336,298 | 33,762 | 1,370,060 |
| Net asset value attributable to holders of redeemable participating shares at last traded market value | | | | |
| | | 813,187,825 | 10,387,833 | 823,575,658 |

Please refer to Note 10 for Net Asset Value and NAV per share details.

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

BALANCE SHEET

As at 31 December 2010

| | Notes | Montanaro European Smaller Companies Fund € | Montanaro European Equity Income Fund £ | Total* as at 31 December 2010 € |
|---|-------|--|--|--|
| Current Assets | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| -Transferable securities | | 822,022,007 | 7,483,886 | 830,756,039 |
| -Collective investment schemes | | 1,107,604 | - | - |
| Cash and cash equivalents | 3 | 37,161,151 | 18,630 | 37,182,893 |
| Dividends and interest receivable | | 628,055 | 8,589 | 638,079 |
| Receivable for fund shares sold | | 1,573,034 | - | 1,573,034 |
| Compensation receivable | 5 | 742,912 | - | 742,912 |
| Other receivables | | 9,809 | 2,335 | 12,534 |
| Total current assets | | 863,244,572 | 7,513,440 | 870,905,491 |
| Current Liabilities | | | | |
| Payable for investments purchased | | (11,857,009) | - | (11,857,009) |
| Payable for fund shares repurchased | | (7,579) | - | (7,579) |
| Investment management fees payable | 5 | (2,628,681) | - | (2,628,681) |
| Performance fees payable | 5 | (14,967,773) | - | (14,967,773) |
| Administrator fee payable | | (80,187) | (817) | (81,140) |
| Custody & trustee fee payable | | (66,090) | (2,004) | (68,429) |
| Directors' fees payable | 12 | (4,303) | (27) | (4,335) |
| Professional fees payable | | (28,090) | (212) | (28,337) |
| Other accrued expenses payable | | (72,752) | (630) | (73,487) |
| Total current liabilities | | (29,712,464) | (3,690) | (29,716,770) |
| <i>(excluding net assets attributable to holders of redeemable participating shares)</i> | | | | |
| Net asset value attributable to holders of redeemable participating shares at bid market value | | 833,532,108 | 7,509,750 | 841,188,721 |
| Adjustment from bid to last traded market value | | 3,886,451 | 39,509 | 3,932,560 |
| Net asset value attributable to holders of redeemable participating shares at last traded market value | | 837,418,559 | 7,549,259 | 845,121,281 |

Please refer to Note 10 for Net Asset Value and NAV per share details.

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements

MONTANARO EUROPEAN SMALLER COMPANIES PLC

BALANCE SHEET

As at 30 June 2010

| | Notes | Montanaro European Smaller Companies Fund € | Montanaro European Equity Income Fund £ | Total* as at 30 June 2010 € |
|---|-------|--|--|--------------------------------------|
| Current Assets | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| -Transferable securities | | 503,244,561 | 3,884,200 | 507,988,741 |
| -Collective investment schemes | | 899,369 | - | 899,369 |
| Cash and cash equivalents | 3 | 17,203,172 | 60,748 | 17,277,370 |
| Dividends and interest receivable | | 846,797 | 9,907 | 858,897 |
| Other receivables | | 6,660,473 | 2,319 | 6,663,305 |
| Total current assets | | 528,854,372 | 3,957,174 | 533,687,682 |
| Current Liabilities | | | | |
| Investment management fees payable | 5 | (1,827,635) | - | (1,827,635) |
| Performance fees payable | 5 | (1,414,137) | - | (1,414,137) |
| Other accrued expenses payable | | (3,602,029) | (1,987) | (3,604,455) |
| Administrator fee payable | | (53,525) | (130) | (53,684) |
| Audit fee payable | | (16,052) | (93) | (16,166) |
| Custody & trustee fee payable | | 10,149 | (331) | 9,745 |
| Directors' fees payable | 12 | (69,889) | 9,774 | (57,951) |
| Total current liabilities | | (6,973,118) | 7,233 | (6,964,283) |
| <i>(excluding net assets attributable to holders of redeemable participating shares)</i> | | | | |
| Net asset value attributable to holders of redeemable participating shares at bid market value | | 521,881,254 | 3,964,407 | 526,723,399 |
| Adjustment from bid to last traded market value | | 911,657 | 27,149 | 944,818 |
| Net asset value attributable to holders of redeemable participating shares at last traded market value | | 522,792,911 | 3,991,556 | 527,668,217 |

Please refer to Note 10 for Net Asset Value and NAV per share details.

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

PROFIT AND LOSS ACCOUNT

Period ended 30 June 2011

| | | Montanaro European Smaller Companies Fund | Montanaro European Equity Income Fund | Total* 30 June 2011 |
|--|----|--|--|------------------------------------|
| | | € | € | € |
| Income | | | | |
| Net realised gain on investments and foreign exchange | | 23,098,890 | 33,652 | 23,132,542 |
| Net change in fair value of investments and foreign exchange | | (44,216,918) | (414,646) | (44,631,564) |
| Dividend income | | 14,235,305 | 237,992 | 14,473,297 |
| Interest income | | 20,578 | 108 | 20,686 |
| Other income | | 400,834 | - | 400,834 |
| Investment expense | | <u>(6,461,311)</u> | <u>(142,894)</u> | <u>(6,604,205)</u> |
| Expenses | | | | |
| Investment management fee | 5 | (6,159,342) | - | (6,159,342) |
| Administrator's fees | 5 | (248,170) | (3,676) | (251,846) |
| Custody & trustee fee | | (353,905) | (5,561) | (359,466) |
| Other expenses | | (147,854) | (1,239) | (149,093) |
| Director's fees | 12 | (64,961) | (621) | (65,582) |
| Professional fees | | <u>(52,740)</u> | <u>(503)</u> | <u>(53,243)</u> |
| Total operating expenses | | <u>(7,026,972)</u> | <u>(11,600)</u> | <u>(7,038,572)</u> |
| Net expense from operations | | (13,488,283) | (154,494) | (13,642,777) |
| Withholding taxes | | (1,491,962) | (29,994) | (1,521,956) |
| Finance costs | | | | |
| Income distribution | 2 | (44,415) | (96,657) | (141,072) |
| Loss for the period | | <u>(15,024,660)</u> | <u>(281,145)</u> | <u>(15,305,805)</u> |
| Movement in adjustment from bid to last traded market value | | (2,550,153) | (5,747) | (2,555,900) |
| Net decrease in net assets attributable to holders of redeemable participating shares | | <u><u>(17,574,813)</u></u> | <u><u>(286,892)</u></u> | <u><u>(17,861,705)</u></u> |

