



Annual Report **07**

JPMorgan European Fledgeling
Investment Trust plc

Annual Report & Accounts Year Ended 31st March 2007

Features

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Objective

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

Investment Philosophy

- 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.
- To emphasise capital growth rather than income. Shareholders should not therefore 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

The performance benchmark is the 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 52,781,517* were in issue at the year end.

Management Company

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

*includes 1,431,319 shares held in treasury.

Financial Highlights

+26.6%

Total return to shareholders¹
(2006: +72.0%)

+23.7%

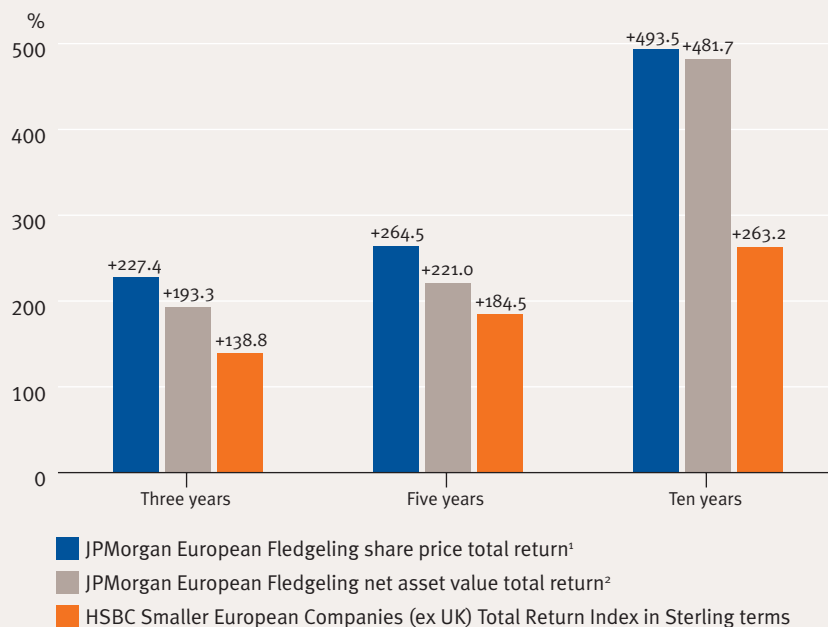
Total return on net assets²
(2006: +68.6%)

+19.5%

Total benchmark return³
(2006: +51.6%)

Long Term Performance

for periods ended 31st March 2007



A glossary of terms and definitions is provided on page 49.

¹Source: Standard & Poor's – www.funds-sp.com.

²Source: Fundamental Data – www.funddata.com.

Chairman's Statement



"...most of the outperformance of 4.2% achieved by our investment managers was a result of their stock selection ability..."

This has been my first year as Chairman and I am delighted to report that the Company has again returned an excellent performance both in absolute and relative terms. This is the third successive year in which the Company has outperformed its benchmark in its return on net assets and the fourth successive year it has outperformed by way of total return to shareholders.

Over the year to 31st March 2007 the Company's total return on net assets (i.e. with net income reinvested) was +23.7%, which compares favourably with a return of +19.5% on the same basis from the Company's benchmark, the HSBC Smaller European Companies (ex UK) Total Return Index in Sterling terms.

The share price total return to shareholders during the year was +26.6%. The discount to net asset value narrowed during the year from 10.3% to 8.2%. The average weekly discount during the year was 10.7%.

The Company's total return can be analysed by looking at the performance attribution analysis set out in the table on page 4. This shows that most of the outperformance of 4.2% achieved by our investment managers was a result of their stock selection ability with modest positive contributions coming from the Company's gearing and currency. This outperformance of 4.2%, when added to the benchmark return of 19.5%, gives the return on net assets of 23.7%. The total return to shareholders of 26.6% takes into account all other factors, the most important of which was 2.9% added through the impact of the decrease in the discount at which your Company's shares trade. Your Board pays close attention to keeping the level of this discount down to the lowest extent possible.

At the Annual General Meetings in 2005 and 2006 shareholders approved a resolution to enable the Company to sell shares from treasury at a discount to net asset value. Your Board believes 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, as in the previous year, your Board was able use its ability to buy shares into treasury and then reissue them to good effect for shareholders. Between 5th May 2006 and 14th September 2006 1.88 million shares were bought into treasury at an average discount of 11.7% to the share price. Then with increased demand for the Company's shares during the first quarter of 2007, a total of 450,000 shares were reissued from treasury and sold back into the market at a lower average discount of 7.0%. This provided a modest positive contribution of 0.3% to the total return for the year, as shown in the table on page 4.

Your Board is requesting that shareholders renew the authority for use of treasury shares at the forthcoming Annual General Meeting. It is important to note that, as previously, the Board will maintain the policy of constraining 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 year.

At the Nomination Committee meeting held earlier this year, the Directors carried out their annual evaluation of the Board and its Committees, the Directors and the Chairman. 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, I will be the Director retiring by rotation at this year's AGM. A Nomination Committee of the Board met to consider my qualifications, performance and contribution to the Board. I am pleased to report that the Nomination Committee recommends to shareholders that I should be re-elected, and I am also pleased to stand for re-election.

In addition, Jacques Drossaert also retires from the Board and, after eight years of service, will not be seeking re-election. On the behalf of the Board, I would like to express our sincere thanks and gratitude to Jacques as he has been a strong and valuable member of the Board throughout his years of service. We wish him all the very best for the future.

The Board also carried out a formal detailed review of the Manager during the year. This covered the investment management, company secretarial, administrative and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited ('JPMAM') and took into account their investment performance record, management processes, investment style, resources and risk control mechanisms. The Board concluded that it is fully satisfied with the performance of the Manager and its continued appointment on the existing terms is very much in the interests of shareholders as a whole. Further details of the Company's Management Agreement with JPMAM can be found on page 19.

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 compliance statements can be found in the Corporate Governance section of this Report on pages 22 to 25.

At the beginning of the year under review there were significant changes in the structure of the team at UBS, the Company's broker. As a result your Board decided to review this role and various brokers specialising in this sector were invited to present their services. As a result your Board subsequently appointed Cenkos Securities Limited as the Company's broker.

Your Directors and I very much look forward to welcoming you to the Company's AGM which will be held on 13th July 2007 at 12 noon. The venue will be The Library, JPMorgan, 60 Victoria Embankment, London EC4Y 0JP. The investment managers will make a presentation reviewing the past year and commenting on the outlook for the current year. If you have any detailed questions, you may wish to raise these in advance with the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM in person are encouraged to use their proxy votes. Shareholders who hold their shares through CREST are able to lodge their proxy votes electronically. More detail is given in the notes to the Notice of Meeting on page 48.

Our investment managers set out their views on the investment outlook on the next few pages. Your Board is somewhat cautious on the outlook for the market in general following this extended period of good performance, particularly in the small cap asset class, but it has considerable confidence that our investment managers will continue to add value through their stock picking abilities.

Elisabeth Airey
Chairman

5th June 2007

Investment Managers' Report



European equities enjoyed another year of strong returns in the twelve months to the end of March 2007. The Asian powerhouses of China and India sustained the momentum of global economic growth which was underpinned by a combination of cheap money and continued improvements in productivity.

