Annual Report 09

JPMorgan European Fledgeling Investment Trust plc

Annual Report & Accounts for the year ended 31st March 2009

J.P.Morgan Asset Management

Features

Contents

Objective

Capital growth from smaller European companies (excluding the UK).

Investment Policies

- To invest in a diversified portfolio of smaller companies in Europe, excluding the United Kingdom.
- To manage liquidity and borrowings to increase potential returns to shareholders. The Board's current policy is to be between 80% to 120% invested.
- To emphasise capital growth rather than income. Therefore shareholders should not expect a dividend.
- It should be noted that the Company invests in smaller companies which tend to be more volatile than larger companies and the Company's shares should therefore be regarded as carrying greater than average risk.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

HSBC Smaller European Companies (ex UK) Total Return Index in sterling terms.

Capital Structure

The Company has an authorised share capital of 280,000,000 ordinary shares of 25p each, of which 48,713,323 were in issue at the year end. This includes 1,628,670 shares held in Treasury.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

Financial Results

Total Returns (capital plus income)

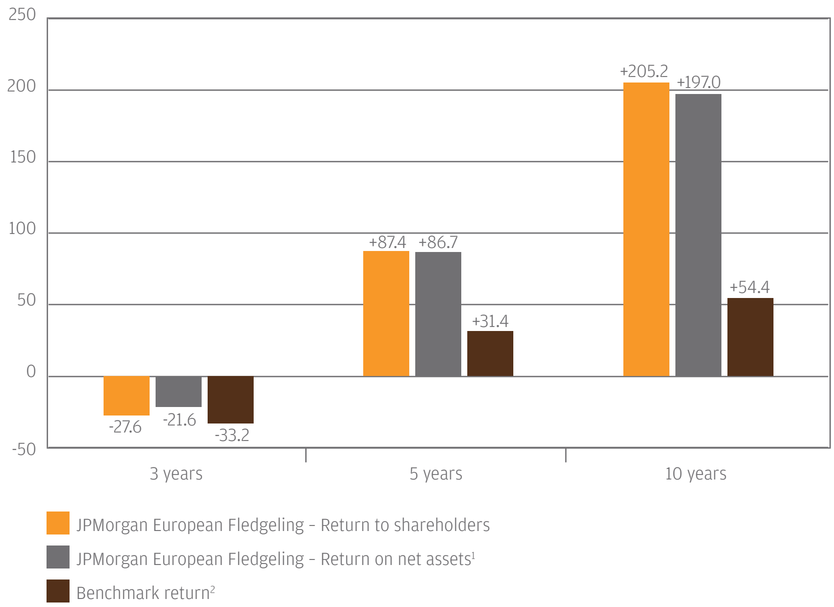
-32.4%
Return to shareholders
(2008: -15.5%)

-28.9%
Return on net assets[1]
(2008: -8.4%)

-38.7%
Benchmark return[2]
(2008: -8.5%)

Long Term Performance

for periods ended 31st March 2009



A glossary of terms and definitions is given on page 55.

[1]Assumes that all shares held in Treasury have been reissued in accordance with the Board's current policy on the reissuance of Treasury shares.

[2]Source: HSBC. The Company's benchmark is the HSBC Smaller European Companies (ex UK) Index in sterling terms.

Chairman's Statement

Performance

The turbulent conditions in the financial markets which began in 2008, deepened and gathered momentum in 2009 providing an exceptionally testing environment for our Investment Managers. Reflecting the decline in the value of small cap companies in Europe, the value of the Company has suffered a significant decline in absolute terms, however the Investment Managers' achievement of a return of 9.8% ahead of the benchmark demonstrates their considerable investment skills and is of some comfort to shareholders.

Over the year the Company's total return on net assets (i.e. with net income reinvested) was -28.9%, which compares with a return of -38.7% on the same basis from the Company's benchmark, the HSBC Smaller European Companies (ex UK) Index in sterling terms.

It is important also to set the current year in the context of longer term performance. Over the three, five and ten year periods to 31st March 2009, our Investment Managers have outperformed their benchmark in asset growth by aggregate amounts of 12%, 55% and 143% respectively, an outstanding long term track record. More details of the longer term performance are set out on page 1.

Along with many companies in the sector and reflecting the market conditions, the Company's shares continued to trade on a wide discount to asset value. The discount to net asset value (based on the assumption that the shares held in Treasury had been reissued in accordance with the Board's current policy on the reissuance of Treasury shares) widened from 15.4% to 19.5%. This resulted in a total return to shareholders of -32.4%. The average daily discount during the year was 16.5%. Reducing this discount and its volatility continues to be one of the Company's challenges.

The Company's total return for the year can be analysed by looking at the performance attribution analysis set out in the table on page 5. This shows that stock selection and the decisions to hold cash or gear the portfolio were positive contributors, whilst asset allocation was neutral.

Treasury Shares

At the previous four Annual General Meetings shareholders have approved a resolution to enable the Company to sell shares from Treasury at a discount to net asset value. Your Board continues to believe that there are benefits in having the ability to reissue, rather than cancel, shares bought in the market. Its use can improve liquidity in the Company's shares, help manage any imbalance between the supply and demand, reduce the volatility and absolute levels of the discount and enhance the net asset value by selling shares at a narrower discount than that at which they were purchased.

During the year under review, your Board repurchased a total of 1,628,670 shares to be held in Treasury. Given the difficult market conditions and wide discount at which the Company's shares traded during the year, no shares were reissued from Treasury during the year and on 18th March 2009, 2,579,875 shares previously held in Treasury were cancelled.

Your Board is requesting that shareholders renew the authority for the reissue of Treasury shares at the forthcoming Annual General Meeting as it sees this as a useful tool to add value for shareholders should market conditions improve. It is important to note that, as previously, the Board will maintain its policy of restricting the Company's ability to sell Treasury shares, by imposing a strict limit to the dilution associated with the sale at a discount to a maximum of 0.5% of net asset value in any one year.

Board and Manager Evaluation

The Nomination Committee carried out its annual evaluation of the Board, its Committees, the individual Directors and the Chairman earlier this year. The Board takes this review seriously and views it as an effective means of evaluating the continuing efficacy of the Board. In accordance with the Company's Articles of Association, Paul Manduca and Michael Wrobel will retire by rotation at this year's AGM. Both Directors will offer themselves for re-election. The Nomination Committee having considered their qualifications, performance and contribution to the Board and its committees, I confirm that both Directors continue to be effective and demonstrate commitment to the role and the Board recommends to shareholders that they be re-elected.

Having served as a Director for more than nine years, I must now stand for annual re-election, in accordance with corporate governance best practice. In my absence, the Nomination Committee assessed my performance and determined that I should continue as Chairman. A resolution proposing my re-election will therefore be put to the forthcoming AGM.

The Board also carried out a formal review of the Manager, JPMorgan Asset Management (UK) Limited ('JPMAM') during the year. This covered the investment management, company secretarial, administrative and marketing services provided to the Company by JPMAM and took into account their investment performance record, management processes, investment style, resources and risk control mechanisms. The Board is fully satisfied with the performance of the Manager and concluded that its continued appointment on the existing terms is very much in the interests of shareholders as a whole.

Corporate Governance

The Company operates in accordance with corporate governance best practice and the Board is committed to the highest standards of corporate governance as applicable to investment trust companies. Comprehensive information can be found in the Corporate Governance section of this Report on pages 25 to 28.

VAT

Following the decision by the European Court of Justice in June 2007 that VAT should not be charged on investment trust companies' management fees, the Company has now received reimbursement of VAT and interest totalling £3.3m.

Chairman's Statement continued

Annual General Meeting

Your Directors and I very much look forward to welcoming you to the Company's AGM which will be held at The Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on Tuesday 7th July 2009 at 12.00 noon. The Investment Managers will make a presentation reviewing the past year and commenting on the outlook for the current year. As usual, the meeting will be followed by a buffet lunch, providing shareholders the opportunity to meet the Directors and the Investment Managers.

Please submit in writing, or via the Company's website, any detailed questions that you wish to raise at the AGM to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes. Shareholders who hold their shares through CREST are able to lodge their proxy votes electronically.

Outlook

Our Investment Managers set out their views on the investment outlook on the next few pages. Your Board supports their cautious optimism and reinstatement of the Company's gearing but remains alert to the continuing difficult economic environment and the possibility that these early signs of revival will not endure. Your Board continues to have considerable confidence in our Investment Managers and their ability to outperform their asset class.

Elisabeth Airey
Chairman

1st June 2009

Investment Managers' Report

Jim Campbell

Francesco Conte

Performance attribution for the year to 31st March 2009

Contributions to Total Returns		
Benchmark total return		**-38.7%**
Asset allocation	0.0%	
Stock selection	3.8%	
Gearing/cash effect	5.2%	
Currency	0.4%	
Investment Manager contribution		**9.4%**
Portfolio total return		**-29.3%**
Management Fees/ other Expenses	-1.1%	
VAT Recovery	0.7%	
Share buy backs into Treasury	0.5%	
Share Buy-Back/Issuance	0.0%	
Residual*	0.3%	
Other Effects		**0.4%**
Net Asset Value Total Return		**-28.9%**
Impact of decrease/(increase) in discount		-3.5%
Share Price Total Return		**-32.4%**

Source: *Xamin/JPMAM and Fundamental Data.*
All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.

* The Residual arises principally from timing differences in the treatment of income flows.

The Xamin attribution system accounts for income on a received (on the ex-dividend date) basis whereas Fundamental Data calculates the Company's NAV Total Return using the actual dividend(s) paid by the Company (on the ex-dividend date).

A glossary of terms and definitions is provided on page 55.

European Stock Markets

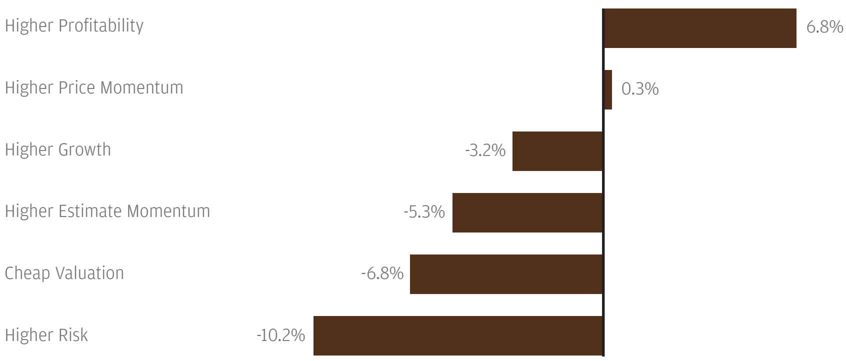
While hyperboles should seldom be used, it is fair to say that the last twelve months have been extraordinary, with financial textbooks rewritten by governments and central banks alike. Whether the near collapse of the financial system was caused by the US government's decision to allow Lehman Brothers to fail in September 2008 or whether its failure accelerated the inevitable will never be known, but what is sure, with the benefit of hindsight, is that it unleashed risk aversion on a scale perhaps not seen since the Great Depression.