All amounts arose from continuing operations. There are no gains or losses other than those dealt with in the profit and loss account.

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

| | | Montanaro European Smaller Companies Fund | Montanaro European Equity Income Fund | Total* 31 December 2010 |
|--|----|--|--|--|
| | | € | £ | € |
| Income | | | | |
| Net realised gain on investments and foreign exchange | | 4,772,393 | 467,985 | 5,308,662 |
| Net change in fair value of investments and foreign exchange | | 223,355,140 | 960,758 | 224,176,318 |
| Dividend income | | 14,321,076 | 213,068 | 14,565,233 |
| Interest income | | 1,267 | - | 1,267 |
| Compensation receivable | 5 | 742,912 | - | 742,912 |
| Other income | | 3,643 | 21 | 3,667 |
| Investment income | | 243,196,431 | 1,641,832 | 244,798,059 |
| Expenses | | | | |
| Investment management fee | 5 | (8,737,216) | - | (8,737,216) |
| Performance fee | 5 | (14,967,773) | - | (14,967,773) |
| Administrator's fees | | (341,177) | (2,990) | (344,603) |
| Custody & trustee fee | | (383,783) | (6,448) | (391,172) |
| Other expenses | | (194,113) | (1,414) | (195,733) |
| Legal fees | | (89,823) | (715) | (90,642) |
| Directors' fees | 12 | (123,516) | (1,005) | (124,668) |
| Professional fees | | (56,337) | (457) | (56,861) |
| Total operating expenses | | (24,893,738) | (13,029) | (24,908,668) |
| Net income from operations | | 218,302,693 | 1,628,803 | 219,889,391 |
| Withholding taxes | | (1,218,540) | (19,422) | (1,240,796) |
| Finance costs | | | | |
| Income distribution | 2 | (3,410,617) | (179,486) | (3,616,292) |
| Profit for the year | | 213,673,536 | 1,429,895 | 215,032,303 |
| Movement in adjustment from bid to last traded market value | | 1,887,193 | 2,658 | 1,890,239 |
| Net increase in net assets attributable to holders of redeemable participating shares | | 215,560,729 | 1,432,553 | 216,922,542 |

All amounts arose from continuing operations. There are no gains or losses other than those dealt with in the profit and loss account.

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

PROFIT AND LOSS ACCOUNT

Period ended 30 June 2010

| | | Montanaro European Smaller Companies Fund | Montanaro European Equity Income Fund | Total* 30 June 2010 |
|--|----|--|--|------------------------------------|
| | | € | £ | € |
| Income | | | | |
| Net realised gain on investments and foreign exchange | | 2,656,979 | 318,428 | 3,025,092 |
| Net change in fair value of investments and foreign exchange | | 51,030,619 | (255,230) | 50,735,565 |
| Dividend Income | | 8,412,844 | 121,456 | 8,553,251 |
| Interest income | | (3,618) | (42) | (3,667) |
| Investment income | | 62,096,824 | 184,612 | 62,310,241 |
| Expenses | | | | |
| Management fee | 5 | (3,714,754) | - | (3,714,754) |
| Administrator's fees | 5 | (162,844) | (1,408) | (164,472) |
| Trustee fee | | (114,201) | (2,630) | (117,241) |
| Performance fee | | (1,414,137) | - | (1,414,137) |
| Other expenses | | (77,283) | (589) | (77,963) |
| Legal fees | | (65,657) | (511) | (66,248) |
| Directors' fees | 12 | (44,227) | (347) | (44,628) |
| Professional fees | | (16,239) | (126) | (16,385) |
| Total operating expenses | | (5,609,342) | (5,611) | (5,615,828) |
| Net income from operations | | 56,487,482 | 179,001 | 56,694,413 |
| Withholding tax | | (908,882) | (13,265) | (924,217) |
| Finance costs | | | | |
| Income distribution | 2 | (3,410,617) | (79,486) | (3,502,505) |
| Profit for the period | | 52,167,983 | 86,250 | 52,267,691 |
| Movement in adjustment from bid to last traded market value | | 911,657 | 27,149 | 944,818 |
| Net increase in net assets attributable to holders of redeemable participating shares | | 53,079,640 | 113,399 | 53,212,509 |

All amounts arose from continuing operations. There are no gains or losses other than those dealt with in the profit and loss account.