European Stockmarkets

Politicians across Western Europe have embraced the revenue enhancing virtues of tax cuts inspired by the success of the emerging economies of Eastern Europe. As a result Continental Europe generated robust economic growth led by Ireland, Finland and Spain and even Germany posted its fastest rate of growth since 2000. Strong growth in demand delivered via newly restructured cost bases resulted in a trend of improving profitability for European companies. Over the year, the blue-chip FTSE World Europe (ex UK) Index increased by 12.4 per cent.

The tremendous run of outperformance by smaller companies in Europe continued apace and the HSBC Smaller European Companies (ex UK) Total Return Index in Sterling terms, returned 19.5 per cent over the twelve months to the end of March. The investment style factors which worked best in smaller companies were holding stocks with earnings upgrades, high price momentum and cheap valuations.

Following a decade of underperformance of blue-chips until 2001, smaller companies have outperformed for six years in a row. The key drivers have been valuation, sector biases and de-equitisation. At the start of the new millennium smaller companies traded at a discount of some 40 per cent on a price to book measure relative to blue-chips, thus providing an attractive platform from which to rerate valuations. Equally, the smaller company index has a disproportionate share of value companies reflected in relatively large weightings in such sectors as construction and engineering which have been amongst the market's best performers; construction has been a winner in the low interest rate environment and Europe's world leading engineers have benefited from an Asian led capital investment boom. The third factor has been the de-equitisation of European equity markets i.e. contraction in the supply of equities, especially during 2005 and 2006.

Performance attribution for the year to 31st March 2007

1 Year %

Contributions to Total Returns

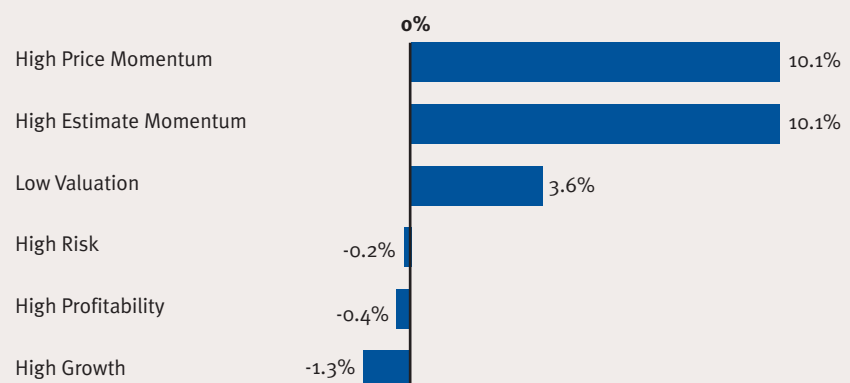
Benchmark total return	+19.5
Asset allocation	-0.4
Stock selection	+4.1
Gearing/cash	+0.3
Currency	+0.2
Investment manager contribution	+4.2
Portfolio total return	+23.7
Management fees/ Other expenses	-1.3
Share buy-back/ Issuance	+0.3
Residual	+1.0
Other effects	0.0
Net asset value total return	+23.7
Impact of decrease/(increase) in discount	+2.9
Share price total return	+26.6

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

The table provides a breakdown, relative to the benchmark, of the contributions to total return.

A glossary of terms and definitions is provided on page 49.

Style Factor Performance – March 2006 to March 2007



Source: Citigroup.

“The portfolio again produced a strong return during the year, posting an increase of 23.7 per cent, outpacing the 19.5 per cent return of the benchmark...”

This can be explained by a surge in companies buying back their own shares and, more importantly, by a boom in private equity buy-outs of listed companies which has dwarfed the volume of new issues coming to the market. Smaller companies have been impacted most by this trend and many companies which would ordinarily have sought a stockmarket listing have instead been sold to private equity investors.

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 2007, consisted of 1,000 companies with a market value of between £105m and £2.7bn across 15 countries. The investment process is driven by bottom-up stock selection focussing 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 Company's assets. The Board has set a liquidity range of 10 per cent cash to 20 per cent borrowing within which the investment managers may operate.

Portfolio Performance

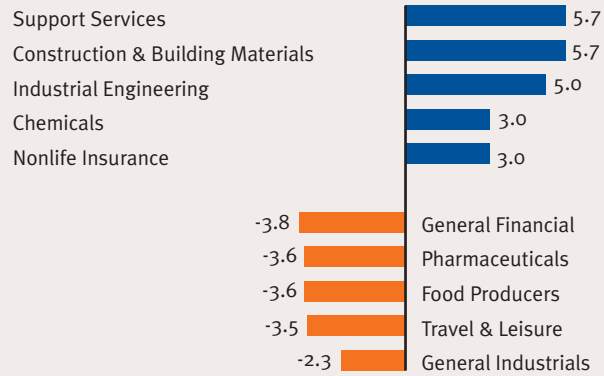
The portfolio again produced a strong return during the year, posting an increase of 23.7 per cent in net asset value, outpacing the 19.5 per cent return of the benchmark HSBC Smaller European Companies (ex UK) Total Return Index in Sterling terms. The outperformance was derived from good stock selection, the investment in the JPM Europe Micro Cap Fund (formerly Fleming Frontier European Discovery Fund) and the impact of having borrowing in a rising market.

Stock selection is the focus of the investment process and was the driving influence behind the portfolio's outperformance. The most notable performers were again typically value cyclical companies: Swedish housebuilder JM once more headed the winners as strong margin expansion drove a share price return of 95.0 per cent, Finnish engineer Konecranes rose by 75.1 per cent thanks to a surge in demand for their capital equipment and German industrial lubricants producer Fuchs Petrolub progressed by 66.9 per cent reflecting a rerating of their growth potential. The portfolio's largest investment, the JPM Euro Micro Cap Fund, again added considerable value with a Sterling increase of 25.0 per cent. The Fund is managed by the same team, with the same investment process as your Company and invests in the smallest quoted companies in Continental Europe. The Company took advantage of its capacity to use borrowings to leverage performance and gearing was maintained in a range of 94 to 113 per cent throughout most of the year.

Investment Managers' Report continued

Industrial Exposure – 31st March 2007

Ten largest active positions

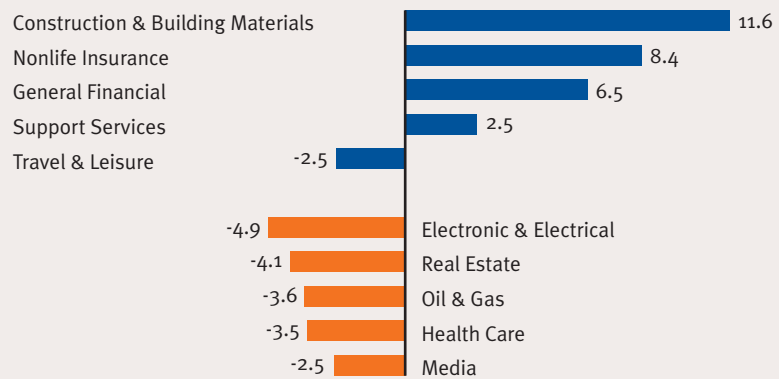


*excluding cash, JPM Europe Microcap Fund and the JPM Euro Liquidity Fund.