As savers withdrew their deposits from banks and as financial institutions refused to lend to each other, the entire global banking system ground to a halt. The speed and synchronization with which the world economy slowed was truly remarkable and a testament to the interdependence of global economies. Central banks responded by lowering rates practically to zero all over the world. Governments responded by injecting massive amounts of capital into banks and insurance companies alike. Moreover, many governments went further by announcing huge public spending programmes as well as quantitative easing, thereby increasing substantially the money supply. Government budget deficits in many countries such as the United States and United Kingdom are running at record levels.

As banks virtually stopped lending, consumers swiftly reduced their spending and economic growth slowed sharply to become negative in the final quarter of 2009. As a consequence stock markets fell dramatically. In the year to 31st March 2009, the FTSE World Europe (ex UK) Index fell by 31.1 per cent. At times of such financial strain investors become risk averse and as a result smaller companies suffered more. The HSBC Smaller European Companies (ex UK) Index produced a total return of -38.7 per cent. Through our relatively cautious stance, the portfolio managed to mitigate some of the losses; the Company's net asset value total return was -28.9 per cent.

Typically, the portfolio's strategy is to invest in either growth stocks (companies growing faster than GDP) or value stocks (stocks that are on average cheaper than the market). Over time both these investment styles are proven to work, although not necessarily at the same time. Very unusually in the twelve months to March, neither of these strategies was successful as risk aversion led investors into highly defensive sectors such as food, pharmaceuticals and telecommunications which are less dependent on economic growth.

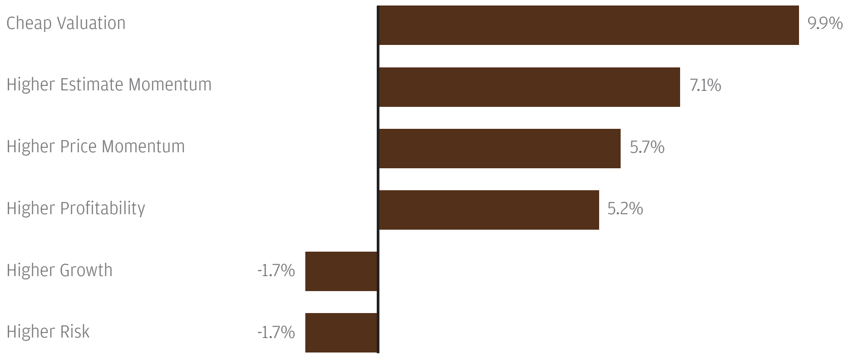
Style factor performance – 12 months to 31st March 2009



Spread of returns between best and worst quintile for each factor. Source: Citigroup

Investment Managers' Report continued

Style factor performance – long term*



Spread of returns between best and worst quintile for each factor. Source: Citigroup

*From 1990 to March 2009.

Investment Process

The objective of the Company is to achieve capital growth from a portfolio of quoted smaller companies in Europe, excluding the United Kingdom. The investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark index which, at the end of March 2009, consisted of 1,000 companies with a market value of between £25m and £1.6bn across 15 countries. The investment process is driven by bottom-up stock selection, focusing on a combination of growth companies with strong operational momentum and value companies with a catalyst for rerating. The large universe of potential investments is screened using a proprietary multi-factor model to the results of which we apply extensive fundamental analysis. The portfolio is constructed within a framework where risk is managed in terms of investment style factors relative to the benchmark index. Investments are sold when there is a fundamental negative change in business prospects, the valuation is regarded as excessive or the market capitalisation has outgrown significantly the benchmark index. The policy is not to hedge the currency exposure of the portfolio's assets. With the Board's consent the gearing range within which the Investment Managers may operate was broadened from 10 per cent cash to 20 per cent gearing, to a new range of 20 per cent cash to 20 per cent gearing.

Portfolio Performance

The biggest contributor to performance this year was our cautious approach which led us to run with high cash levels that reached a maximum of 20 per cent in the period following the Lehman collapse. Good performance came from stocks that were generally not reliant on strong GDP growth for success. Successful stock selection in this area included Ansaldo Sts in Italy, a manufacturer of rail signalling equipment, Recordati, an Italian pharmaceutical company, Gemalto, the French global leader in the manufacture of smart cards, Scor, the French reinsurance group and Galenica a wholesale pharmaceutical distributor and drug manufacturer in Switzerland. The biggest negative contributors to performance were companies generally more cyclically exposed and included Maire Tecnimont, an Italian manufacturer of petrochemical plants which was derated as the oil price fell; Laboratorios Almiral, a Spanish drug company which fell following a drug failure in phase three trials; Sydbank, a Danish bank; Tieto, a Finnish IT services company which fell as IT budgets suffered; and Altran Technologies, a French research and development outsourcing company which suffered as companies cut research and development budgets.

Portfolio Positioning

The number of core small cap holdings remained relatively concentrated, ending the year at 48 compared with 45 at the start. In addition, given that over time micro caps tend to outperform and we are finding an increasing number of attractive investment opportunities in this area, we have increased our investments in micro caps from 10 per cent of the assets to 16 per cent.

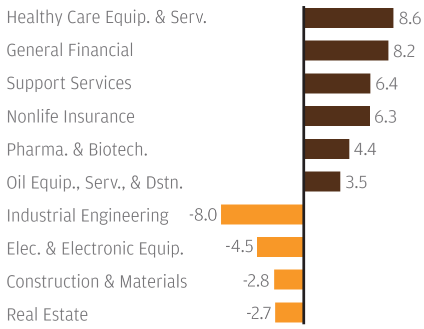
As we went into the year we had done much to reduce our cyclical exposure in the construction and engineering sectors. We continued to reduce cyclical exposure throughout the year as economic newsflow continued to worsen. However, in late February and early March 2009 we believed that expectations for defensive companies were ahead of the market and they started to disappoint. Two such companies that we held at the time were Remy Cointreau, the French manufacturer of premium liqueurs, and Barry Callebut, the leading producer of wholesale chocolate both of which disappointed in the fourth quarter earnings announcements. At the same time, expectations of more cyclically exposed companies had fallen to such low levels that they began to report improved order intakes, albeit from very low levels. Therefore we began selectively to buy back economically sensitive stocks in the latter weeks of the year.

Substantial disposals in the year included stocks that had performed well such as Ansaldo Sts, Crucell and Gemalto on valuation, defensive stocks such as Galenica and Lottomatica on disappointing earnings and Trevi, a long time favourite, on slowing momentum in the construction industry. We used the opportunity of the market derating to buy some high quality growth companies on cheap valuations such as hearing aid companies Sonova in Switzerland and William Demant in Denmark as well as French nursing home operator Orpea. Amongst more cyclically sensitive companies which we bought at the end of the year were Credito Emiliano, an Italian bank, Autogrill, the Italian world leader in motorway and airport restaurants, French advertising agency Havas, French oil services provider Groupe Bourbon and French oil and gas exploration company Maurel et Prom.

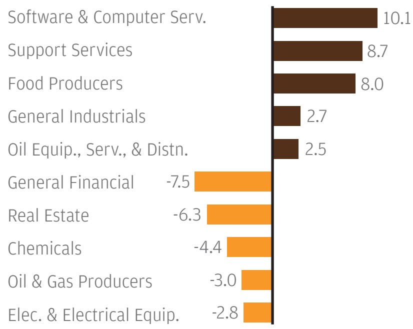
Investment Managers' Report continued

Industrial exposure

Ten largest active positions – March 2009



Ten largest active positions – March 2008

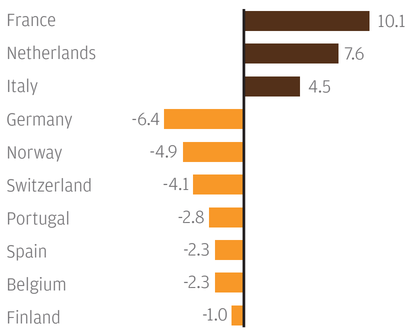


Source: JPMorgan Asset Management, Factset, HSBC.

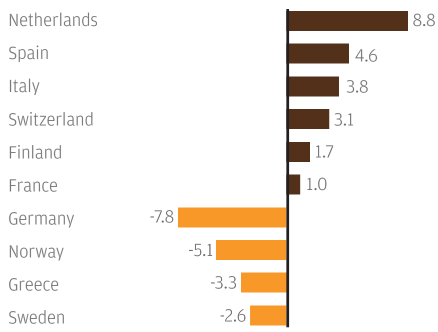
The Company ended the year overweight in France, Italy and the Netherlands. As bottom up investors we do not place much importance on where a company is incorporated but place much more importance on where it conducts its business. Most of the companies we invest in, whether luxury goods manufacturers, hearing aid producers, oil service companies or motorway restaurants, to mention but a few, tend to operate on a global scale and are not particularly dependent on their domestic markets.

Country exposure

Ten largest active positions – March 2009



Ten largest active positions – March 2008



Source: JPMorgan Asset Management, Factset

Outlook

As we write the market has continued to rally, with previously out of favour sectors such as banks, industrials, temporary employment and commodities leading the market. The most important question is whether this is a bear market rally or a turning point. Unfortunately we will not know for certain until later this summer whether the second quarter represents a mere restocking cycle or whether consumer demand will be sufficient to sustain economic growth into the third quarter. However, there would appear to be sufficient evidence to make a case for the latter or at least to believe that the current rally can last long enough to justify positioning the portfolio more aggressively.

Financial panic seems to be over. While there has been speculation that a handful of US banks would fail the stress test, markets seem to acknowledge that governments will not allow another financial institution to fail. The recently published data on first quarter US GDP, while generally much worse than expected, highlighted that consumer demand was stronger than expected, while de-stocking was much greater. Macro economic leading indicators, such as orders, appear to be confirming that an inventory rebuild cycle is now under way. The yield curve (the ten year bond rate minus the three month rate) is very steep the world over and continues to signal that economic recovery should be ahead of us. Virtually every equity market valuation measure is at historically low levels. There are signs that earnings expectations may be beaten for the first time in two years and that the rate of downgrades may moderate. Some cyclical companies are reporting a stabilisation of business in April or at least an improvement in orders. We are finding more attractive investment opportunities than we have done in the last two years. Finally, the rally is now very broad based and includes companies in totally diverse sectors.

During turning points stock picking becomes particularly difficult as there is little evidence to confirm that the environment has truly improved. The style we most like to use, earning revisions, becomes less reliable in these periods as it lags the market by three to six months. The situation is created because managements are reluctant to confirm an improvement in trading conditions until the trend has been in place for a few months, for fear that appearing prematurely optimistic may lead to a loss of credibility. As a consequence analysts, who take most of their information from company managements, do not pick up on a change in environment until the trend has been in place for a few months. Perhaps the only analytical tool working at such times is short term price momentum which we are using cautiously in combination with fundamental research. Given the limited analytical tools available in such periods, we are aiming to find a balance between prudence on one hand and taking calculated risks on the other.