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Period ended 30 June 2011

| | Montanaro European Smaller Companies Fund € | Montanaro European Equity Income Fund € | Total* 30 June 2011 € |
|---|--|--|--------------------------------|
| Net assets attributable to holders of redeemable shares at start of period | 837,418,559 | 8,809,965 | 845,121,281 |
| Net decrease in net assets attributable to holders of redeemable participating shares | (17,574,813) | (286,892) | (17,861,705) |
| Proceeds from issuance of shares | 142,523,306 | 2,629,640 | 145,152,946 |
| Payments on redemptions of shares | (149,179,227) | (764,880) | (148,836,864) |
| Net assets attributable to holders of redeemable shares at end of period | 813,187,825 | 10,387,833 | 823,575,658 |

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Year ended 31 December 2010

| | Montanaro European Smaller Companies Fund € | Montanaro European Equity Income Fund £ | Total* 31 December 2010 € |
|---|--|--|------------------------------------|
| Net assets attributable to holders of redeemable shares at start of year | 457,425,747 | 3,869,113 | 460,989,384 |
| Net increase in net assets attributable to holders of redeemable participating shares | 215,560,729 | 1,432,553 | 216,922,542 |
| Proceeds from issuance of shares | 433,134,384 | 2,385,280 | 435,831,032 |
| Payments on redemptions of shares | (268,702,301) | (137,687) | (268,860,078) |
| Foreign currency translation adjustment | - | - | 238,401 |
| Net assets attributable to holders of redeemable shares at end of year | 837,418,559 | 7,549,259 | 845,121,281 |

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

Period ended 30 June 2010

| | Montanaro European Smaller Companies Fund € | Montanaro European Equity Income Fund £ | Total* 30 June 2010 € |
|---|--|--|--------------------------------|
| Net assets attributable to holders of redeemable shares at start of period | 455,426,489 | 3,832,262 | 459,739,802 |
| Net increase in net assets attributable to holders of redeemable participating shares | 53,079,640 | 113,399 | 53,212,509 |
| Proceeds from issuance of shares | 149,537,257 | 111,914 | 149,666,633 |
| Payments on redemptions of shares | (135,250,475) | (66,019) | (135,326,795) |
| Foreign currency translation adjustment | - | - | 376,068 |
| Net assets attributable to holders of redeemable shares at end of period | 522,792,911 | 3,991,556 | 527,668,217 |

* Excludes intra-Company transactions and balances, see also Note 13.

The accompanying notes form an integral part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Period ended 30 June 2011

1. Principal Accounting Policies

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, with one exception as noted below.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with the ASB Statement: Half Yearly Financial Reports. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2010, which have been prepared in accordance with accounting standards generally accepted in Ireland and with the provisions of the Companies Acts, 1963 to 2009 and the European Communities (Undertakings for Collective Investments 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 Accounting Standards Board.

The financial statements have been prepared for the six month period ended 30 June 2011.

Change of accounting policy – presentation currency

The presentation currency of the Montanaro European Equity Income Fund has been changed from Sterling to Euro for the period ended 30 June 2011 to match the functional currency. In accordance with FRS 23, the comparative periods have not been restated.

2. Distribution Policy

The Company made the following distributions to redeemable participating shareholders during the period ended 30 June 2011:

Montanaro European Smaller Companies Fund: €44,415 (year ended 31 December 2010: €3,410,617, period ended 30 June 2010: €3,410,617)

Montanaro European Equity Income Fund: €6,657 (year ended 31 December 2010: £179,486, period ended 30 June 2010: £79,486)

Distributions may be paid out of the net investment income of the Company. Otherwise all income and gains of the Company will be accumulated within the Company. The Company has made an upfront application to enter the UK Reporting Funds Regime for the year from 1 January 2011 to 31 December 2011.

3. Cash and Cash Equivalents

All uninvested cash is held on deposit with State Street Bank and Trust Company, London. At the period end, the Company had a cash balance of €6,459,806 (31 December 2010: €7,182,893, 30 June 2010: €17,277,370) with State Street Bank and Trust Company, London.

4. Cash Flow Statement

The Fund has availed of the exemption available to open-ended investment funds under FRS 1 (Revised) not to prepare a cash flow statement.

5. Related Parties

The following transactions were entered into during the period by the Company in the ordinary course of business and on normal commercial terms:

Montanaro Asset Management Limited, as Investment Manager, earned a Management Fee of €6,159,342 for the period (year ended 31 December 2010: €8,737,216, period ended 30 June 2010: €3,714,754) of which €2,922,644 (31 December 2010: €2,628,681, 30 June 2010: €1,827,635) was payable at the period end.

Period ended 30 June 2011

5. Related Parties (continued)

Montanaro Asset Management Limited, as Investment Manager, earned a Performance fee of nil for the period (year ended 31 December 2010: €14,967,773, period ended 30 June 2010: €1,414,137), all of which is included as a liability in the Balance Sheet at the year end.

At the period end there is compensation payable to the Fund of €742,912 (31 December 2010: €742,912, 30 June 2010: nil).

Paul McNaughton, the Company Chairman held 161,253 shares in the Company at the period end (31 December 2010: 161,253 shares. 30 June 2010: 161,253 shares).

6. Soft Commission Arrangements

During the period ended 30 June 2011, year ended 31 December 2010 and period ended 30 June 2010 there were no soft commission arrangements.

7. Share Capital and Redeemable Participating Shares

Redeemable Participating Shares – non equity

The authorised share capital of the company is 1,000,000,000 redeemable participating Shares of no par value. The redeemable participating Shares issued by the Company are freely transferable and are entitled to participate equally in the profits and dividends of the relevant Fund and its assets upon liquidation. The redeemable participating Shares, which are of no par value and which must be fully paid up on issue, carry no preferential or pre-emptive rights. Holders of redeemable participating Shares are entitled to one vote at General Meetings of the Company in respect of each redeemable participating Share held.

Subscriber Shares

The Company has authorised Share Capital of €38,100 (divided into 38,100 Subscriber Shares of one Euro each). At 30 June 2011 there were 7 Subscriber Shares of €1 each in issue (being the minimum share capital of the Company) held by the Investment Manager. Subscriber Shares do not entitle the holders to any dividend and on a winding-up entitle the holder to receive the amount paid thereon but not otherwise to participate in the assets of the Company. The Subscriber shares do not form part of redeemable participating Shareholders' Funds. 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.