Source: JPMorgan Asset Management, Factset, HSBC.

Industrial Exposure – 31st March 2006

Ten largest active positions



*excluding cash and JPM Europe Microcap Fund.

Source: JPMorgan Asset Management, Factset, HSBC.

Portfolio Positioning

The number of holdings remained relatively concentrated ending the year at 48 compared with 53 at the start. Historically this has tended to reflect a high degree of conviction in the attractiveness of investment opportunities, with the list becoming extended when prospects are less certain.

The main sector shifts included a move to increased weights in industrial engineering and late cycle sectors support services and health care. European engineers such as industrial crane manufacturers Demag in Germany, Konecranes in Finland and Swiss diversified industrial products group Georg Fischer in Switzerland are enjoying buoyant order books and improving margins. Environmental services provider Lassila & Tikanoja in Finland and security services specialist Prosegur Compañía Seguridad in Spain are both reaping the rewards of recent investments, whilst Spanish health care new listing Grifols is witnessing strong demand for its plasma products and Dutch pharmaceutical retailer OPG Groep has broadened its product offering.

The main sector reductions were in early cycle performers general financials, non-life insurance and construction. The positions in insurers Baloise in Switzerland, Scor in France and FBD in Ireland were sold as competitive pressures increased and the benefits of cost savings receded. Within general financials the portfolio sold out of Banque Cantonale Vaudoise in Switzerland, Credito Emiliano in Italy and D. Carnegie in Sweden due to slowing earnings momentum. The large overweight in construction was reduced with the disposal of Nordic developers Veidekke and YIT, as housing demand slowed in Norway and Finland respectively, and of Swiss sanitary products supplier Geberit on valuation grounds.

Outlook

The positives are that, whilst the global interest rate cycle appears to have turned upwards, the cost of borrowing remains cheap in a longer term context and company balance sheets typically are strong with healthy cash flows, thus laying the foundation for further share buy backs and takeover activity. On the other hand, growth in corporate profitability does appear to be nearing a peak with productivity gains in the United States running at the lowest level in ten years and there is growing pressure upon wage inflation as labour markets tighten; employees now want their share of the profit boom and industrial disputes are becoming more commonplace. Nevertheless, history suggests that stockmarkets can continue to perform well for some time after margins have peaked.

With a price to book premium in excess of 10 per cent, smaller companies in Europe now command their highest valuation relative to blue-chips during the last twenty years. This can be explained by the factors detailed earlier, and by the fact that smaller companies have delivered and are expected to continue to deliver earnings growth which is faster than the overall market. Following four consecutive years of double digit returns there is a case for prudence regarding future performance. Whilst smaller company valuations in Europe are no longer cheap on a stand alone basis or relative to blue-chips, their earnings have strong momentum and history has taught us that market trends can overshoot on the upside as well as on the downside. We believe that there will continue to be opportunities to add value through stock selection.

Jim Campbell
Francesco Conte
Investment Managers

5th June 2007

Summary of Results

	2007	2006	
Total Returns (capital plus income) for the year ended 31st March			
Return to shareholders ¹	+26.6%	+72.0%	
Return on net assets ²	+23.7%	+68.6%	
HSBC Smaller European Companies (ex UK) Total Return Index in Sterling terms ³	+19.5%	+51.6%	
Assets at 31st March			
			% change
Net asset value per share	876.8p	709.0p	+23.7
Discount to net asset value	8.2%	10.3%	
Net assets for ordinary shareholders (£'000)	450,244	372,970	+20.7
Market Data			
			% change
HSBC Smaller European Companies (ex UK) Capital Only Index in Sterling terms ³	331.7	283.1	+17.2
Ordinary share price	805.0p	636.0p	+26.6
Revenue for the year			
Gross revenue return (£'000)	7,767	4,898	+58.6
Net revenue available for ordinary shareholders (£'000)	1,279	216	
Return per ordinary share	2.49p	0.41p	
Total Expense Ratio	0.92%	1.00%	
Actual Gearing Factor	96.2%	103.8%	

A glossary of terms and definitions is provided on page 49.

¹Source: Standard & Poor's – www.funds-sp.com.

²Source: Fundamental Data – www.funddata.com

³Source: HSBC.

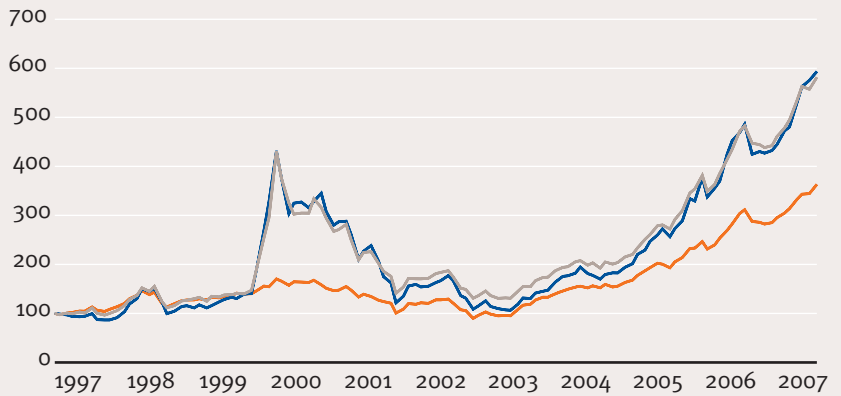
Performance

- JPMorgan European Fledgeling Investment Trust plc – Share price
- JPMorgan European Fledgeling Investment Trust plc – Net asset value per share
- HSBC Securities Smaller European Companies (ex-UK) Total Return Index in Sterling terms

Source: Standard & Poor's – www.funds-sp.com/
 Fundamental Data – www.funddata.com/HSBC
 Total Return

10 Year Performance

Figures have been rebased to 100 at 31st March 1997

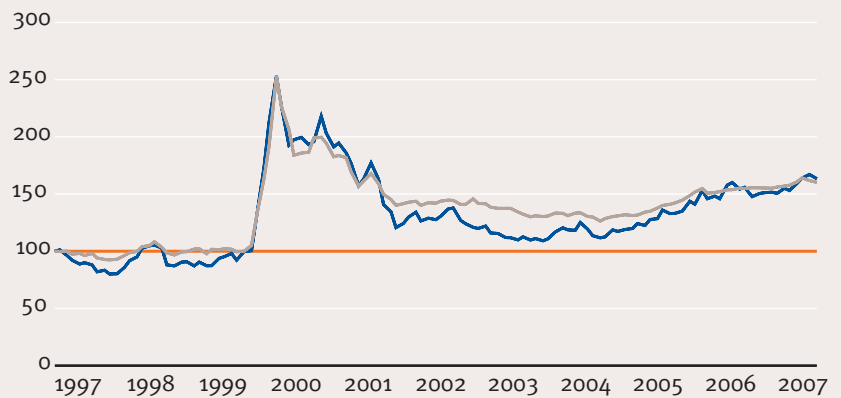


- JPMorgan European Fledgeling Investment Trust plc – Share price
- JPMorgan European Fledgeling Investment Trust plc – Net asset value per share
- The benchmark index is represented by the orange horizontal line