Consistent with a more aggressive stance we have substantially increased the micro cap exposure within the Company's portfolio to 20 per cent and gearing to near 10 per cent. Many uncertainties remain for the global economy, yet for now disaster seems well and truly behind us. The challenge remains, as always, to pick the right stocks.

Jim Campbell
Francesco Conte
Investment Managers

1st June 2009

Summary of Results

Total Returns for the year ended 31st March	2009	2008	
Return to shareholders	-32.4%	-15.5%	
Return on net assets	-28.9%	-8.4%	
Benchmark return[1]	-38.7%	-8.5%	
Net Asset Value, Share Price, Discount and Market Data as at 31st March			% change
Shareholders' funds (£'000)	270,078	393,957	-31.4
Net asset value per share	573.6p	807.8p	-29.0
Net asset value per share assuming reissue of Treasury shares[2]	571.6p	804.2p	-28.9
Share price	460.0p	680.0p	-32.4
Discount of share price to net asset value	19.8%	15.8%	
Discount of share price to net asset value assuming reissue of Treasury shares	19.5%	15.4%	
Shares in issue[3]	48,713,323	51,350,198	
HSBC Smaller European Companies (ex UK) Index in sterling terms (capital only)[1]	179.3	299.1	-40.1
Revenue for the year ended 31st March			
Gross revenue return (£'000)	10,067	6,149	+63.7
Net revenue/(loss) available for shareholders (£'000)	7,363	(376)	
Revenue/(loss) per share	15.38p	(0.75)p	
Actual Gearing Factor at 31st March[4]	98.1%	98.4%	
Total Expense Ratio (TER)[5]	1.27%	1.33%	

A glossary of terms and definitions is given on page 55.

[1] Source: HSBC.

[2] Assumes that all shares held in Treasury have been reissued in accordance with the Board's current policy on the reissuance of Treasury shares.

[3] Includes 1,628,670 (2008: 2,579,875) share held in Treasury.

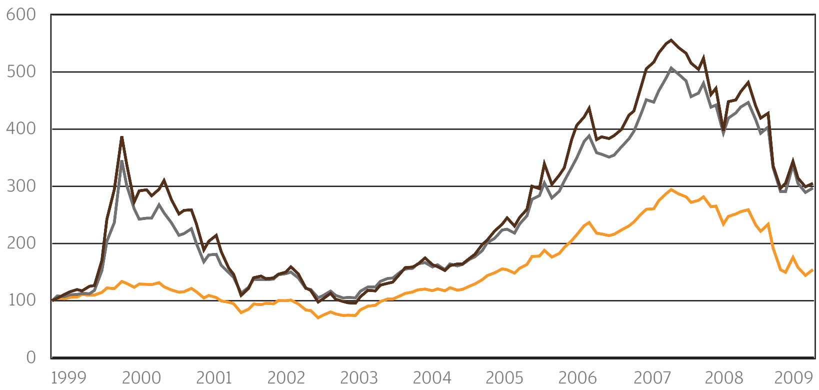
[4] Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds.

[5] Management fees and all other operating expenses, excluding interest and VAT recovered during the year, expressed as a percentage of the average of the opening and closing net assets.

Performance

Ten Year Performance

Figures have been rebased to 100 as at 31st March 1999

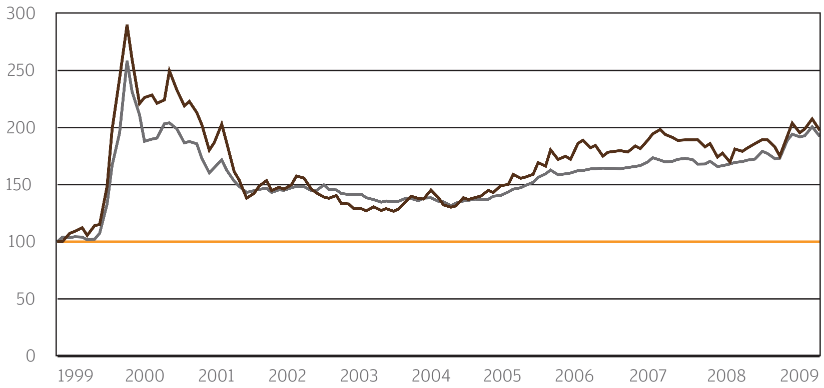


Source: Standard & Poor's - www.funds.morningstar.com/Fundamental Data - www.funddata.com/HSBC. (Total Return)

- JPMorgan European Fledgeling - Share price
- JPMorgan European Fledgeling - Net asset value
- Benchmark

Performance Relative to Benchmark

Figures have been rebased to 100 as at 31st March 1999



Source: Standard & Poor's - www.funds.morningstar.com/Fundamental Data - www.funddata.com/HSBC. (Total Return)

- JPMorgan European Fledgeling - Share price
- JPMorgan European Fledgeling - Net asset value
- Benchmark

Ten Year Financial Record

Year to 31st March	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total assets less current liabilities (£m)	140.3	412.9	221.9	181.9	116.0	162.6	225.9	373.0	450.2	394.0	**270.1**
Net asset value per share (p)	187.4	564.8	314.9	272.4	196.9	298.2	421.8	709.0	876.8	807.8	**573.6**
Share price (p)	151.0	511.0	285.0	221.0	144.5	246.0	369.8	636.0	805.0	680.0	**460.0**
Discount (%)	19.4	9.5	9.5	18.9	26.6	17.5	12.3	10.3	8.2	15.8	**19.8**
Actual gearing factor	117.1	118.7	114.1	110.7	104.9	107.8	104.9	103.8	96.2	98.4	**98.1**

Year ended 31st March											
Revenue attributable to shareholders (£'000)	2,494[1]	1,641	2,074	2,779	3,572	3,446	4,218	4,898	7,767	6,149	**10,067**
(Loss)/revenue per share (p)	(0.32)	(3.93)	(8.26)	(2.94)	0.48	1.59	0.17	0.41	2.49	(0.75)	**15.38**
Total expense ratio (TER) (%)[2]	1.25	0.99	1.35	1.35	1.39	1.46	1.20	1.25	1.21	1.33	**1.27**

Rebased to 100 at 31st March 1999											
Share price total return[3]	100.0	338.2	188.8	146.4	95.7	162.9	244.9	421.4	533.4	451.2	**305.2**
Net asset value total return[3]	100.0	301.4	168.1	145.4	105.1	159.1	225.1	378.6	467.0	417.7	**297.0**
Benchmark[4]	100.0	130.2	104.8	100.2	74.2	117.5	154.1	231.2	274.9	251.7	**154.4**

A glossary of terms and definitions is given on page 55.

[1]Figures have been restated to comply with FRS16.

[2]Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets.

[3]Source: Morningstar – www.morningstar.co.uk

[4]Source: HSBC

Ten Largest Investments[1]

Year ended 31st March

Company	Business	2009 Valuation £'000	2009 Valuation %[2]	2008 Valuation £'000	2008 Valuation %
Software[3]	Business Software	**7,471**	**2.8**	–	–
Qiagen[3]	Pharmacuetical Technology	**7,221**	**2.7**	–	–
Maurel & Prom[3]	Oil Exploration	**6,547**	**2.4**	–	–
Prosegur Compañía Seguridad	Security Services	**5,949**	**2.2**	10,846	2.8
Castellum[3]	Real Estate	**5,825**	**2.1**	–	–
Indra Sistemas[4]	Information Technology	**5,705**	**2.1**	10,535	2.7
Acea[3]	Electricity and Water Utilities	**5,700**	**2.1**	–	–
Swedish Match[4]	Tobacco	**5,678**	**2.1**	8,340	2.1
Topdanmark[3]	Insurance	**5,660**	**2.1**	–	–
Hannover Rueckversicherungs[3]	Reinsurance Services	**5,612**	**2.1**	–	–
Total[5]		**61,368**	**22.7**		

[1] Excluding the holding in the JPMorgan Euro Liquidity Fund.

[2] Based on total assets less current liabilities of £270.1m (2008: £394.0m).

[3] Not held in the portfolio at 31st March 2008.

[4] Not Included in the ten largest investments at 31st March 2008.

[5] As at 31st March 2008 the value of the ten largest investments amounted to £115.5m, representing 29.3% of total assets less current liabilities.

Portfolio Analyses

Geographical Analysis

	31st March 2009 Portfolio %	31st March 2009 Benchmark %	31st March 2008 Portfolio %	31st March 2008 Benchmark %
France	**22.6**	**12.5**	12.8	11.8
Italy	**16.3**	**11.8**	15.7	11.9
Netherlands	**12.8**	**5.2**	14.8	6.0
Sweden	**11.4**	**8.8**	5.5	8.1
Germany	**8.5**	**14.9**	6.0	13.8
Denmark	**5.6**	**4.2**	2.8	4.5
Switzerland	**5.4**	**9.5**	11.9	8.8
Spain	**4.7**	**7.0**	13.5	8.9
Finland	**3.5**	**4.5**	5.7	4.0
Austria	**2.4**	**3.5**	3.0	3.5
Greece	**2.2**	**4.8**	2.5	5.8
Ireland	**1.3**	**1.9**	2.8	2.1
Belgium	**0.8**	**3.1**	1.2	3.4
Norway	**0.6**	**5.5**	0.2	5.3
Portugal	**–**	**2.8**	–	1.7
Luxembourg	**–**	**–**	–	0.4
Total equities	**98.1**	**100.0**	98.4	100.0
Liquidity fund	**2.3**	**–**	2.5	–
Net current liabilities	**(0.4)**	**–**	(0.9)	–
Total	**100.0**	**100.0**	100.0	100.0

Based on total assets less current liabilities of £270.1m (2008: £394.0m).

Sector Analysis

	31st March 2009 Portfolio %	31st March 2009 Benchmark %	31st March 2008 Portfolio %	31st March 2008 Benchmark %
Industrials	**21.7**	**23.8**	29.8	26.8
Financials	**20.8**	**20.6**	3.5	18.5
Health Care	**18.6**	**8.2**	9.8	7.3
Consumer Discretionary	**8.9**	**13.1**	14.3	16.9
Energy	**8.5**	**13.2**	–	5.4
Information Technology	**8.4**	**6.3**	15.7	6.5
Telecommunication Services	**4.1**	**0.2**	2.3	0.9
Consumer Staples	**3.7**	**6.8**	14.2	6.5
Utilities	**3.4**	**0.7**	3.5	2.5
Materials	**–**	**7.1**	4.0	8.7
Other	**–**	**–**	1.3	–
Total equities	**98.1**	**100.0**	98.4	100.0
Liquidity fund	**2.3**	**–**	2.5	–
Net current liabilities	**(0.4)**	**–**	(0.9)	–
Total	**100.0**	**100.0**	100.0	100.0

Based on total assets less current liabilities of £270.1m (2008: £394.0m).