Redemption of Shares

Shareholders may redeem their Shares on and with effect from any Dealing Day at the NAV per Share calculated on or with respect to the relevant Dealing Day in accordance with the procedures specified in the relevant Supplement (save during any period when the calculation of NAV is suspended). If the redemption of part only of a Shareholder's shareholding would leave the Shareholder holding less than the Minimum Holding for the relevant Fund, the Directors or their delegates may, if they think fit, redeem the whole of that Shareholder's holding.

Share Classes

Shares will be issued to investors as Shares of a Class in the Funds. The Directors may, whether on the establishment of each Fund or from time to time, with prior notification to, and clearance by the Central Bank, create more than one Class of Shares in each of the Funds. The Directors may in their absolute discretion differentiate between Classes of Shares, without limitation, as to currency denomination of a particular Class, dividend policy, hedging strategies if any applied to the designated currency of particular Classes, fees and expenses or the Minimum Subscription of Minimum Holding applicable.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2011

7. Share Capital and Redeemable Participating Shares (Continued)

Period ended 30 June 2011

| Montanaro European Smaller Companies Fund | GBP Class | EUR Class | USD Class | EUR Acc. Class |
|--|------------------|------------------|------------------|-----------------------|
| Units in Issue at beginning of period | 41,922,016 | 117,590,141 | 375,482 | 102,332,540 |
| Subscriptions | 5,687,588 | 10,067,444 | 49,237 | 29,229,706 |
| Redemptions | (5,713,105) | (26,319,191) | (2,689) | (14,775,906) |
| Units in Issue at end of period | 41,896,499 | 101,338,394 | 422,030 | 116,786,340 |

| Montanaro European Equity Income Fund | GBP Class | EUR Class |
|--|------------------|------------------|
| Units in Issue at beginning of period | 4,555,472 | 2,971,624 |
| Subscriptions | 1,612,159 | 26,230 |
| Redemptions | (59,910) | (356,904) |
| Units in Issue at end of period | 6,107,721 | 2,640,950 |

Year ended 31 December 2010

| Montanaro European Smaller Companies Fund | GBP Class | EUR Class | USD Class | EUR Acc. Class |
|--|------------------|------------------|------------------|-----------------------|
| Units in Issue at beginning of year | 51,580,649 | 119,811,922 | 334,056 | 27,616,945 |
| Subscriptions | 13,864,518 | 54,035,579 | 19,868,386 | 83,275,703 |
| Redemptions | (23,646,398) | (56,672,448) | (19,826,960) | (8,560,108) |
| Compensation units to be issued | 123,247 | 415,088 | - | - |
| Units in Issue at end of year | 41,922,016 | 117,590,141 | 375,482 | 102,332,540 |

| Montanaro European Equity Income Fund | GBP Class | EUR Class |
|--|------------------|------------------|
| Units in Issue at beginning of year | 2,511,516 | 2,853,339 |
| Subscriptions | 2,170,867 | 128,840 |
| Redemptions | (126,911) | (10,555) |
| Units in Issue at end of year | 4,555,472 | 2,971,624 |

Period ended 30 June 2010

| Montanaro European Smaller Companies Fund | GBP Class | EUR Class | USD Class | EUR Acc. Class |
|--|------------------|------------------|------------------|-----------------------|
| Units in Issue at beginning of period | 51,580,649 | 119,811,922 | 334,056 | 27,616,945 |
| Subscriptions | 1,745,723 | 33,856,569 | 2,717,102 | 24,851,564 |
| Redemptions | (22,221,767) | (28,366,898) | (157,100) | (4,563,603) |
| Units in Issue at end of period | 31,104,605 | 125,301,593 | 2,894,058 | 47,904,906 |

| Montanaro European Equity Income Fund | GBP Class | EUR Class |
|--|------------------|------------------|
| Units in Issue at beginning of period | 2,511,516 | 2,853,339 |
| Subscriptions | 76,934 | 66,940 |
| Redemptions | (67,843) | - |
| Units in Issue at end of period | 2,520,607 | 2,920,279 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2011

8. Exchange Rates

The exchange rates to Euro (€) at the year end were:

| | 30 June 2011 | 31 December 2010 | 30 June 2010 |
|------------------------|--------------|------------------|--------------|
| British Sterling Pound | 0.9031 | 0.8569 | 0.8187 |
| Danish Kroner | 7.4589 | 7.4521 | 7.4490 |
| Norwegian Kroner | 7.7791 | 7.7978 | 7.9657 |
| Swedish Kroner | 9.1486 | 9.0190 | 9.5322 |
| Swiss Franc | 1.2208 | 1.2505 | 1.3209 |
| US Dollar | 1.4498 | 1.3416 | 1.2249 |

9. Taxation

Under current law and practice the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the happening of a "chargeable event". A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

No Irish tax will arise on the Fund in respect of chargeable events in respect of:

- (a) a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Fund; and
- (b) certain exempted Irish tax resident shareholders who have provided the Fund with the necessary signed statutory declarations.

Dividends, interest and capital gains (if any) received on investments made by the Fund may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Fund or its shareholders.