Source: Standard & Poor's – www.funds-sp.com/
 Fundamental Data – www.funddata.com/HSBC
 Total Return

Performance Relative to Benchmark

Figures have been rebased to 100 at 31st March 1997



Ten Year Financial Record

As at 31st March	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total assets less current liabilities (£m)	94.7	129.9	140.3	412.9	221.9	181.9	116.0	162.6	225.9	373.0	450.2
Share price (p)	135.8	161.8	151.0	511.0	285.0	221.0	144.5	246.0	369.8	636.0	805.0
Net asset value per ordinary share (p)	150.4	192.9	187.4	564.8	314.9	272.4	196.9	298.2	421.8	709.0	876.8
Warrant price (p) ¹	37.0	–	–	–	–	–	–	–	–	–	–
Discount (%)	9.7	16.1	19.4	9.5	9.5	18.9	26.6	17.5	12.3	10.3	8.2
Actual gearing	110.4	114.6	117.1	118.7	114.1	110.7	104.9	107.8	104.9	103.8	96.2
Total expense ratio (%)	0.87	0.92	0.97	1.06	1.60	1.29	1.10	0.99	0.98	1.00	0.92
Year to 31st March											
Gross revenue return (£'000)	1,794	1,661	2,494 ²	1,641	2,074	2,779	3,572	3,446	4,218	4,898	7,767
Revenue return per ordinary share (p)	(0.31)	(0.99)	(0.32)	(3.93)	(8.26)	(2.94)	0.48	1.59	0.17	0.41	2.49
Rebased to 100 at 31st March 1997											
Net asset value per ordinary share – total return ³	100.0	128.4	124.7	375.8	209.5	181.2	131.0	198.4	278.9	470.3	581.7
Ordinary share price – total return ³	100.0	119.2	111.3	376.3	210.0	162.9	106.5	181.3	272.5	468.8	593.5
HSBC Smaller European Companies (ex-UK) Total Return Index in Sterling terms ³	100.0	130.0	127.5	165.9	133.5	127.7	95.2	152.1	200.4	303.8	363.2

¹Dealings in warrants ceased on 31st July 1997. Historic net asset value is therefore disclosed on a fully diluted basis.

²Figures have been restated where necessary to comply with FRS16. The figures for 1998 and 1997 have not been restated.

³Source: Standard & Poor's – www.funds-sp.com/Fundamental Data – www.funddata.com/HSBC.

Ten Largest Investments¹

at 31st March 2007

Company	Sector	As at 31st March 2007		As at 31st March 2006	
		Valuation £'000	% ²	Valuation £'000	%
JPM Europe Micro Cap Fund The Fund's objective is to provide long term capital growth by investing primarily in European micro capitalisation companies.	Investment Companies	45,254	10.1	44,374	11.6
JM JM is a project developer of housing and commercial premises. The company gives priority to high quality and a holistic approach in its design. The aim is to create living and working environments that will remain attractive over time.	Industrial Services	10,683	2.4	8,816	2.3
Outokumpu Technology³ The company is a worldwide leader in minerals and metals processing technologies, providing innovative tailored solutions for a wide variety of customer needs in the iron and steel, aluminium and non-ferrous metals industries.	Industrial Services	10,499	2.3	–	–
Fuchs Petrolub Fuchs Petrolub offers lubricants for hundreds of applications – including lubricants for car drivers and motorcyclists, goods transport, passenger traffic, mining companies, the steel industry, vehicle and machinery construction, the building trade and agricultural equipment.	Industrial Services	10,472	2.3	11,109	2.9
Grifols³ Grifols produces plasma derivatives and diagnostic systems.	Health Services	10,460	2.3	–	–
Tecnicas Reunidas³ The company is the leader for engineering and construction in the oil and gas sector in Spain, one of the leaders in Europe in the design and construction of oil and gas facilities, and one of the world leaders in the refining sector.	Industrial Services	10,392	2.3	–	–
Topdanmark Topdanmark is a leading Danish insurance company.	Finance	10,242	2.3	8,845	2.3
Grupo Catalana Occidente The group's principal activity is selling insurance and reinsurance products in all lines particularly in life, illness, personal accidents, transported goods, fire and other damage to properties, credit guarantee, capital requirements, management of collective retirement funds and pensions.	Finance	10,134	2.3	8,497	2.2
IVG Immobilien³ IVG Immobilien AG is one of Europe's largest listed property companies. The focus of their business is on office properties in selected German and European cities. Via the company's local branch network they currently manage property assets with a total value of €18 billion.	Investment Companies	10,025	2.2	–	–
Demag Cranes³ The Company is one of the world's leading providers of cranes and port technology. Demag Cranes enjoys an outstanding position in globally growing markets.	Industrial Services	9,957	2.2	–	–
Total⁴		138,118	30.7		

¹Excluding the holding in the JPM Euro Liquidity Fund, which is held as an alternative to cash.

²Based on total assets less current liabilities of £450.2m (2006: £383.4m after adding back Euro 15m loan).

³Not held in the portfolio at 31st March 2006.

⁴As at 31st March 2006, the value of the ten largest investments amounted to £127.4m representing 33.3% of total assets less current liabilities.

Portfolio Analyses

Geographic Analysis (“Look through” basis)

at 31st March

	31st March 2007		31st March 2006	
	Portfolio ¹ %	Benchmark %	Portfolio ¹ %	Benchmark %
Netherlands	16.7	6.6	9.3	7.5
Spain	12.8	6.7	9.8	5.2
France	11.7	12.0	10.4	13.3
Germany	10.2	12.9	3.7	12.8
Italy	9.4	12.8	10.5	11.7
Finland	9.1	4.8	3.1	5.8
Switzerland	6.7	9.3	12.0	8.2
Denmark	6.6	5.2	8.6	5.3
Austria	4.0	3.4	2.6	3.0
Sweden	3.4	8.6	17.4	9.2
Greece	2.5	4.4	0.6	4.5
Ireland	2.2	2.0	3.8	2.3
Norway	0.3	6.1	7.0	6.8
Belgium	–	3.4	1.7	3.4
Portugal	–	1.7	–	1.0
Luxembourg	–	0.1	–	–
Total equities	95.6	100.0	100.5	100.0
Liquidity fund	2.8	–	–	–
Net current assets/(liabilities)	1.6	–	(0.5)	–
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £450.2m (2006: £383.4m after adding back Euro 15m loan).

¹This has been calculated on a “look through” basis to take into account that the JPMorgan Europe Micro Cap fund is invested in a number of countries. This also affects the net current assets/(liabilities) figure.