Investment Activity

during the year to 31st March 2009

	Value as at 31st March 2008 £'000	%	Purchases £'000	Sales £'000	Changes in value £'000	Value as at 31st March 2009 £'000	%
France	50,576	12.8	127,328	105,525	(11,238)	**61,141**	**22.6**
Italy	61,711	15.7	111,496	115,677	(13,518)	**44,012**	**16.3**
Netherlands	58,240	14.8	89,376	94,784	(18,346)	**34,486**	**12.8**
Sweden	21,832	5.5	69,241	56,872	(3,308)	**30,893**	**11.4**
Germany	23,644	6.0	81,645	66,020	(16,356)	**22,913**	**8.5**
Denmark	11,222	2.8	42,132	30,487	(7,754)	**15,113**	**5.6**
Switzerland	46,829	11.9	78,099	89,252	(21,165)	**14,511**	**5.4**
Spain	52,987	13.5	47,655	80,364	(7,636)	**12,642**	**4.7**
Finland	22,272	5.7	56,387	59,261	(10,043)	**9,355**	**3.5**
Austria	11,859	3.0	15,566	19,778	(1,193)	**6,454**	**2.4**
Greece	9,922	2.5	17,563	16,406	(5,211)	**5,868**	**2.2**
Ireland	10,904	2.8	17,523	21,691	(3,091)	**3,645**	**1.3**
Belgium	4,680	1.2	37,900	38,632	(1,724)	**2,224**	**0.8**
Norway	903	0.2	16,212	13,814	(1,581)	**1,720**	**0.6**
Portugal	-	-	8,397	6,662	(1,735)	-	-
Total portfolio	387,581	98.4	816,520	815,225	(123,899)	**264,977**	**98.1**
Liquidity Fund	9,750	2.5	221,321	227,243	2,378	**6,206**	**2.3**
Net current liabilities	(3,374)	(0.9)	-	-	-	**(1,105)**	**(0.4)**
Total net assets	393,957	100.0	1,037,841	1,042,468	(121,521)	**270,078**	**100.0**

Based on total assets less current liabilities of £270.1m (2008: £394.0m).

List of Investments

at 31st March 2009

Company	Valuation £'000
France	
Maurel & Prom	6,547
Technip	5,529
Orpea	5,459
Bourbon	5,438
SCOR	5,317
Havas	5,131
Icade	4,975
Teleperformance	4,476
Faiveley	4,076
bioMérieux	3,546
Rubis	2,965
Bureau Veritas	2,457
Boursorama	967
1000Mercis	952
LeGuide.com	773
Meetic	634
Fimalac	624
Virbac	526
Eurofins Scientific	490
Euler Hermes	259
Total	**61,141**
Italy	
Acea	5,700
Impregilo	5,145
Autogrill	4,970
FastWeb	4,896
Recordati	4,756
DiaSorin	3,218
Ansaldo STS	3,067
Beni Stabili	2,811
Credem	2,759
Banca Popolare di Milano	2,696
Azimut	1,350
Amplifon	803
Compagnie Industriali Riunite	598
Maire Tecnimont	589
Exor	340
Reply	314
Total	**44,012**

Company	Valuation £'000
Netherlands	
Qiagen	7,221
Imtech	5,544
Royal Vopak	5,413
SBM Offshore	5,395
Wereldhave	3,151
Arcadis	3,050
Randstad	1,026
Sligro Food	725
Koninklijke Ten Cate	675
Smit	655
TKH	573
Ordina	536
Exact	522
Total	**34,486**
Sweden	
Castellum	5,825
Swedish Match	5,678
Meda	5,492
Securitas	5,437
Wihlborg Fastigheter	1,377
Elekta	1,324
Betsson	1,301
Loomis	1,291
Fabege	1,115
Modern Times	1,089
JM	964
Total	**30,893**
Germany	
Software	7,471
Hannover Rueckversicherungs	5,612
SMA Solar Technology	3,390
Carl Zeiss Meditec	1,403
Wirecard	1,402
Deutsche Euroshop	1,320
CTS Eventim	1,292
Phoenix Solar	1,023
Total	**22,913**

Company	Valuation £'000
Denmark	
Topdanmark	5,660
William Demant	3,685
H. Lundbeck	3,645
Simcorp	1,089
Sydbank	1,034
Total	**15,113**
Switzerland	
Banque Cantonale Vaudoise	5,472
Sonova	5,341
Schulthess	1,050
Swissquote	841
Jelmoli	714
Ascom	585
Athris	395
Tecan	113
Total	**14,511**
Spain	
Prosegur Compañía Seguridad	5,949
Indra Sistemas	5,705
Bolsas y Mercados	980
Laboratorios Farmaceuticos ROVI	8
Total	**12,642**
Finland	
Elisa	3,843
Orion	3,356
Tieto	1,241
F-Secure	915
Total	**9,355**
Austria	
Österreichische Post	5,336
Bwin Interactive Entertainment	1,118
Total	**6,454**

Company	Valuation £'000
Greece	
JUMBO	4,751
Hellenic Exchanges	587
Terna Energy	530
Total	**5,868**
Ireland	
Kerry	3,645
Total	**3,645**
Belgium	
Telenet	2,224
Total	**2,224**
Norway	
Tandberg	1,303
Opera Software	417
Total	**1,720**
Liquidity Fund	
JPM Euro Liquidity Fund	6,206
Total	**6,206**
Total Portfolio	**271,183**

Board of Directors

Elisabeth Airey (Chairman of the Board and Nomination Committee)

A Director since January 2000. Appointed Chairman in 2006.

A Director of Dunedin Enterprise Investment Trust plc, Tate and Lyle plc and Unilever UK Pension Fund Trustees Limited. Formerly a Director of AMEC plc.

Anthony Davidson (Chairman of the Audit Committee)

A Director since May 2005

Director of Shires Income plc, Sun Life Assurance Company of Canada (UK) Limited and a number of life companies within The Pearl Group. Formerly Chief Executive of Provincial Insurance plc.

Paul Manduca

A Director since December 2005

Director of WM Morrison Supermarkets plc and Kazmunaigaz plc. Chairman of Henderson Diversified Income Investment Trust plc, UNIQ Pension Scheme Trustees Limited, Aon (UK) Limited and Director of Development Securities plc. Formerly the Chief Executive Officer of Deutsche Asset Management Europe Limited and Chairman of the Association of Investment Companies.

Federico Marescotti

A Director since December 2005

A Managing Partner of Vela Capital and Executive Chairman of Friulia, Italy. A Director of Ecofin Water & Power Opportunities plc.

Michael Wrobel

A Director since April 2003

Group Advisor Pension Investments at Rio Tinto plc. Formerly a Director of Gartmore Investment Management plc and Head of Investment Trusts at F&C Management.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report for the year ended 31st March 2009.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st March 2008. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 31st March 2008 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 4, and in the Investment Managers' Report on pages 5 to 9.

Objective

The Company's objective is to achieve capital growth from smaller European companies (excluding the UK).

Investment Policies and Risk Management

In order to achieve the investment objective and to seek to manage risk, the Company invests in a diversified portfolio of smaller companies in Europe, excluding the UK. The investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark index which, at the end of March 2009 consisted of 1,000 companies with a market value of between £25m and £1.6bn across 15 countries.

The Company manages liquidity and borrowings to increase potential sterling returns to shareholders; the Board has set a normal range of 80-120% invested. The Company borrows in Euros in order to hedge the currency risk in respect of the geared portion of the portfolio.

The investment policy emphasises capital growth rather than income and shareholders should not therefore expect a dividend.

The Board has set no minimum or maximum limits on the number of investments in the portfolio but in the year under review, the number of investments ranged between approximately 75 to 100. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds. JPMAM is responsible for management of the Company's assets. On a day-to-day basis the assets are managed by two investment managers based in London, supported by a 40 strong European equity team.

It should be noted that the Company invests in smaller companies which tend to be more volatile than larger companies and the Company's shares should therefore be regarded as greater than average risk.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- As an investment trust, the Company cannot invest more than 15% of its assets in any one investment, at the time of acquisition. The Company will not invest more than 12.5% of its total assets in any one individual stock at the time of acquisition.
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval.
- No more than 25% of the Company's assets may be invested in the aggregate of (i) securities not listed on a recognised exchange; and (ii) holdings in which the Company has 20% or more of the issued equities. It is unlikely that the Company would invest in companies that fall into either of these categories and did not do so in the year under review.
- In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval.

These limits and restrictions may be varied by the Board at any time at its discretion.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Directors' Report continued

Performance

In the year to 31st March 2009, the Company produced a total return to shareholders of -32.4% and a total return on net assets of -28.9%. This compares with the return on the Company's benchmark index of -38.7%. As at 31st March 2009 the value of the Company's investment portfolio was £271.2m. The Investment Managers' Report on pages 5 to 9 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £111.6m (2008: £30.9m loss) and net loss after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £114.3m (2008: £37.4m loss). Net revenue for the year amounted to £7.4m (2008: £0.4m deficit). The Company is unable to pay a dividend due to a £0.4m (2008: £7.8m) deficit on the revenue account.

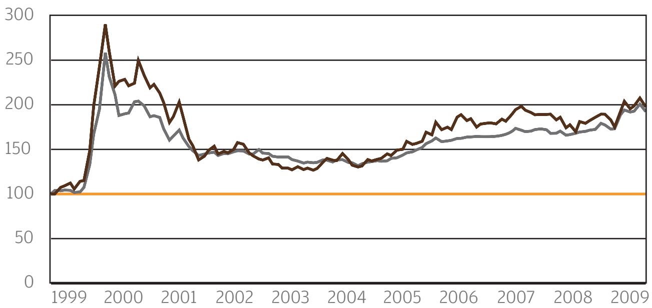
Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:-

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged.

Performance relative to Benchmark Index

Figures have been rebased to 100 at 31st March 1999

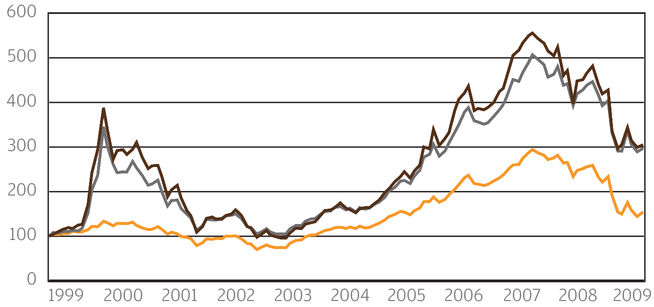


Source: Morningstar/HSBC. (Total Return)

JPMorgan European Fledgeling - Share price
JPMorgan European Fledgeling - Net asset value
Benchmark

Ten Year Performance

Figures have been rebased to 100 at 31st March 1998



Source: Morningstar/HSBC. (Total Return)

JPMorgan European Fledgeling - Share price
JPMorgan European Fledgeling - Net asset value
Benchmark

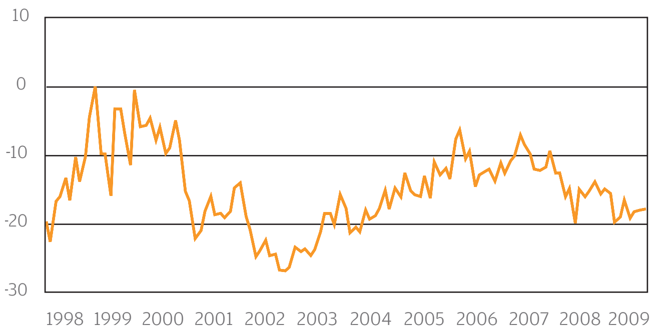
- **Performance against the Company's peers**
  The principal objective is to achieve capital growth and out-performance relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st March 2009 are given in the Investment Managers' Report on page 5.