10. Net Asset Value per Redeemable Participating Share

All figures are in the currency of the respective share class.

| As at 30 June 2011 | GBP Class | EUR Class | USD Class | EUR Acc. Class |
|--|--------------|-------------|-------------|----------------|
| Montanaro European Smaller Companies Fund | | | | |
| Dealing NAV | £122,882,396 | €26,946,417 | US\$989,428 | €348,745,584 |
| Shares in Issue | 41,896,499 | 101,338,394 | 422,030 | 116,786,340 |
| Dealing NAV per share | £2.93 | €0.23 | US\$2.34 | €2.99 |
| Montanaro European Equity Income Fund | | | | |
| Dealing NAV | £7,487,986 | €0,096,216 | | |
| Shares in Issue | 6,107,721 | 2,640,950 | | |
| Dealing NAV per share | £1.23 | €0.79 | | |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

Period ended 30 June 2011

10. Net Asset Value per Redeemable Participating Share (continued)

All figures are in the currency of the respective share class.

| As at 31 December 2010 | GBP Class | EUR Class | USD Class | EUR Acc. Class |
|--|--------------|--------------|-------------|----------------|
| Montanaro European Smaller Companies Fund | | | | |
| Dealing NAV | £118,722,792 | €385,642,059 | US\$886,833 | €11,767,495 |
| Shares in Issue | 41,922,016 | 117,590,141 | 375,482 | 102,332,540 |
| Dealing NAV per share | £2.83 | €3.28 | US\$2.36 | €0.05 |
| Montanaro European Equity Income Fund | | | | |
| Dealing NAV | £5,457,913 | €2,440,695 | | |
| Shares in Issue | 4,555,472 | 2,971,624 | | |
| Dealing NAV per share | £1.20 | €0.82 | | |

| As at 30 June 2010 | GBP Class | EUR Class | USD Class | EUR Acc. Class |
|--|-------------|-------------|-------------|----------------|
| Montanaro European Smaller Companies Fund | | | | |
| Dealing NAV | £66,566,448 | €24,051,412 | \$5,189,712 | €13,200,083 |
| Shares in Issue | 31,104,605 | 125,301,593 | 2,894,058 | 47,904,906 |
| Dealing NAV per share | £2.14 | €2.59 | \$1.79 | €2.36 |
| Montanaro European Equity Income Fund | | | | |
| Dealing NAV | £1,943,474 | €1,617,788 | | |
| Shares in Issue | 2,520,607 | 2,920,279 | | |
| NAV per share | £0.77 | €0.55 | | |

11. Comparatives

The comparative financial statements relate to the year ended 31 December 2010 and the six months ended 30 June 2010.

12. Directors' Remuneration

Directors' fees charged during the period amounted to €5,582 (year ended 31 December 2010: €124,668, period ended 30 June 2010: €44,628), of which €1,723 (31 December 2010: €4,335, 30 June 2010: €57,951) was payable at the period end.

13. Cross Holdings

Montanaro European Smaller Companies Fund held no shares in Montanaro European Equity Income Fund as at 30 June 2011 (31 December 2010: 1,350,738 shares, 30 June 2010: 1,322,602).

All cross holdings and intra-Company transactions are eliminated in the presentation of the total Profit and Loss Account, Balance Sheet and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the Company.

14. Significant Events During the Period

Effective from 27 January 2011, the Independent Auditors of the Company changed from Ernst & Young to PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

Period ended 30 June 2011

15. Post Balance Sheet Events

There have been no significant events since the period end.

16. Approval of Financial Statements

These financial statements were approved by the Directors of the Company on 19 August 2011.

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN SMALLER COMPANIES FUND

As at 30 June 2011

| Financial assets at fair value through profit or loss | Shares/Par | Fair Value € | % of Net Assets |
|---|------------|--------------------|--------------------|
| Common Stock (December 2010: 98.16%) | | | |
| Austria (December 2010: 3.63%) | | | |
| Kapsch TrafficCom | 208,085 | 12,707,751 | 1.57 |
| Schoeller Bleckmann | 248,600 | 14,816,560 | 1.82 |
| | | 27,524,311 | 3.39 |
| Belgium (December 2010: 0.48%) | | | |
| Van de Velde | 104,087 | 4,060,434 | 0.50 |
| | | 4,060,434 | 0.50 |
| Bermuda (December 2010: 3.19%) | | | |
| Aquarius Platinum | 2,250,000 | 7,912,929 | 0.97 |
| Ocean Wilsons Holdings | 880,500 | 13,308,720 | 1.64 |
| Seawell Ltd/Bermuda | 1,700,000 | 7,102,372 | 0.87 |
| | | 28,324,021 | 3.48 |
| Denmark (December 2010: 2.00%) | | | |
| Christian Hansen Holding | 1,160,000 | 18,973,324 | 2.33 |
| | | 18,973,324 | 2.33 |
| Finland (December 2010: 6.21%) | | | |
| Konecranes International | 300,000 | 8,400,000 | 1.03 |
| Nokian Renkaat | 350,000 | 12,085,500 | 1.49 |
| Outotec | 313,000 | 12,263,340 | 1.51 |
| Vacon | 340,141 | 14,738,310 | 1.81 |
| | | 47,487,150 | 5.84 |
| France (December 2010: 7.08%) | | | |
| Euler Hermes | 212,500 | 12,378,125 | 1.52 |
| SILIC | 111,000 | 10,973,460 | 1.35 |
| Stallergenes | 164,000 | 9,272,560 | 1.14 |
| Virbac | 181,086 | 21,348,229 | 2.63 |
| | | 53,972,374 | 6.64 |
| Germany (December 2010: 11.17%) | | | |
| CTS Eventim | 172,747 | 8,162,296 | 1.00 |
| ElringKlinger | 437,500 | 10,705,625 | 1.32 |
| Fuchs Petrolub | 379,500 | 14,673,368 | 1.81 |
| GFK | 500,000 | 18,162,500 | 2.23 |
| Pfeiffer Vacuum Technology | 125,000 | 10,750,000 | 1.32 |
| Rational | 103,432 | 18,705,677 | 2.30 |
| Rheinmetall | 175,000 | 10,694,250 | 1.32 |
| Wincor Nixdorf | 193,000 | 9,617,190 | 1.18 |
| | | 101,470,906 | 12.48 |
| Greece (December 2010: 1.57%) | | | |
| Frigoglass | 1,312,843 | 12,865,861 | 1.58 |
| | | 12,865,861 | 1.58 |
| Italy (December 2010: 2.09%) | | | |
| DiaSorin | 530,000 | 17,543,000 | 2.16 |
| | | 17,543,000 | 2.16 |
| Luxembourg (December 2010: 2.18%) | | | |
| Acergy | 350,000 | 6,204,451 | 0.76 |
| | | 6,204,451 | 0.76 |
| Netherlands (December 2010: 2.94%) | | | |
| Arcadis | 450,000 | 7,578,000 | 0.93 |