Sector Analysis

at 31st March

Sector	31st March 2007		31st March 2006	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Industrials	37.4	26.1	35.2	36.9
Financials	26.1	17.9	33.9	17.8
Consumer Discretionary	7.7	16.8	13.6	14.5
Energy	7.5	6.3	6.0	5.8
Materials	6.3	8.9	5.6	7.0
Information Technology	4.8	6.9	4.9	4.4
Health Care	4.3	7.6	1.8	7.2
Telecommunication Services	2.1	1.6	–	1.2
Consumer Staples	–	6.0	–	3.5
Utilities	–	1.7	–	1.7
Other	–	0.2	–	–
Total equities	96.2	100.0	101.0	100.0
Liquidity fund	2.8	–	–	–
Net current assets/(liabilities)	1.0	–	(1.0)	–
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £450.2m (2006: £383.4m after adding back Euro 15m loan).

Investment Activity

during the year to 31st March 2007

	Value at 31st March 2006		Purchases £'000	Sales £'000	Changes in value £'000	Value at 31st March 2007	
	£'000	%				£'000	%
Netherlands	32,523	8.5	82,878	53,806	10,015	71,610	15.9
Spain	34,933	9.1	47,163	41,961	17,566	57,701	12.8
Luxembourg	44,374	11.6	661	16,722	16,941	45,254	10.0
France	32,953	8.6	90,809	83,886	5,290	45,166	10.0
Germany	11,109	2.9	45,705	25,202	8,343	39,955	8.9
Finland	7,871	2.1	49,699	24,418	4,480	37,632	8.4
Italy	35,446	9.2	75,335	77,565	943	34,159	7.6
Denmark	30,959	8.1	4,641	15,907	10,059	29,752	6.6
Switzerland	43,952	11.5	62,679	93,949	12,908	25,590	5.7
Austria	7,848	2.0	24,956	22,525	7,946	18,225	4.0
Sweden	60,258	15.7	38,629	80,117	(8,087)	10,683	2.4
Ireland	14,764	3.9	23,792	31,891	2,228	8,893	2.0
Greece	–	–	19,141	9,483	(1,059)	8,599	1.9
Norway	24,345	6.3	11,240	31,046	(4,539)	–	–
Belgium	5,878	1.5	11,663	16,685	(856)	–	–
Total equities	387,213	101.0	588,991	625,163	82,178	433,219	96.2
Liquidity Fund	–	–	188,715	175,979	–	12,736	2.8
Net current (liabilities)/assets	(3,778)	(1.0)	–	–	–	4,289	1.0
Total¹	383,435	100.0	777,706	801,142	82,178	450,244	100.0

¹ Total assets less current liabilities (2006: after adding bank Euro 15m loan).

List of Investments

at 31st March 2007

Company	£'000	Company	£'000
Netherlands		Italy	
Koninklijke Vopak	8,903	Safilo Group	8,966
Fugro	8,894	Trevi Finanziaria Industriale	7,936
Imtech	8,864	Beni Stabili	6,844
Aalberts Industries	8,503	Banca Popolare di Milano	6,165
OPG Groep	8,347	Esprinet	4,248
Smit	7,926	Total	34,159
SBM Offshore	6,945	Denmark	
Ordina	6,730	Topdanmark	10,242
TKH Group	6,498	FLSmidth	9,823
Total	71,610	Sydbank	9,687
Spain		Total	29,752
Grifols	10,460	Switzerland	
Tecnicas Reunidas	10,392	Georg Fischer	9,772
Grupo Catalana Occidente	10,134	Charles Voegelé	9,129
Cementos Portland Valderrivas	9,804	St Gallen Kantonalbank	6,689
Vueling Airlines	8,748	Total	25,590
Prosegur Compañía Seguridad	8,163	Austria	
Total	57,701	Andritz	9,723
Luxembourg		Österreichische Post	8,502
JPM Europe Micro Cap Fund	45,254	Total	18,225
Total	45,254	Sweden	
France		JM	10,683
Groupe Steria	8,174	Total	10,683
SEB	8,067	Ireland	
Nexity	8,056	Smurfit Kappa	8,893
Bourbon	7,415	Total	8,893
SR Teleperformance	6,883	Greece	
SeLogger.com	6,571	Proton Bank	4,578
Total	45,166	Folli-Follie	4,021
Germany		Total	8,599
Fuchs Petrolub	10,472	Liquidity Fund	
IVG Immobilien	10,025	JPM Euro Liquidity Fund	12,736
Demag Cranes	9,957	Total	12,736
Symrise	9,501	Finland	
Total	39,955	Outokumpu Technology	10,499
Finland		Konecranes	9,782
Outokumpu Technology	10,499	Elisa Corporation	9,280
Konecranes	9,782	Lassila & Tikanoja	8,071
Elisa Corporation	9,280	Total	37,632
Lassila & Tikanoja	8,071	Total Portfolio	
Total	37,632	445,955	

Board of Directors



Elisabeth Airey (Chairman of the Board and Nomination Committee)*†‡

A Director since January 2000. Appointed Chairman in 2006.

A Director of Harrison Lovegrove & Co, AMEC plc, Dunedin Enterprise Investment Trust plc and Tate and Lyle plc Chairman of Zetex 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 Resolution plc. Formerly Chief Executive of Provincial Insurance plc.



Jacques Drossaert*†‡

A Director since January 1999

Formerly Managing Director of PanEuroLife, a Luxembourg life and pensions company.



Paul Manduca*†‡

A Director since December 2005

Chairman of Bridgewell Group plc and Director of WM Morrison Supermarkets plc and Kazmunaigaz plc. Chairman of UNIQ Pension Scheme Trustees Limited and Director of Development Securities plc and Aon (UK) Limited. Formerly the Chief Executive Officer of Deutsche Asset Management Limited.



Federico Marescotti*†‡

A Director since December 2005

A Managing Partner of Vela Capital and Vice 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.

*Member of Audit Committee.

†Member of Nomination Committee.

‡Considered independent by the Board

Directors' Report

The Directors present their report for the year ended 31st March 2007.

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 2006. 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 2006 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 266 of the Companies Act 1985. 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 and 3, and in the Investment Managers' Report on pages 4 to 7.

Investment Objective and Policies

The Company's objective is to achieve capital growth from smaller European companies (excluding the UK) by consistent out-performance of the Company's benchmark, the HSBC Smaller European Companies (ex UK) Total Return Index in Sterling terms, by taking carefully controlled risks through an investment method that is clearly communicated to shareholders (details of which are given in the Investment Managers' Report on pages 4 to 7).

In order to achieve this objective, the Company invests in a diversified portfolio of smaller companies in Europe, excluding the UK, emphasising capital rather than income growth, so shareholders should not therefore expect to receive a dividend. Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).

Performance

In the year to 31st March 2007, the Company produced a total return to shareholders of +26.6% and a total return on net assets of +23.7%. This compares with the return on the Company's benchmark of +19.5%. As at 31st March 2007, the value of the Company's investment portfolio was £445.9m. The Investment Managers' Report on pages 4 to 7 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 return for the year amounted to £90.1m (2006: £156.1m) and net total return after deducting interest, management expenses and taxation amounted to £83.6m (2006: £151.4m). Distributable income for the year amounted to £1.3m (2006: £0.2m). The Company is unable to pay a dividend due to a £7.4m (2006: £8.7m) deficit on the revenue account.