- **Discount to net asset value ('NAV')**
  The Board has for several years operated a share repurchase programme which seeks to address imbalances in supply and demand of the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 31st March 2009, the discount (with debt at par value) ranged between 9.5% and 23.9%.

  The Board also has the ability to purchase shares into Treasury and to issue them at a later date at a narrower discount. Further details on Treasury shares can be found in the Chairman's Statement on page 2 and in this Directors' Report on page 21.

Discount Performance



Source: Datastream (month end data)

JPMorgan European Fledgeling - Discount

- **Total expense ratio ('TER')**

The TER is an expression of the Company's management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 31st March 2009 was 1.27% (2008: 1.33%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

The Company has authority to issue new shares, to repurchase shares into Treasury and to repurchase shares for cancellation.

During the year the Company repurchased a total of 1,628,670 shares of 25p into Treasury for a total consideration of £9,137,000 and cancelled 2,579,875 shares purchased in previous years and held in Treasury. Since the year end, the Company has purchased a further 25,000 shares into Treasury for a total consideration of £121,000.

During the year the Company repurchased 57,000 shares for cancellation for a total consideration of £396,000. No shares have been repurchased for cancellation since the year end.

The Company did not issue any new shares during the year or since the Company's year end until the date of this report.

Resolutions to renew the authority to issue new shares, repurchase shares and to sell shares from Treasury at a discount to NAV will be put to shareholders at the forthcoming Annual General Meeting. The full text of these resolutions are set out in the Notice of Meeting on pages 52 and 53.

Principal Risks

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company.

These key risks fall broadly under the following categories:

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark Index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and review data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.

- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary,

Directors' Report continued

JPMAM to ensure compliance with The Companies Acts and the UKLA Listing Rules.

- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 25 to 28.
- Operational: Loss of key staff by JPMAM, such as the Investment Managers, could affect the performance of the Company. Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. During the year under review, the Board and the Manager carried out a review of stocklending operations and counterparty exposures. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included with the Internal Control section of the Corporate Governance report on page 27.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk, liability risk and credit risk. Further details are disclosed in note 18 on pages 44 to 49.

Future Developments

Clearly, the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Managers discuss the outlook in their report on page 9.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract which can be terminated on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMAM is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager, noting performance against the benchmark over the long term and the quality of the support that the Company receives from JPMAM.

Management Fee

The management fee is charged at the rate of 1.3% of the value of the Company's market capitalisation and is calculated and paid monthly in arrears. An adjustment is made to exclude from the calculation investments in funds on which JPMAM charges a management fee.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 19), risk management policies (see page 44), capital management policies and procedures (see page 49), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st March 2009, the Company had no outstanding trade creditors (2008: none).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's shares are shown below.

Directors	31st March 2009	1st April 2008
Elisabeth Airey	18,538	18,538
Anthony Davidson	4,011	4,011
Paul Manduca	1,000	1,000
Federico Marescotti	1,222	1,222
Michael Wrobel	5,000	5,000

No changes in the above holdings have been recorded as at the date of this report.

In accordance with the Company's Articles of Association, the Directors retiring by rotation at the forthcoming Annual

General Meeting will be Paul Manduca and Michael Wrobel. Having served as a Director for more than nine years, Elisabeth Airey stands for annual re-election, in accordance with corporate governance best practice. All three Directors being eligible, they offer themselves for re-election by shareholders.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware, and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 11 to the Notice of AGM on page 54.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Chase Nominees Limited[1,2]	4,955,206	10.2
National Grid UK Pension Scheme	2,852,879	5.9
Royal County of Berkshire Pension Fund	2,500,000	5.1
Lazard Asset Management LLC	2,414,910	5.0
JPMorgan Asset Management (UK) Ltd	2,040,635	4.2
Legal & General Investment Management	1,877,614	4.0
East Riding of Yorkshire Council	1,600,000	3.3

[1] Held on behalf of JPMAM ISA and Share Plan participants.

[2] Non-beneficial.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Acts 1985 and 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year, will be proposed at the Annual General Meeting.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

Directors' Report continued

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

(i) Authority to issue new shares for cash and disapply pre-emption rights (resolutions 7 and 8)

The Directors will seek renewal of the authority at the AGM to issue up to 2,352,982 new shares for cash up to an aggregate nominal amount of £588,246, such amount being equivalent to approximately 5% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on page 52.

It is advantageous for the Company to be able to issue new shares to investors purchasing shares through the JPMAM savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's market capitalisation, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's shares (resolution 9)

The authority to repurchase up to 14.99% of the Company's issued share capital, renewed by shareholders at the 2008 Annual General Meeting, will expire on 7th January 2010 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the Annual General Meeting to renew this authority, which will last until 6th January 2011 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 52 and 53. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

(iii) Treasury shares/disapplication of pre-emption rights (resolutions 10 and 11)

The Company is permitted to purchase up to 10% of its own shares into Treasury (for sale or cancellation at a future date) as an alternative to immediate cancellation. The Board considers that circumstances could arise in which it would be in shareholders' interests for such powers to be exercised. This 10% would form part of the 14.99% referred to in (ii) above.

The Board continues to believe that the effective use of Treasury shares assists the Company in managing any imbalance between supply and demand, thereby minimising the volatility and absolute level of the discount at which the Company's shares trade to their net asset value, for the benefit of shareholders.

Accordingly, shareholders will also be asked at the Annual General Meeting to approve resolutions 10 and 11 which will allow the Company to sell shares from Treasury at a discount to net asset value and disapply the statutory pre-emption rights respectively. This will enable the Company to sell shares held in Treasury without having to first make a pro rata offer to existing shareholders.

Should the resolutions be passed by shareholders, shares would be sold from Treasury when market demand is identified. Sales would only be made at a discount narrower than the weighted average discount of the shares held in Treasury at that time. This process ensures that the enhancement in net asset value associated with share purchases exceeds the dilution in net asset value associated with the sale of Treasury shares at a discount.

The Board is mindful that shareholders may be concerned about the dilution in net asset value associated with the sale of Treasury shares at a discount. It is therefore proposed that the sale of shares from Treasury at a discount be limited so that in the year to the Company's 2010 Annual General Meeting, the aggregate dilution in net asset value per share arising on such sales does not exceed 2.88 pence per share, being approximately 0.5% of the net asset value per ordinary share as at 31st March 2009.

Recommendation

The Board considers that resolutions 7 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 29,771 shares representing approximately 0.1% of the existing issued share capital of the Company.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
1st June 2009

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 30, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code, other than in respect of the provision relating to the appointment of a senior independent director, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved for Board decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least five times during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice, if necessary, and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Elisabeth Airey, consists of five non-executive Directors, all of whom are regarded by the Board as independent, including the Chairman. The Directors have a breadth of investment, knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 18.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely of non-executive directors, this is unnecessary. The Chairman of the Audit Committee leads the evaluation of the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a maximum term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

The Board confirms that Elisabeth Airey, Paul Manduca and Michael Wrobel, who retire by rotation at this year's Annual General Meeting, continue to be effective Directors and demonstrate commitment to their role and therefore recommends their re-election.

Corporate Governance continued

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 18. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings and one Nomination Committee meeting.

Director	Board Meetings Attended	Audit Committee Meeting Attended	Nomination Committee Meeting Attended
Elisabeth Airey	5	2	1
Anthony Davidson	5	2	1
Paul Manduca	5	2	1
Federico Marescotti	5	2	1
Michael Wrobel	5	2	1

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board conducts a formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman. The Audit Committee Chairman leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Elisabeth Airey, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The Committee undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by Anthony Davidson, consists of all the Directors and meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Managers' Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external auditors; in the Directors' opinion the auditors are considered independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. During the year, the Committee reviewed the Manager's internal audit arrangements and its whistleblowing policy.

The Directors' statement on the Company's system of internal control is set out on page 27.

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year financial report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the investment managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 50.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 50.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of internal control, which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM which reports any material failings or weaknesses. The key elements designed to provide effective internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority ('FSA'), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Managers' system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's Compliance Department which regularly monitors compliance with FSA rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the internal controls and the operations of JPMAM.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st March 2009 and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance continued

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows: go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see below). These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote."

Corporate Social Responsibility

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non-financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 31.

Directors' Remuneration[1]

Director's Name	2009 £	2008 £
Elisabeth Airey	29,000	27,500
Anthony Davidson	22,500	21,500
Jacques Drossaert[2]	–	5,493
Paul Manduca	20,000	19,000
Federico Marescotti	20,000	19,000
Michael Wrobel	20,000	19,000
Total	111,500	111,493

[1]Audited information.

[2]Retired as a Director on 17th July 2007.

In the year under review Directors' fees were paid at the following rates: Chairman £29,000 per annum; Audit Committee Chairman £22,500 per annum; and other Directors £20,000 per annum.

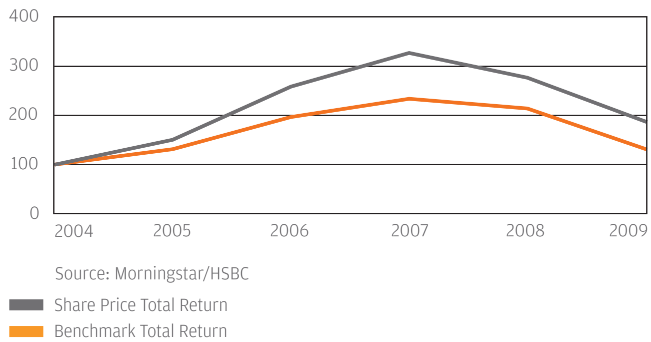
The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance related. The Articles stipulate that aggregate fees must not exceed £175,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 25.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company.
The Directors do not have service contracts and are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

Five year share price and benchmark total return to 31st March 2009



A graph showing the Company's share price total return compared with its benchmark, the HSBC Smaller European Companies (ex UK) Index, is shown below.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
1st June 2009

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the annual report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmeuropeanfledgeling.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and

b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board
Elisabeth Airey
Chairman
1st June 2009

Independent Auditors’ Report[1]

To the members of JPMorgan European Fledgeling Investment Trust plc

We have audited the accounts of JPMorgan European Fledgeling Investment Trust plc for the year ended 31st March 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders’ Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report and the Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities. The Directors are also responsible for preparing the Directors’ Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the accounts. The information given in the Directors’ Report includes that specific information presented in the Chairman’s Statement and the Investment Managers’ Report that is cross referenced from the Business Review section of the Directors’ Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman’s Statement, the Investment Managers’ Report, the Directors’ Report, the Corporate Governance Statement, the unaudited part of the Directors’ Remuneration Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors’ Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors’ Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company’s affairs as at 31st March 2009 and of its net loss and cash flows for the year then ended;
- the accounts and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors’ Report is consistent with the accounts.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
London 1st June 2009