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (Continued)

As at 30 June 2011

| Financial assets at fair value through profit or loss | Shares/Par | Fair Value € | % of Net Assets |
|---|------------|-------------------|--------------------|
| Common Stock (December 2010: 98.16%) (Continued) | | | |
| Netherlands (December 2009: 2.94%) (Continued) | | | |
| Fugro | 200,000 | 9,944,000 | 1.22 |
| | | 17,522,000 | 2.15 |
| Norway (December 2010: 2.62%) | | | |
| TGS Nopec Geophysical | 1,000,000 | 19,449,570 | 2.39 |
| | | 19,449,570 | 2.39 |
| Spain (December 2010: 4.72%) | | | |
| Prosegur Cia de Seguridad | 206,384 | 7,568,101 | 0.93 |
| Viscofan | 650,000 | 17,790,500 | 2.19 |
| | | 25,358,601 | 3.12 |
| Sweden (December 2010: 8.95%) | | | |
| AF | 820,000 | 11,069,429 | 1.36 |
| Avanza Bank Holding | 381,700 | 8,073,234 | 1.00 |
| Elekta | 600,000 | 19,596,399 | 2.41 |
| Hufvudstaden Series A | 1,205,000 | 9,977,325 | 1.23 |
| JM | 700,000 | 11,400,627 | 1.40 |
| RaySearch Laboratories Series B | 1,735,220 | 4,495,182 | 0.55 |
| SkiStar Series B | 483,042 | 5,385,543 | 0.66 |
| | | 69,997,739 | 8.61 |
| Switzerland (December 2010: 5.37%) | | | |
| Belimo Holdings | 10,648 | 15,787,441 | 1.94 |
| LEM Holding | 31,000 | 14,626,800 | 1.80 |
| | | 30,414,241 | 3.74 |
| United Kingdom (December 2010: 33.96%) | | | |
| Aberdeen Asset Management | 5,500,000 | 13,550,863 | 1.67 |
| Albemarle & Bond | 1,116,864 | 4,526,428 | 0.56 |
| Aveva Group | 353,500 | 6,697,515 | 0.82 |
| Booker Group | 12,000,000 | 8,975,958 | 1.10 |
| Chemring Group | 1,675,000 | 11,861,226 | 1.46 |
| Consort Medical | 1,120,689 | 6,390,967 | 0.79 |
| Croda International | 675,000 | 14,096,773 | 1.73 |
| Dignity | 1,700,000 | 14,852,520 | 1.83 |
| Domino Printing Sciences | 3,070,000 | 23,167,463 | 2.85 |
| Domino's Pizza | 3,150,000 | 14,081,326 | 1.73 |
| EnQuest | 6,000,000 | 8,132,374 | 1.00 |
| Fisher & Sons | 2,000,000 | 12,213,770 | 1.50 |
| Genus | 1,100,000 | 12,533,787 | 1.54 |
| Halma | 2,500,000 | 11,469,096 | 1.41 |
| Hargreaves Lansdown | 1,400,000 | 9,417,780 | 1.16 |
| Latchways | 587,483 | 8,326,826 | 1.02 |
| NCC Group | 2,041,500 | 13,891,384 | 1.71 |
| Phoenix IT Group | 1,459,459 | 3,688,730 | 0.45 |
| Premier Oil | 2,400,000 | 11,863,413 | 1.46 |
| Renishaw | 528,860 | 10,265,896 | 1.26 |
| Ricardo | 2,000,000 | 8,819,826 | 1.08 |
| Rotork | 625,000 | 11,654,572 | 1.43 |
| RPS Group | 4,250,000 | 11,539,411 | 1.42 |
| SDL | 1,226,790 | 9,475,206 | 1.17 |
| Severfield Rowen | 1,787,000 | 4,293,965 | 0.53 |
| Shaftesbury | 2,400,000 | 14,005,419 | 1.72 |
| Ultra Electronics Holdings | 538,500 | 10,232,393 | 1.26 |

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN SMALLER COMPANIES FUND (Continued)

As at 30 June 2011

| Financial assets at fair value through profit or loss | Shares/Par | Fair Value € | % of Net Assets |
|---|------------|--------------------|--------------------------------|
| Common Stock (December 2010: 98.16%) (Continued) | | | |
| United Kingdom (December 2010: 33.96%) (Continued) | | | |
| Victrex | 1,400,000 | 23,253,778 | 2.86 |
| Wilmington Group | 2,292,065 | 2,969,524 | 0.37 |
| WSP Group | 1,584,701 | 4,509,772 | 0.55 |
| | | 320,757,961 | 39.44 |
| Total Common Stock (December 2010: 98.16%) | | 801,925,944 | 98.61 |
| Total UCITS Collective Investment Schemes (December 2010: 0.13%) | | - | - |
| Total financial assets at fair value through profit and loss | | 801,925,944 | 98.61 |
| Cash at bank (December 2010: 4.44%) | | 16,336,070 | 2.01 |
| Other net liabilities (December 2010: (3.19%)) | | (6,410,487) | (0.79) |
| Total net assets attributable to holders of redeemable participating shares (at bid prices) | | 811,851,527 | 99.83 |
| Adjustment from bid prices to last traded prices | | 1,336,298 | 0.17 |
| Total net assets attributable to holders of redeemable participating shares (at last traded prices) | | 813,187,825 | 100.00 |
| Analysis of Total Gross Assets | | | % of Total Gross Assets |
| Transferable securities and money market instruments admitted to an official stock exchange listing or traded in a regulated market | | | 97.69 |
| Other current assets | | | 2.31 |
| Total | | | 100.00 |