Key Performance Indicators ('KPIs')

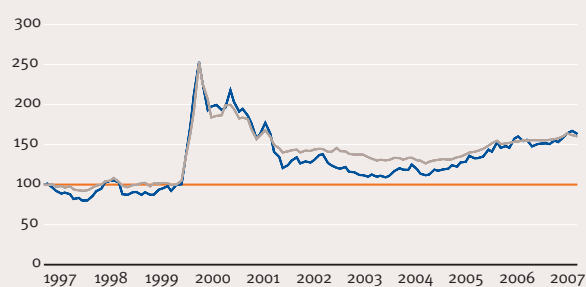
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:-

- **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 1997



Source: Standard & Poor's - www.funds-sp.com/Fundamental Data - www.funddata.com/HSBC

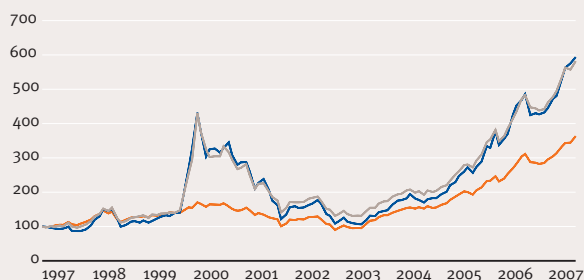
Total Return

- JPMorgan European Fledgeling Investment Trust plc - Share price
- JPMorgan European Fledgeling Investment Trust plc - Net asset value (Bid) per share
- The benchmark index is represented by the orange horizontal line

Directors' Report continued

Ten Year Performance

Figures have been rebased to 100 at 31st March 1997



Source: Standard & Poor's - www.funds-sp.com/FundamentalData - www.funddata.com/HSBC

Total Return

- JPMorgan European Fledgeling Investment Trust plc - Share price
- JPMorgan European Fledgeling Investment Trust plc - Net asset value per share
- Benchmark - HSBC Smaller European Companies (ex-UK) Total Return Index in Sterling terms

- **Performance against the Company's peers**

The principal objective is to achieve capital growth relative to the benchmark. The Board also monitors the performance relative to a broad range of competitor funds.

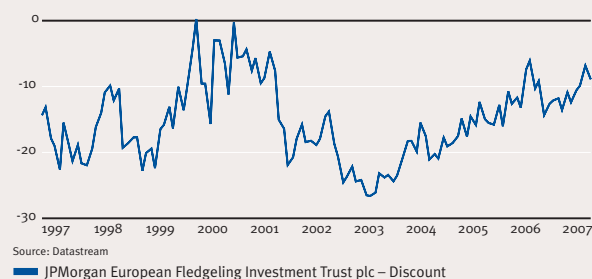
- **Performance Attribution**

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 2007 are given in the Investment Managers' Report on page 4.

- **Discount to net asset value ('NAV')**

The Board has adopted a share repurchase policy 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 2007, the discount ranged between 6.4% and 16.5%. 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.

Discount Performance



Source: Datastream

- JPMorgan European Fledgeling Investment Trust plc - Discount

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

The TER is an expression of the Company's management fees and all other operating expenses (including tax relief, where allowable, but excluding interest payments) as a percentage of average net assets over the year. The TER for the year ended 31st March 2007 was 0.92% (2006: 1.00%). 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

During the year the Company purchased a total of 1,881,319 ordinary shares into treasury, and 625,000 of these were subsequently sold at a discount to NAV. In all cases the sale was on a smaller discount to NAV than that on which they were purchased. Since the year end, the Company has purchased a further 140,000 ordinary shares into treasury. The Company has not repurchased any ordinary shares for cancellation or issued 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 repurchase and to sell ordinary shares from treasury at a discount to NAV, and to repurchase ordinary shares for cancellation are due to be put to shareholders at the forthcoming Annual General Meeting. The full text of these resolutions is set out in the Notice of Meeting on page 47.

Directors' Report continued

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. 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 reviews data which shows statistical measures of the Company's risk profile. The investment managers employ the Company's gearing tactically, 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 Act 1985 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act 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, JPMAM, to ensure compliance with The Companies Act 1985 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 22 to 24.
- **Operational:** 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. 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 24.
- **Financial:** The Financial risks faced by the Company are disclosed in note 19 on pages 42 to 44.

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 7.

Management

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract terminable on one year's 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 on the terms agreed is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Managers, noting consistent outperformance of the benchmark over the long term and 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. Investments in funds on which JPMAM charges a management fee are excluded from the calculation.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for its management to continue in operational existence for the foreseeable future. For this reason, they 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 these terms. As at 31st March 2007, the Company had no outstanding trade creditors.

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's ordinary share capital, were:

	31st March 2007	1st April 2006
Elisabeth Airey	18,538	18,538
Anthony Davidson	4,011	4,011
Jacques Drossaert	8,563	11,538
Paul Manduca	1,000	–
Federico Marescotti	1,222	–
Michael Wrobel	5,000	4,408

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 Annual General Meeting will be Elisabeth Airey who, being eligible, offers herself for re-election by shareholders and Jacques Drossaert who will step down from the Board at the conclusion of the forthcoming Annual General Meeting.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

Directors' Report continued

Disclosure of information to Auditors

The Directors at the date of approval of this report confirm that:

- (a) so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information 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 S234 ZA of the Companies Act 1985

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	%
Ordinary shares		
Puddle Dock Nominees Limited ^{1,2}	5,570,328	10.88
JPMorgan Asset Management (UK) Ltd	3,310,222	6.27
National Grid UK Pension Scheme	2,852,879	5.57
Lazard Asset Management LLC	2,162,200	4.22
Legal & General Investment Management	2,097,665	4.10
East Riding of Yorkshire Council	1,600,000	3.12

¹Held on behalf of JPMAM ISA, PEP and Share Plan participants.

²Non-beneficial.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditor to the Company and a resolution proposing their re-appointment and authorising the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

Annual General Meeting

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

(i) Repurchase of the Company's shares (resolution 5)

At the Annual General Meeting held in July 2006, shareholders gave authority to the Company to enable it to purchase up to 14.99 per cent of its then issued share capital. This authority will expire on 11th January 2008 unless renewed by shareholders at the forthcoming Annual General Meeting. The Directors consider that the renewal of the authority would be in the interest of shareholders as a whole, since the purchase of shares at a discount to the underlying net asset value would enhance the net asset value of the remaining shares.

The Board will seek shareholder approval at the Annual General Meeting to renew this authority, which will last until 12th January 2009 or until the whole of the 14.99 per cent has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 47. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing net asset value per share as and when market conditions are appropriate.

The Directors consider that the renewal of the share repurchase authority is in the interests of shareholders as a whole and unanimously recommend all shareholders to vote in favour.

(ii) Treasury shares/disapplication of pre-emption rights (resolutions 6 and 7)

With effect from 1st December 2003, the Companies Act has been amended to permit the Company to purchase up to 10 per cent. of its own shares into treasury (for sale or cancellation at a future date) as an alternative to purchasing for 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 per cent. would form part of the 14.99 per cent. referred to in (i) above.