[1] The accounts are published on the www.jpmeuropeanfledgeling.co.uk website, which is a website maintained by the Company’s Manager, JPMorgan Asset Management (UK) Limited (‘JPMAM’). The maintenance and integrity of the website maintained by JPMAM or any of its subsidiaries is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the accounts may be published and accordingly, the auditors accept no responsibility for any changes that may occur to the accounts following presentation on a website. Visitors to any website containing the accounts need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Income Statement

Year ended 31st March

	Notes	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Losses on investments held at fair value through profit or loss	2	–	(121,593)	(121,593)	–	(39,175)	(39,175)
Net foreign currency (losses)/gains		–	(115)	(115)	–	2,107	2,107
Income from investments	3	9,111	–	9,111	5,890	–	5,890
Other interest receivable and similar income	3	956	–	956	259	–	259
Gross return/(loss)		10,067	(121,708)	(111,641)	6,149	(37,068)	(30,919)
Management fee	4	(3,597)	–	(3,597)	(4,992)	–	(4,992)
VAT recoverable	4	2,754	–	2,754	–	–	–
Other administrative expenses	5	(620)	–	(620)	(617)	–	(617)
Net return/(loss) on ordinary activities before finance costs and taxation		8,604	(121,708)	(113,104)	540	(37,068)	(36,528)
Finance costs	6	(136)	–	(136)	(394)	–	(394)
Net return/(loss) on ordinary activities before taxation		8,468	(121,708)	(113,240)	146	(37,068)	(36,922)
Taxation	7	(1,105)	–	(1,105)	(522)	–	(522)
Net return/(loss) on ordinary activities after taxation		7,363	(121,708)	(114,345)	(376)	(37,068)	(37,444)
Return/(loss) per share	8	15.38p	(254.17)p	(238.79)p	(0.75)p	(73.57)p	(74.32)p

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance published by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 36 to 49 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2007	13,195	1,312	2,441	19,258	421,442	(7,404)	**450,244**
Purchase of shares into Treasury	–	–	–	(18,843)	–	–	**(18,843)**
Cancellation of shares held in Treasury	(358)	–	358	–	–	–	**–**
Total loss on ordinary activities	–	–	–	–	(37,068)	(376)	**(37,444)**
At 31st March 2008	12,837	1,312	2,799	415	384,374	(7,780)	**393,957**
Shares repurchased and cancelled	(14)	–	14	(397)	–	–	**(397)**
Purchase of shares into Treasury	–	–	–	(18)	(9,119)	–	**(9,137)**
Cancellation of shares held in Treasury	(645)	–	645	–	–	–	**–**
Total (loss)/return on ordinary activities	–	–	–	–	(121,708)	7,363	**(114,345)**
At 31st March 2009	12,178	1,312	3,458	–	253,547	(417)	**270,078**

The notes on pages 36 to 49 form an integral part of these accounts.

Balance Sheet

At 31st March

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments at fair value through profit or loss		**264,977**	387,581
Investment in liquidity fund at fair value through profit or loss		**6,206**	9,750
Total investments	9	**271,183**	397,331
Current assets	10		
Debtors		**3,095**	6,582
Cash and short term deposits		**3,649**	2,456
Derivative financial instrument: Forward currency contract at fair value through profit or loss		**–**	2
		6,744	9,040
Creditors: amounts falling due within one year	11	**(7,848)**	(12,414)
Derivative financial instrument: Forward currency contract at fair value through profit or loss		**(1)**	–
Net current liabilities		**(1,105)**	(3,374)
Total assets less current liabilities		**270,078**	393,957
Total net assets		**270,078**	393,957
Capital and reserves			
Called up share capital	12	**12,178**	12,837
Share premium	13	**1,312**	1,312
Capital redemption reserve	13	**3,458**	2,799
Other reserve	13	**–**	415
Capital reserves	13	**253,547**	384,374
Revenue reserve	13	**(417)**	(7,780)
Shareholders' funds		**270,078**	393,957
Net asset value per share	14	**573.6p**	807.8p

The accounts on pages 32 to 49 were approved and authorised for issue by the Directors on 1st June 2009 and are signed on their behalf by:

Michael Wrobel
Director

The notes on pages 36 to 49 form an integral part of these accounts.

Cash Flow Statement

Year ended 31st March

	Notes	2009 £'000	2008 £'000
Net cash inflow/(outflow) from operating activities	15	**6,921**	(1,083)
Returns on investments and servicing of finance			
Interest paid		**(134)**	(395)
Net cash outflow from returns on investments and servicing of finance		**(134)**	(395)
Taxation			
Overseas tax recovered		**48**	216
Capital expenditure and financial investment			
Purchases of investments		**(1,042,594)**	(1,021,420)
Sales of investments		**1,046,229**	1,040,421
Other capital charges		**(66)**	(49)
Net cash inflow from capital expenditure and financial investment		**3,569**	18,952
Net cash inflow before financing		**10,404**	17,690
Financing			
Net drawdown of loans		**–**	99
Shares repurchased and cancelled		**(397)**	-
Purchase of shares into Treasury		**(8,701)**	(18,843)
Sale of shares from Treasury		**–**	1,200
Net cash outflow from financing		**(9,098)**	(17,544)
Increase in cash for the year	16	**1,306**	146

The notes on pages 36 to 49 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st March 2009

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the AIC in January 2009. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as 'at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on sales are included in capital within 'Losses on investments held at fair value through profit or loss'. Gains and losses on sales of investments and exchange differences of a capital nature are accounted in capital reserves within 'Gains on sales of investments'. Increases and decreases in the valuation of investments held at the year end are accounted for in capital reserves within 'Investment holding gains'.

All purchases and sales are accounted for on a trade date basis.

(c) Income

Dividends receivable from equity shares are included in the revenue column of the income statement on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in the capital column.

Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue column of the income statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column.

Deposit interest receivable is taken to the revenue column on an accruals basis.

Stocklending income is taken to the revenue column on a receipts basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue except for expenses incidental to purchases and sales of investments which are written off to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. Details of transaction costs can be found in note 9 on page 40.

(e) Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of FRS 25 'Financial Instruments: Presentation' and FRS 26 'Financial Instruments: Measurement'.

Finance costs are allocated wholly to revenue.

(f) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other receivables and payables do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Derivative financial instruments are valued at fair value and are included in current assets or current liabilities in the balance sheet in accordance with FRS26: 'Financial Instruments: Measurement'.

Short term forward currency contracts are classified as derivative financial instruments and the net unrealised gain or loss is included in debtors or creditors respectively.

(g) Foreign currency

In accordance with FRS23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss on monetary assets arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in (losses)/gains on investments held at fair value through profit or loss.

(h) Taxation

Deferred taxation is accounted for in accordance with FRS 19: 'Deferred Tax'.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred taxation liabilities are recognised for all taxable timing differences but deferred taxation assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

(i) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies.

Year ended 31st March	2009 £'000	2008 £'000
2. (Losses)/gains from investments held at fair value through profit or loss		
(Losses)/gains from investments held at fair value through profit or loss based on historical cost	**(94,716)**	48,204
Amounts recognised as unrealised in the previous year	**(30,301)**	(108,992)
Losses on sales of investments based on carrying value at previous balance sheet date	**(125,017)**	(60,788)
Net movement in investment holding gains	**3,496**	21,670
Other capital charges	**(72)**	(57)
Total capital losses from investments held at fair value through profit or loss	**(121,593)**	(39,175)

Notes to the Accounts continued

for the year ended 31st March 2009

Year ended 31st March	2009 £'000	2008 £'000
3. Income		
Income from investments		
Dividends from investments listed overseas	**8,255**	4,586
Income from liquidity fund	**655**	710
Scrip dividends	**201**	594
	9,111	5,890
Other interest receivable and similar income		
Deposit interest	**214**	113
Interest on VAT recovered[1]	**561**	–
Stocklending fees	**181**	146
	956	259
Total income	**10,067**	6,149

[1]This represents interest on VAT recovered relating to management fees paid in the past. Further details are given in note 4 below.

Year ended 31st March	2009 £'000	2008 £'000
4. Management fee		
Management fee[1]	**3,597**	4,634
VAT thereon	**–**	358
	3,597	4,992
VAT recovered[2]	**(2,754)**	–
	843	4,992

[1]Details of the management fee are given in the Directors' Report on page 22.

[2]No VAT has been charged on management fees since November 2007 when HM Revenue & Customs announced acceptance that VAT was not chargeable on investment trust management fees. The Company has since recovered VAT amounting to £2,754,000 in respect of VAT paid in the past. Interest amounting to £561,000 has also been received and is included within 'other interest receivable and similar income' in note 3 above.

Year ended 31st March	2009 £'000	2008 £'000
5. Other administrative expenses		
Other management expenses	**365**	367
Directors' fees[1]	**112**	111
Savings products[2]	**121**	118
Auditors' remuneration for audit services[3]	**22**	21
	620	617

[1]Full disclosure is given in the Directors' Remuneration Report on page 29.

[2]Paid to JPMAM for the administration and marketing of savings products.

[3]Includes £3,000 (2008: £3,000) irrecoverable VAT.

Year ended 31st March	2009 £'000	2008 £'000
6. Finance costs		
Interest on bank loans and overdrafts	**136**	394

Year ended 31st March	2009 £'000	2008 £'000
7. Taxation		
(a) Analysis of tax change in the year		
UK corporation tax at 28% (2007: 30%)	**968**	532
Double taxation relief	**(968)**	(532)
Overseas withholding tax	**1,105**	522
Current tax	**1,105**	522

(b) Factors affecting current tax charge for the year

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Net return/(loss) on ordinary activities before taxation	**8,468**	**(121,708)**	**(113,240)**	146	(37,068)	(36,922)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 28% (2008: 30%)	**2,371**	**(34,078)**	**(31,707)**	43	(11,120)	(11,077)
Effect of:						
Non taxable capital losses	**–**	**34,078**	**34,078**	–	11,120	11,120
Non taxable scrip dividends	**–**	**–**	**–**	(178)	–	(178)
Income taxed in different periods	**(101)**	**–**	**(101)**	(110)	–	(110)
Overseas taxation	**1,105**	**–**	**1,105**	522	–	522
Expenses and charges (utilised)/unrelieved	**(2,270)**	**–**	**(2,270)**	777	–	777
Relief for overseas taxation	**-**	**-**	**-**	(532)	–	(532)
	1,105	**–**	**1,105**	522	–	522

The Company has an unrecognised deferred taxation asset of £8,514,000 (2008: £8,636,000). This has arisen from deductible expenses exceeding taxable income. No asset has been recognised in the accounts as it is uncertain whether the Company will generate taxable revenue in the future.

Given the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval, the Company has not provided deferred taxation on any capital gains or losses arising on the revaluation or disposal of investments.