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS
MONTANARO EUROPEAN EQUITY INCOME FUND

As at 30 June 2011

| Financial assets at fair value through profit or loss | Shares/Par | Fair Value £ | % of Net Assets |
|---|------------|-----------------|--------------------|
| Common Stock (December 2010: 99.13%) | | | |
| Belgium (December 2010: 1.32%) | | | |
| Van de Velde | 3,000 | 117,030 | 1.13 |
| | | 117,030 | 1.13 |
| Denmark (December 2010: 1.73%) | | | |
| Christian Hansen Holding | 16,000 | 261,701 | 2.52 |
| | | 261,701 | 2.52 |
| Finland (December 2010: 2.68%) | | | |
| Konecranes International | 7,700 | 215,600 | 2.08 |
| | | 215,600 | 2.08 |
| France (December 2010: 6.72%) | | | |
| Bureau Veritas | 4,000 | 232,800 | 2.24 |
| Euler Hermes | 3,750 | 218,438 | 2.10 |
| Neopost | 2,050 | 121,278 | 1.17 |
| SILIC | 3,000 | 296,580 | 2.86 |
| | | 869,096 | 8.37 |
| Germany (December 2010: 8.12%) | | | |
| CTS Eventim | 4,100 | 193,735 | 1.87 |
| Fielmann | 1,800 | 138,420 | 1.33 |
| Rational | 1,320 | 238,722 | 2.30 |
| Rheinmetall | 4,000 | 244,440 | 2.35 |
| Wincor Nixdorf | 3,050 | 151,982 | 1.46 |
| | | 967,289 | 9.31 |
| Isle Of Man (December 2010: 1.76%) | | | |
| Hansard Global | 80,000 | 147,273 | 1.41 |
| | | 147,273 | 1.41 |
| Netherlands (December 2010: 9.42%) | | | |
| Beter Bed Holding | 7,000 | 129,465 | 1.24 |
| Exact Holding | 8,800 | 184,712 | 1.78 |
| Fugro | 5,000 | 248,600 | 2.39 |
| Koninklijke BoskalisWestminster | 7,000 | 228,235 | 2.20 |
| | | 791,012 | 7.61 |
| Spain (December 2010: 8.36%) | | | |
| Indra Sistemas | 12,500 | 177,875 | 1.71 |
| Prosegur Cia de Seguridad | 2,700 | 99,009 | 0.95 |
| Tecnicas | 6,500 | 229,970 | 2.22 |
| Viscofan | 8,000 | 218,960 | 2.11 |
| | | 725,814 | 6.99 |
| Sweden (December 2010: 11.54%) | | | |
| AF | 16,000 | 215,989 | 2.08 |
| Avanza Bank Holding | 10,000 | 211,507 | 2.03 |
| JM | 12,500 | 203,583 | 1.96 |
| SkiStar Series B | 17,500 | 195,111 | 1.88 |
| Sweco | 25,000 | 170,108 | 1.64 |
| | | 996,298 | 9.59 |
| Switzerland (December 2010: 7.36%) | | | |
| Banque Cantonale Vaudoise | 725 | 299,616 | 2.88 |
| Julius Baer Holding | 15,000 | 168,950 | 1.63 |
| LEM Holding | 675 | 318,487 | 3.07 |
| | | 787,053 | 7.58 |

MONTANARO EUROPEAN SMALLER COMPANIES PLC

SCHEDULE OF INVESTMENTS

MONTANARO EUROPEAN EQUITY INCOME FUND (continued)

As at 30 June 2011

| Financial assets at fair value through profit or loss | Shares/Par | Fair Value £ | % of Net Assets |
|---|------------|-------------------|------------------------------------|
| Common Stock (December 2010: 99.13%) (Continued) | | | |
| United Kingdom (December 2010: 40.12%) | | | |
| A & J Mucklow Group | 34,420 | 119,392 | 1.15 |
| Aberdeen Asset Management | 120,000 | 295,655 | 2.85 |
| Aveva Group | 4,500 | 85,258 | 0.82 |
| Cinewood Group | 110,000 | 246,961 | 2.38 |
| City of London Investment Group | 45,000 | 211,775 | 2.04 |
| Consort Medical | 40,000 | 228,108 | 2.19 |
| Croda International | 12,500 | 261,051 | 2.51 |
| Devro | 100,000 | 298,202 | 2.87 |
| Dignity | 22,857 | 199,697 | 1.92 |
| Domino Printing Sciences | 37,500 | 282,990 | 2.72 |
| Hargreaves Lansdown | 35,000 | 235,445 | 2.27 |
| James Halstead | 50,800 | 264,666 | 2.55 |
| Latchways | 15,000 | 212,606 | 2.05 |
| Premier Oil | 10,000 | 49,431 | 0.47 |
| Ricardo | 57,500 | 253,570 | 2.44 |
| Severfield Rowen | 70,000 | 168,202 | 1.62 |
| Shaftesbury | 45,000 | 262,602 | 2.53 |
| Victrex | 20,000 | 332,197 | 3.20 |
| Wilmington Group | 125,000 | 161,946 | 1.56 |
| WSP Group | 55,446 | 157,789 | 1.52 |
| | | 4,327,543 | 41.66 |
| Total financial assets at fair value through profit and loss | | 10,205,709 | 98.25 |
| Cash at bank (December 2010: 0.25%) | | 123,736 | 1.19 |
| Other net assets (December 2010: 0.10%) | | 24,626 | 0.24 |
| Total net assets attributable to holders of redeemable participating shares | | 10,354,071 | 99.68 |
| Adjustment from bid prices to last traded prices | | 33,762 | 0.32 |
| Total net assets attributable to holders of redeemable participating shares (at last traded prices) | | 10,387,833 | 100.00 |
| Analysis of Total Gross Assets | | | % of Total Gross Assets |
| Transferable securities and money market instruments admitted to an official stock exchange listing or traded in a regulated market | | | 98.53 |
| Other current assets | | | 1.47 |
| Total | | | 100.00 |