The Board consider that it has used this authority successfully over the year, and continues to believe that the effective use of treasury shares assists the Company in improving the

liquidity and discount of the Company's ordinary shares, by managing any imbalance between supply and demand, and minimising the volatility and absolute level of the discount at which the Company's ordinary 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 6 and 7 which will allow the Company to sell ordinary 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 ordinary shares held in treasury without having to make a pro rata offer to existing shareholders.

Should the resolutions be passed by shareholders, the Company would purchase ordinary shares at a discount to their prevailing net asset value, hold them in treasury, available for sale when market demand is identified. Sales would be made at a discount narrower than the weighted average discount of the ordinary shares currently held in treasury at the 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 ordinary shares from treasury at a discount be limited so that in the year to the Company's 2008 Annual General Meeting, the aggregate dilution in net asset value per ordinary share arising on such sales does not exceed 4 pence per ordinary share, being approximately 0.5% of the net asset value per ordinary share as at 31st March 2007.

The text of all the resolutions are set out in full in the Notice of Meeting on page 47.

By order of the Board
Hilary Lowe FCIS, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
5th June 2007

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 27, 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 applicable rules and regulations are complied with and that Board procedures are followed.

Board Composition

The Board consists of six non-executive Directors, all of whom are regarded by the Board as independent, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 15.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board. 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 Board nominates one Director to lead the evaluation of the Chairman. Last year this was Anthony Davidson.

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. Any Director who has served for a period of more than nine years will submit himself 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, who retires by rotation at this year's Annual General Meeting, continues to be an effective Director and demonstrates commitment to her role and therefore recommends her re-election. Jacques Drossaert retires by rotation but will not be seeking re-election at the forthcoming Annual General Meeting.

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 15. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board, Audit and Nomination 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 Meetings Attended	Nomination Committee Meeting Attended
Michael Hart ¹	2	1	–
Elisabeth Airey	5	2	1
Anthony Davidson	5	2	1
Jacques Drossaert	5	2	1
Paul Manduca	5	2	1
Federico Marescotti	5	2	1
Michael Wrobel	5	2	1

¹Retired as a Director on 12th July 2006.

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 Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed procedures for the 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, and 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 when necessary for appointment. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates are considered.

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 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 managers in relation to the interim 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 and receives information from the Managers' Compliance department. It also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of non-audit services. Representatives of the Company's auditors attend the Committee meeting at which the draft Annual Report and Accounts are considered. Each year, the Audit Committee reviews the independence of the Auditors and at present considers them to be independent. Following a recommendation by the Audit Committee, the Board approved the audit fee for these Financial Statements. It was noted that, as previously agreed, the fee would remain the same as for 2006 at £17,600 (2006: £17,600). The Directors' statement on the Company's system of internal control is set out on page 24.

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 and for inspection 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 twice a year by way of the Annual Report and Accounts and the Interim Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and 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 questions. In addition, a presentation is given by the Investment Managers who review the Company's

Corporate Governance continued

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 45.

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 write to the Company Secretary at the address shown on page 45. Details of the proxy voting parties on each resolution will be published on the Company website www.jpmeuropeanfledgeling.com 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 to include 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 mis-statement 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 consists of 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. This arrangement is kept under annual review. 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 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:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- the Board reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- the Directors review on a regular basis 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 2007 and to the date of approval of this Annual Report and Accounts.

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 www.jpmorgan.com:

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 the members 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 28.

At a meeting of the Nomination Committee held on 27th March 2007 the Committee undertook a review of the Directors' fees. The Committee's recommendation was considered and approved by the Board at the Board meeting which followed the Nomination Committee meeting on 23rd March 2007. It was agreed that the Directors' fees be increased to Chairman £27,500 per annum, Audit Committee Chairman £21,500 per annum and Directors £19,000 per annum with effect from 1st April 2007. For the year under review the Director fees are as set out in the table below:

Directors' Remuneration

(Audited Information)

Director's Name	2007 £	2006 £
Michael Hart ¹	7,269	22,000
Elisabeth Airey ²	23,044	16,000
Anthony Davidson	20,000	15,559
Jacques Drossaert	18,000	16,000
John Thornton ²	–	5,192
Paul Manduca	18,000	5,333
Federico Marescotti	18,000	5,333
Michael Wrobel	18,000	16,000
Total	122,313	101,417

¹Retired as a Director on 12th July 2006.

²Retired as a Director on 14th July 2005.

³Appointed Chairman on 12th July 2006.

The total Directors' fees of £122,313 (2006: £101,417) comprise £84,313 (2006: £80,525) in respect of aggregate emoluments paid to Directors and £38,000 (2006: £20,892) paid to third parties for making available the services of Directors.

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 relevant 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 the Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 22.

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 or hold options to acquire shares in the Company. Directors 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.

A graph showing the Company's share price and net asset value total returns compared with its benchmark index, the HSBC Smaller European Companies (ex UK) Index, over the last five years is shown below.

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



Source: Standard & Poor's – www.funds-sp.com/HSBC

— Share Price Total Return

— Benchmark Total Return

¹The Company's benchmark is the HSBC Smaller European Companies (ex UK) Total Return Index in Sterling terms.

This is a recognised index of stocks that has been selected by the Board as the benchmark against which the Company's performance is judged, although it should not be taken as wholly representative of the Company's investment universe.

By order of the Board
Hilary Lowe FCIS, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
5th June 2007

Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company as at the end of the year and of the revenue 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for ensuring that proper accounting records are kept 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.jpmorganassetmanagement.com website, which is maintained by the Company's Investment 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. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website 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.

Independent Auditors' Report¹

To the shareholders of JPMorgan European Fledgeling Investment Trust plc

We have audited the accounts of the JPMorgan European Fledgeling Investment Trust plc for the year ended 31st March 2007 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.

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 2003 FRC Combined Code 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.

¹The accounts are published on www.jpmoreuropeanfledgeling.co.uk, 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.

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 and the other elements of the Investment Review, the Directors' Report, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. 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 2007 and of its net return 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

5th June 2007

Income Statement

for the year ended 31st March 2007

	Notes	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Gains from investments held at fair value through profit or loss	2	–	82,133	82,133	–	150,961	150,961
Net foreign currency gains		–	234	234	–	233	233
Income from investments	3	7,660	–	7,660	4,667	–	4,667
Other interest receivable and similar income	3	107	–	107	231	–	231
Gross return		7,767	82,367	90,134	4,898	151,194	156,092
Management fee	4	(4,372)	–	(4,372)	(3,159)	–	(3,159)
Other administrative expenses	5	(613)	–	(613)	(592)	–	(592)
Net return on ordinary activities before finance costs and taxation		2,782	82,367	85,149	1,147	151,194	152,341
Finance costs	6	(924)	–	(924)	(525)	–	(525)
Net return on ordinary activities before taxation		1,858	82,367	84,225	622	151,194	151,816
Taxation	7	(579)	–	(579)	(406)	–	(406)
Net return on ordinary activities after taxation		1,279	82,367	83,646	216	151,194	151,410
Return per share	8	2.49p	160.58p	163.07p	0.41p	286.38p	286.79p

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. 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 33 to 44 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st March 2007

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31st March 2005	13,391	–	2,245	30,564	188,633	(8,899)	225,934
Adjustment to opening shareholders' funds at 1st April 2005 to reflect the adoption of bid prices	–	–	–	–	(752)	–	(752)
Repurchase of shares into treasury	–	–	–	(1,623)	–	–	(1,623)
Sale of shares from treasury	–	91	–	675	–	–	766
Shares bought back and cancelled	(196)	–	196	(2,765)	–	–	(2,765)
Total return from ordinary activities	–	–	–	–	151,194	216	151,410
At 31st March 2006	13,195	91	2,441	26,851	339,075	(8,683)	372,970
Repurchase of shares into treasury	–	–	–	(11,195)	–	–	(11,195)
Sale of shares from treasury	–	1,221	–	3,602	–	–	4,823
Total return from ordinary activities	–	–	–	–	82,367	1,279	83,646
At 31st March 2007	13,195	1,312	2,441	19,258	421,442	(7,404)	450,244

The notes on pages 33 to 44 form an integral part of these accounts.