8. Return/(loss) per share

The revenue return/(loss) per share is based on the revenue attributable to the ordinary shares of £7,363,000 (2008: loss of £376,000) and on the weighted average number of shares in issue during the year of 47,884,236 (2008: 50,380,312) excluding shares held in Treasury.

The capital loss per share is based on the capital loss attributable to the ordinary shares of £121,708,000 (2008: loss of £37,068,000) and on the weighted average number of shares in issue during the year of 47,884,236 (2008: 50,380,312) excluding shares held in Treasury.

The total loss per share is based on the total loss attributable to the ordinary shares of £114,345,000 (2008: loss of £37,444,000) and on the weighted average number of shares in issue during the year of 47,884,236 (2008: 50,380,312) excluding shares held in Treasury.

9. Investments

(a) Analysis of investments

At 31st March	2009 £'000	2008 £'000
Investments listed on a recognised investment exchange[1]	**271,183**	397,331

Year ended 31st March	2009 £'000
Opening book cost	**367,211**
Opening investment holding gains	**30,120**
Opening valuation	**397,331**
Movement in the year:	
Purchases at cost	**1,037,841**
Sales - proceeds	**(1,042,468)**
Losses on sales based on fair value at the previous balance sheet date	**(125,017)**
Net movement in investment holding gains	**3,496**
	271,183
Closing book cost	**267,868**
Closing investment holding gains	**3,315**
	271,183

[1]Includes the investment in the JPM Euro Liquidity Fund.

Transaction costs on purchases during the year amounted to £1,420,000 (2008: £1,548,000) and on sales during the year amounted to £1,252,000 (2008: £1,229,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £30,301,000 have been transferred to gains on sales of investments as disclosed in note 13.

(b) Stocklending details

Year ended 31st March	2009 £'000	2008 £'000
Net fee income from stocklending during the year	**181**	146

The aggregate value of securities on loan at 31st March 2009 amounted to £nil (2008: £43,937,000) and the maximum value of stock on loan during the year amounted to £70,722,000 (2008: £48,556,000). Collateral with a value equivalent to a minimum of 105% of the value of stocks on loan is obtained by JPMorgan Chase & Co. as agent for the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

At 31st March	2009 £'000	2008 £'000
10. Current assets		
Debtors		
Securities sold for future settlement	**1,915**	5,676
Dividends and interest receivable	**843**	569
Overseas tax recoverable	**301**	243
Other debtors	**36**	94
	3,095	6,582

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and short term deposits

Cash and short term deposits comprises bank balances and cash held by the Company, including short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

At 31st March	2009 £'000	2008 £'000
11. Creditors: amounts falling due within one year		
Securities purchased for future settlement	**7,291**	12,245
Purchase of shares into Treasury for future settlement	**436**	–
Other creditors and accruals	**121**	169
	7,848	12,414

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

Notes to the Accounts continued

for the year ended 31st March 2009

At 31st March	2009 £'000	2008 £'000
12. Called up share capital		
Authorised:		
280,000,000 (2008: 280,000,000) ordinary shares of 25p each	**70,000**	70,000
Issued and fully paid:		
Opening balance of 48,770,323 (2008: 51,350,198) shares, excluding shares held in Treasury	**12,192**	12,837
Repurchase of 57,000 (2008: nil) shares for cancellation	**(14)**	–
Repurchase of 1,628,670 (2008: 2,579,875) shares into Treasury	**(407)**	(645)
Subtotal, represented by 47,084,653 (2008: 48,770,323) shares	**11,771**	12,192
1,628,670 (2008: 2,579,875) shares held in Treasury	**407**	645
Closing balance[1]	**12,178**	12,837

[1]Represented by 48,713,323 (2008: 51,350,198) ordinary shares of 25p each including 1,628,670 (2008: 2,579,875) shares held in Treasury.

During the year, the Company made a market purchase of 57,000 of its own shares, nominal value £14,000, for cancellation, representing 0.1% of the issued share capital at the beginning of the year. The consideration paid for those shares was £397,000. During the year, the Company made market purchases of 1,628,670 of its own shares, nominal value £407,000, into Treasury, representing 3.3% of the issued share capital at the beginning of the year. The consideration paid for those shares was £9,137,000. The reason for the purchases was to seek to manage the volatility and absolute level of the share price discount to net asset value. During the year 2,579,875 (2008: 1,431,319) shares held in Treasury were cancelled. Further details of transactions in the Company's share capital during the year are given in the Directors' Report on page 21.

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves Gains on sales of investments £'000	Capital reserves Investment holding gains £'000	Revenue reserve £'000	Total £'000
13. Reserves								
Opening balance	12,837	1,312	2,799	415	354,252	30,122	(7,780)	393,957
Net currency losses on cash and short term deposits	–	–	–	–	(115)	–	–	(115)
Unrealised losses on foreign currency contracts now realised	–	–	–	–	2	(2)	–	–
Losses on sales of investments based on fair value at the previous balance sheet date	–	–	–	–	(125,017)	–	–	(125,017)
Net movement in investment holding gains	–	–	–	–	–	3,496	–	3,496
Transfer on disposal of investments	–	–	–	–	30,301	(30,301)	–	–
Shares repurchased and cancelled	(14)	–	14	(397)	–	–	–	(397)
Repurchase of shares into Treasury	–	–	–	(18)	(9,119)	–	–	(9,137)
Cancellation of shares held in Treasury	(645)	–	645	–	–	–	–	–
Other capital charges	–	–	–	–	(72)	–	–	(72)
Retained revenue for the year	–	–	–	–	–	–	7,363	7,363
Closing balance	12,178	1,312	3,458	–	250,232	3,315	(417)	270,078

14. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £270,078,000 (2008: £393,957,000) and on the 47,084,653 (2008: 48,770,323) shares in issue at the year end, excluding shares held in Treasury.

Year ended 31st March	2009 £'000	2008 £'000
15. Reconciliation of total loss on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total loss on ordinary activities before finance costs and taxation	**(113,104)**	(36,528)
Less capital loss before finance costs and taxation	**121,708**	37,068
Scrip dividends received as income	**(201)**	(594)
Increase in accrued income	**(274)**	(356)
Decrease/(increase) in other debtors	**58**	(29)
(Decrease)/increase in accrued expenses	**(55)**	13
Overseas withholding tax	**(1,211)**	(657)
Net cash inflow/(outflow) from operating activities	**6,921**	(1,083)

At 31st March	2008 £'000	Cash flow £'000	Exchange movement £'000	2009 £'000
16. Analysis of changes in net funds				
Cash and short term deposits	2,456	1,306	(113)	**3,649**
Net funds	2,456	1,306	(113)	**3,649**

17. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 22. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £3,597,000 (2008: £4,634,000 excluding VAT) of which £nil (2008: £nil) was outstanding at the year end.

During the year £105,000 excluding VAT (2008: £102,000) was payable to JPMAM for the marketing of savings products, of which £nil (2008: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 38 are safe custody fees amounting to £75,000 excluding VAT (2008: £154,000) of which £17,000 (2008: £70,000) was outstanding at the year end. These fees were paid to third party custodians by JPMAM on behalf of the Company and reimbursed to JPMAM.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £39,000 (2008: £nil) of which £nil (2008: £nil) was outstanding at the year end.

During the year the Company made purchases and sales of units in the JPMorgan Euro Liquidity Fund, which is managed by JPMAM. At the year end, the Company's investment in this fund amounted to £6.2m (2008: £9.8m) or 2.3% (2008: 2.4%) of the Company's investments. Income amounting to £655,000 (2008: £710,000) was receivable from this investment during the year.

The Company received £181,000 (2008: £146,000) from stocklending transactions during the year. JPMAM commissions in respect of such transactions amounted to £32,000 (2008: £36,000).

Handling charges payable on dealing transactions undertaken by overseas sub custodians on behalf of the Company during the year amounted to £72,000 (2008: £38,000) of which £21,000 (2008: £15,000) was outstanding at the year end.

At the year end, a bank balance of £2,811,000 (2008: £941,000) was held with JPMorgan Chase. A net amount of interest of £50,000 (2008: £43,000) was received by the Company during the year from JPMorgan Chase.

18. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on page 19. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments may comprise the following:

- investments in equity shares of European companies and a Euro liquidity fund which are both held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- short term forward currency contracts for the purpose of settling short term liabilities.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market price risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks, which policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and the currency in which it reports). As a result, movements in exchange rates may affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least five occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the sterling value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

18. Financial instruments' exposure to risk and risk management policies continued

(i) Currency risk continued

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31st March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

At 31st March	2009 Euro £'000	2009 Swedish krona £'000	2009 Swiss francs £'000	2009 Other £'000	2009 Total £'000	2008 Euro £'000	2008 Swiss francs £'000	2008 Swedish krona £'000	2008 Other £'000	2008 Total £'000
Investments at fair value through profit or loss that are monetary items	**6,206**	**–**	**–**	**–**	**6,206**	9,750	–	–	–	9,750
Net current assets	**5,980**	**615**	**227**	**10**	**6,832**	8,702	–	–	1,060	9,762
Creditors	**(6,057)**	**(1,104)**	**–**	**(367)**	**(7,528)**	(12,151)	(776)	–	(141)	(13,068)
Foreign currency exposure on net monetary items	**6,129**	**(489)**	**227**	**(357)**	**5,510**	6,301	(776)	–	919	6,444
Investments at fair value through profit or loss that are equities	**202,741**	**30,893**	**14,511**	**16,832**	**264,977**	306,794	46,830	21,832	12,125	387,581
Total net foreign currency exposure	**208,870**	**30,404**	**14,738**	**16,475**	**270,487**	313,095	46,054	21,832	13,044	394,025

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income received in foreign currency and assumes a 10% (2008: 5%) appreciation or depreciation in sterling against the Euro, Swiss Franc, Swedish Kroner and the other currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatililty of exchange rates during the year.

If sterling had strengthened this would have had the following effect:

At 31st March	2009 £'000	2008 £'000
Income statement return after taxation		
Revenue return	**(911)**	(295)
Capital return	**(551)**	(322)
Total return after taxation for the year	**(1,462)**	(617)
Net assets	**(1,462)**	(617)

Notes to the Accounts continued
for the year ended 31st March 2009

18. Financial instruments' exposure to risk and risk management policies continued

(i) Currency risk continued

Foreign currency sensitivity continued

Conversely, if sterling had weakened this would have had the following effect:

At 31st March	2009 £'000	2008 £'000
Income statement return after taxation		
Revenue return	**911**	295
Capital return	**551**	322
Total return after taxation for the year	**1,462**	617
Net assets	**1,462**	617

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the multi currency loan facility. However, amounts drawn down on this facility are for short term one month periods and therefore there is limited exposure to interest rate risk.

Derivatives are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The Company has no financial assets or liabilities carrying fixed rates of interest. The exposure of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are re-set, is shown below.