MONTANARO EUROPEAN SMALLER COMPANIES PLC
MONTANARO EUROPEAN SMALLER COMPANIES FUND

PORTFOLIO CHANGES – LARGEST 20 ACQUISITIONS (unaudited)

For the period ended 30 June 2011

| | Nominal | Cost € |
|-------------------------------|-----------|------------|
| Halma Plc | 2,500,000 | 11,003,174 |
| EnQuest Plc | 6,000,000 | 10,597,330 |
| Reinshaw Plc | 528,860 | 10,374,602 |
| Rheinmetall AG | 175,000 | 10,341,836 |
| Aberdeen Asset Management Plc | 4,000,000 | 9,845,126 |
| Archer Ltd | 750,000 | 3,772,602 |
| Rational AG | 19,340 | 3,515,651 |
| Elekta AB | 100,000 | 3,020,810 |
| Croda International Plc | 140,000 | 2,955,403 |
| Rotork Plc | 150,000 | 2,902,542 |
| Pfeiffer Vacuum Technology AG | 24,110 | 2,322,431 |
| RaySearch Laboratories AB | 470,000 | 1,942,384 |
| GAM Holding AG | 150,000 | 1,882,381 |
| Shaftesbury Plc | 300,000 | 1,778,020 |
| Kapsch TrafficCom AG | 28,085 | 1,708,257 |
| Christian Hansen Holding A/S | 100,000 | 1,609,780 |
| Avanza Bank Holding AB | 57,463 | 1,572,106 |
| Domino's Pizza UK & IRL Plc | 300,000 | 1,564,059 |
| Dignity Plc | 170,000 | 1,436,279 |
| JM AB | 75,000 | 1,365,972 |

PORTFOLIO CHANGES – LARGEST 20 DISPOSALS (unaudited)

For the period ended 30 June 2011

| | Nominal | Proceeds € |
|--|-----------|---------------|
| GAM Holding AG | 1,400,000 | 17,302,825 |
| Ashmore Group Plc | 3,720,000 | 15,465,366 |
| Subsea 7 SA | 650,000 | 11,376,714 |
| Indra Sistemas SA | 500,000 | 7,034,001 |
| Aixtron SE NA | 225,000 | 6,113,300 |
| TGS Nopec Geophysical Co ASA | 300,000 | 5,306,070 |
| Prosegur Cia de Seguridad SA | 128,616 | 5,234,892 |
| Fugro NV | 75,000 | 4,652,481 |
| Elekta AB | 150,000 | 4,544,532 |
| Premier Oil Plc | 150,000 | 3,565,724 |
| Nokian Renkaat OYJ | 95,000 | 2,611,629 |
| Konecranes OYJ | 75,000 | 2,189,680 |
| Scholler-Bleckmann Oilfield Equipment AG | 26,400 | 1,528,802 |
| Fuchs Petrolub AG | 13,500 | 1,418,737 |
| Montanaro Euro Income Fund | 1,367,459 | 1,134,991 |
| Vliscofan SA | 25,000 | 686,765 |
| Virbac SA | 6,000 | 682,340 |
| Diasorin SPA | 20,000 | 672,991 |
| Christian Hansen Holding A/S | 40,000 | 647,597 |
| GFK SE | 17,500 | 634,002 |

MONTANARO EUROPEAN SMALLER COMPANIES PLC
MONTANARO EUROPEAN EQUITY INCOME FUND

PORTFOLIO CHANGES – LARGEST 20 ACQUISITIONS (unaudited)

For the period ended 30 June 2011

| | Nominal | Cost € |
|---|---------|-----------|
| Aberdeen Asset Management Plc | 120,000 | 304,022 |
| Subsea 7 SA | 15,000 | 270,578 |
| Victrex Plc | 15,000 | 236,109 |
| Rheinmetall AG | 4,000 | 234,678 |
| Bureau Veritas SA | 4,000 | 219,430 |
| Shaftsbury Plc | 35,000 | 193,277 |
| Christian Hansen Holding A/S | 6,000 | 96,962 |
| LEM Holding SA | 200 | 91,395 |
| Croda International Plc | 5,000 | 90,436 |
| Dignity Plc | 10,000 | 83,841 |
| Tecnicas Reunidas AS | 1,500 | 68,373 |
| Devro Plc | 25,000 | 68,293 |
| Cineworld Group Plc | 25,000 | 63,102 |
| Fugro NV | 900 | 54,829 |
| Domino Printing Sciences PLC | 7,500 | 54,319 |
| Societe Immobiliere de Location pour l'Industrie et le Commerce | 500 | 49,825 |
| JM AB | 2,500 | 42,105 |
| Avanza Bank Holding AB | 1,500 | 41,623 |
| Banque Cantonale Vaudoise | 100 | 40,442 |
| WSP Group Plc | 10,000 | 40,329 |

PORTFOLIO CHANGES – LARGEST 20 DISPOSALS (unaudited)

For the period ended 30 June 2011

| | Nominal | Proceeds € |
|-------------------------|---------|---------------|
| Subsea 7 SA | 15,000 | 272,469 |
| Ashmore Group Plc | 40,000 | 172,115 |
| Croda International Plc | 2,500 | 54,557 |