At 31st March	2009 £'000	2008 £'000
Amounts exposed to floating interest rates:		
Cash and short term deposits	**3,649**	2,456
JPM Euro Liquidity Fund	**6,206**	9,750
Total exposure	**9,855**	12,206

Interest receivable on cash balances is at a margin below LIBOR.

The target interest earned on the JPMorgan Euro Liquidity Fund is the 7 day Euro London Interbank Bid Rate.

In February 2009, the Company entered into a Euro 40 million 1 year Floating Rate Loan Facility with ING Bank NV. The facility expires in February 2010. Under the terms of this agreement the Company may draw down up to Euro 40 million at an interest rate of LIBOR as offered in the market for the relevant period, plus a margin of 1.40% per annum plus the 'mandatory cost' rate, which is the cost of complying with the regulatory requirements of the European Central Bank and other regulatory bodies during the term of the advance. The Company did not draw on this facility during the year. In the previous year, the Company utilised a similar facility with ING Bank NV but which expired prior to the year end.

18. Financial instruments' exposure to risk and risk management policies continued

(ii) Interest rate risk continued

The exposure to floating interest rates during the year has fluctuated between maximum net cash balances of £49,963,000 and minimum net cash balances of £6,437,000. During the comparative year exposure to floating interest rates fluctuated between maximum net cash balances of £40,198,000 and maximum net loan balances of £25,584,000.

Interest rate sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to a 1% (2008: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

At 31st March	2009		2008	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement – return after taxation				
Revenue return increase/(decrease)	99	(99)	122	(122)
Capital return	–	–	–	–
Total increase/(decrease) in return after taxation for the year	99	(99)	122	(122)
Net assets increase/(decrease)	99	(99)	122	(122)

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole year due to the fluctuation in the level of cash balances.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

Management of other price risk

The Board meets on at least five occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Other price risk exposure

The Company's exposure to changes in market prices at 31st March comprises its holdings in equity investments as follows:

At 31st March	2009 £'000	2008 £'000
Equity investments at fair value through profit or loss	264,977	387,581

The above data is broadly representative of the exposure to other price risk during the year.

Notes to the Accounts continued

for the year ended 31st March 2009

18. Financial instruments' exposure to risk and risk management policies continued

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 13 to 17. This shows that nearly all of the investments' value is in European equities and there is no concentration of exposure to any one country. It should also be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to an increase or decrease of 10% in the fair value of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

At 31st March	2009		2008	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement – revenue after taxation				
Revenue return – (decrease)/increase	**(275)**	**275**	(504)	504
Capital return – increase/(decrease)	**26,498**	**(26,498)**	38,758	(38,758)
Total revenue after taxation and net assets – increase/(decrease)	**26,223**	**(26,223)**	38,254	(38,254)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in settling financial liabilities as they fall due.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, the liquidity of which in normal markets is frequently tested by the Investment Managers and which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements. Details of the current loan facility are given in part (a)(ii) to this note on page 46.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

At 31st March	2009		2008	
	Three months or less £'000	Total £'000	Three months or less £'000	Total £'000
Creditors: amounts falling due within one year				
Amounts due to brokers	**7,727**	**7,727**	12,245	12,245
Other creditors and accruals	**121**	**121**	169	169
Derivative financial instrument	**1**	**1**	–	–
	7,849	**7,849**	12,414	12,414

(c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore, in the event that JPMorgan Chase were to cease trading, these assets would be protected.

Credit risk exposure

The amounts shown in the balance sheet under investment in liquidity fund, debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends. The liquidity fund has an AAA credit rating (2008: same).

Cash and short term deposits comprises balances held at banks that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively (2008: Same).

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

19. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company had not drawn down any debt at the current or comparative year ends. The Board's policy is to limit gearing within the range 80% to 120%. Gearing for this purpose is defined as investments, excluding holdings in liquidity funds, expressed as a percentage of total net assets. At 31st March 2009, gearing calculated on this basis was 98.1% (2008: 98.4%).

At 31st March Composition of the Company's capital	2009 £'000	2008 £'000
Equity		
Equity share capital	**12,178**	12,837
Reserves	**257,900**	381,120
Total capital	**270,078**	393,957
Debt as a percentage of total capital	**0.0%**	0.0%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including issues from Treasury.

Information about the Company

Financial Calendar

Financial year end	31st March
Final results announced	May/June
Half year end	September
Half year results announced	November
Interim Management Statements announced	July/January
Annual General Meeting	July

History

On 24th April 1990, the Company acquired the undertaking and assets of Fleming European Fledgeling Fund Limited (the 'Fund') in exchange for the issue of its shares and warrants. The Fund was an open-ended, unquoted investment company based in Jersey and formed in June 1987 with the same objectives and investment policies as the Company. The Company adopted its present name in July 2006.

Company Numbers

Company registration number: 2431143
London Stock Exchange number: 0341969
ISIN: GB0003419693
Bloomberg code: JEF LN

Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan Internet site at www.jpmeuropeanfledgeling.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmeuropeanfledgeling.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA) and the Pension Account.

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone number: 020 7742 6000

For company secretarial issues and administrative matters, please contact Jonathan Latter.

Registrars

Equiniti
Reference 1083
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0871 384 2325

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1083.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London SE1 2RD

Brokers

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Savings Products Administrators

For queries on the JPMorgan ISA, Share Plan or Pension Account, see the contact details on the back cover of this report.

aic
The Association of Investment Companies
A member of the AIC

Shareholder Analysis

Year to 31st March	Number of shares	% Holding
Pension Funds	12,035,335	24.7
Unit Trusts	6,367,015	13.1
Other Institutions	5,370,206	11.0
Investment Trusts[1]	2,315,230	4.8
Insurance Companies	1,290,559	2.7
Government	853,004	1.8
Charities	354,975	0.6
Total Institutions	28,586,324	58.7
Private Client Brokers	7,722,656	15.8
Retail investors holding shares directly or through nominee accounts[2]	5,010,156	10.3
Individuals in the Investment Trust Share Plan[3]	3,100,778	6.4
Individuals in the Investment Trust Individual Savings Account[3]	1,951,605	4.0
Individuals in the Investment Trust Pension Account[3]	713,134	1.5
Total Retail Holdings	18,498,329	38.0
Treasury Shares*	1,628,670	3.3
Total Shares in Issue	48,713,323	100.0

Nominee accounts have been allocated to their appropriate category.

[1]Includes 428,000 shares held by JPMorgan Elect plc.

[2]Includes shares below threshold of 10,000 shares.

[3]Savings products managed by JPMorgan.

Source: Thomson Financial

*Shares held in Treasury do not carry voting rights

Notice of Meeting

Notice is hereby given that the twentieth Annual General Meeting of JPMorgan European Fledgeling Investment Trust plc will be held at The Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on Tuesday 7th July 2009 at 12.00 noon for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2009.

2 To approve the Directors' Remuneration Report for the year ended 31st March 2009.

3 To re-elect Elisabeth Airey as a Director of the Company.

4 To re-elect Paul Manduca as a Director of the Company.

5 To re-elect Michael Wrobel as a Director of the Company.

6 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

7 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £588,246, representing approximately 5% of the Company's issued ordinary share captial as at the date of the passing of this resolution and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new shares – Special Resolution

8 THAT subject to the passing of Resolution 7 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 7 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £588,246, representing approximately 5% of the total ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase shares – Special Resolution

9 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued ordinary shares of 25 pence each in the capital of the Company.

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 7,054,241 or if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for an ordinary share shall be 25 pence;

(iii) the maximum price which may be paid for an ordinary share shall be an amount equal to (a) 105 per cent of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 6th January 2011 unless the authority is renewed at the Company's Annual General Meeting in 2010 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

Authority to sell shares from Treasury – Special Resolution

10 THAT the Directors of the Company be authorised, for the purposes of paragraph 12.6 of the Listing Rules of the United Kingdom Listing Authority, to sell ordinary shares of 25 pence each in the capital of the Company at a price below the net asset value per share of the existing ordinary shares in issue, provided always that such issue will be limited to:

(i) up to an aggregate nominal amount of £1,176,491, representing approximately 10% of the total ordinary share capital in issue as at the date of the passing of this resolution;

(ii) the sale of shares which, immediately before such sale, were held by the Company as Treasury shares; and

(iii) such number of ordinary shares and such reissue prices that, in the year to the Company's 2010 Annual General Meeting, the aggregate dilution associated with all the reissues does not exceed 2.88 pence per share, being approximately 0.5% of the net asset value per share as at 31st March 2009.

Authority to disapply pre-emption rights on sale of shares from Treasury – Special Resolution

11 THAT subject to the passing of resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot (within the meaning of Section 94(3A) of the Act) equity securities (within the meaning of Section 94(2) of the Act) wholly for cash as if Section 89(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment (within the meaning of Section 94(3A) of the Act) of equity securities for cash out of Treasury up to an aggregate nominal amount of £1,176,491, representing approximately 10% of the Company's total ordinary share capital in issue as at the date of the passing of this resolution and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
1st June 2009

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.

3 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

4 Any instrument appointing a proxy, to be valid,must be lodged in accordance with the instructions given on the proxy form.

Notice of Meeting continued

5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded.Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.

10 No Director has any contract of service with the Company.

11 As at 29th May 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 48,713,323 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 47,059,653. (The shares held in Treasury, totalling 1,653,670, do not carry voting rights).

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Glossary of Terms

Return to shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

Return on net assets

Total return on net asset value (NAV) per share, on a bid market value to bid market value basis, assuming that all dividends paid out by the Company were reinvested in the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received (net of tax) were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or "track" this index and consequently, there may be some divergence between the Company's performance and that of the stated index.

Actual Gearing Factor

Investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio was to increase by 100%.

Total Expense Ratio (TER)

Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Net asset value per share assuming the reissue of Treasury shares

The resulting 'diluted' net asset value (NAV) per share assuming all shares held in Treasury have been reissued in accordance with the Board's current policy on the reissuance of Treasury shares.

Discount/Premium

If the share price of an investment company is lower than the net asset value (NAV) per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than a premium.

Small and Micro Cap Companies

The Company's investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark index, the HSBC Smaller European Companies (ex UK) Index. At the time of writing the index consisted of 1,000 companies with a market capitalisation of between £25m and £1.6bn; the average market capitalisation of the Company's small cap and micro cap holdings was £1.2bn and £0.4bn respectively.

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Asset Allocation

Measures the impact of allocating assets differently to those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

Stock Selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities outside of the benchmark.

Gearing/Cash

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management Fees/Other Expenses

The payment of fees and expenses reduces the level of total assets and therefore has a negative effect on relative performance.

Residual

Arises when there is a divergence between total return as calculated by Fundamental Data (includes dividends paid out by the Investment Trust) and total return from the attribution systems (includes dividend income received on the stocks held by the Investment Trust). This is a result of methodologies and timing differences.

Share Buyback/Issuance

Measures the effect on relative performance of decreasing the number of shares in issue.

JPMorgan Helpline
Freephone 0800 20 40 20 or 0207 742 9999
9.00 am to 5.3o pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday
Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmeuropeanfledgeling.co.uk