Balance Sheet

at 31st March 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments at fair value through profit or loss	9	433,219	387,213
Investment in liquidity fund at fair value through profit or loss		12,736	-
Total portfolio		445,955	387,213
Current assets			
Debtors	10	11,123	10,098
Cash and short term deposits		305	2,417
		11,428	12,515
Creditors: amounts falling due within one year	11	(7,139)	(26,758)
Net current assets/(liabilities)		4,289	(14,243)
Total assets less current liabilities		450,244	372,970
Total net assets		450,244	372,970
Capital and reserves			
Called up share capital	12	13,195	13,195
Share premium	13	1,312	91
Capital redemption reserve	13	2,441	2,441
Other reserve	13	19,258	26,851
Capital reserve	13	421,442	339,075
Revenue reserve	13	(7,404)	(8,683)
Shareholders' funds		450,244	372,970
Net asset value per share	14	876.8p	709.0p

The accounts on pages 29 to 44 were approved and authorised for issue by the Directors on 5th June 2007 and are signed on their behalf by:

Elisabeth Airey
Chairman

The notes on pages 33 to 44 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st March 2007

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	15	1,848	553
Returns on investments and servicing of finance			
Interest paid		(925)	(556)
Net cash outflow from returns on investments and servicing of finance		(925)	(556)
Taxation			
Overseas tax recovered		124	184
Capital expenditure and financial investment			
Purchases of investments		(781,633)	(445,951)
Sales of investments		796,336	461,768
Other capital charges		(53)	(60)
Net cash inflow from capital expenditure and financial investment		14,650	15,757
Net cash inflow before financing		15,697	15,938
Financing			
Net repayment of loans		(10,241)	(23,925)
Repurchase of shares into treasury		(11,195)	(1,623)
Sale of shares from treasury		3,623	766
Repurchase of shares for cancellation		–	(2,765)
Net cash outflow from financing		(17,813)	(27,547)
Decrease in cash for the year	16	(2,116)	(11,609)

The notes on pages 33 to 44 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st March 2007

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 December 2005.

The accounts have been prepared on the historical cost basis except for the measurement at fair value of investments.

All of the Company's operations are of a continuing nature.

(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 or losses on disposal are included in capital, within "Gains from investments held at fair value through profit or loss". Expenses incidental to the purchase and sale of investments are also included within this caption. All purchases and sales are accounted for on a trade date basis.

(c) Income

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

Overseas dividends are included gross of 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 revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

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

Stock lending income is taken to revenue 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 broker commission. In accordance with the SORP, disclosure of transaction costs is required and can be found in note 9.

(e) Finance costs

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

Finance costs are allocated wholly to revenue.

Notes to the Accounts continued

(f) Financial instruments

Cash at bank and in hand 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 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.

The Company has not utilised any derivative instruments in the current or comparative years.

(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 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.

(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 probable that taxable profits will be available against which those timing differences can be utilised.

	2007 £'000	2006 £'000
2. Gains from investments held at fair value through profit or loss		
Gains from investments held at fair value through profit or loss based on historical cost	87,603	82,570
Amounts recognised as unrealised in the previous year	(80,617)	(27,632)
Realised gains based on carrying value at previous balance sheet date	6,986	54,938
Net movement in unrealised gains	75,192	96,077
Other capital charges	(45)	(54)
Total capital gains from investments held at fair value through profit or loss	82,133	150,961

	2007 £'000	2006 £'000
3. Income		
Income from investments		
Dividends from investments listed overseas	7,583	4,328
Scrip dividends	77	339
	7,660	4,667
Other income		
Deposit interest	43	168
Stocklending fees	64	63
	107	231
Total income	7,767	4,898

	2007 £'000	2006 £'000
4. Management fee		
Management fee	3,806	2,750
Irrecoverable VAT thereon	566	409
	4,372	3,159

	2007 £'000	2006 £'000
5. Other administrative expenses¹		
Other management expenses	343	375
Directors' fees ²	122	101
Savings product ³	125	92
Auditors' remuneration for audit services ⁴	20	20
Auditors' remuneration for all other services ⁴	3	4
	613	592

¹Expenses include the related irrecoverable VAT.

²Full disclosure is given in the Directors' Remuneration Report on page 25.

³Paid to JPMAM for the marketing of "wrapper" products.

⁴Includes £3,000 (2006: £4,000) irrecoverable VAT.

	2007 £'000	2006 £'000
6. Finance costs		
Bank loans and overdrafts	924	525

Notes to the Accounts continued

	2007 £'000	2006 £'000
7. Taxation		
UK corporation tax at 30% (2006: 30%)	677	464
Double taxation relief	(677)	(464)
Overseas withholding tax	683	406
Prior year adjustment	(104)	–
Current tax	579	406

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2005: 30%). The difference is explained below.

	2007 £'000	2006 £'000
Net revenue return on ordinary activities before taxation	1,858	622
Net revenue return on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2006: 30%)	557	187
Non taxable scrip dividends	(23)	(102)
Income taxed in different periods	47	107
Unrelieved expenses and charges	96	272
Overseas taxation	683	406
Relief for overseas taxation	(677)	(464)
Prior year adjustment	(104)	–
	579	406

The Company has an unrealised deferred taxation asset of £3,440,000 (2006: £3,344,000). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio, it is unlikely that this asset will be fully utilised in the foreseeable 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 per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £1,279,000 (2006: £216,000) and on the weighted average number of shares in issue during the year of 51,293,172 (2006: 52,794,594).

The capital return per ordinary share is based on the capital gain attributable to the ordinary shares of £82,367,000 (2006: £151,194,000) and on the weighted average number of shares in issue during the year of 51,293,172 (2006: 52,794,594).

The total return per ordinary share is based on the total return attributable to the ordinary shares of £83,646,000 (2006: £151,410,000) and on the weighted average number of shares in issue during the year of 51,293,172 (2006: 52,794,594).

9. Investments at fair value through profit or loss

(a) Analysis of investments

	2007 £'000	2006 £'000
Investments listed on a recognised investment exchange	445,955	387,213
		2007 Total £'000
Opening book cost		264,346
Opening unrealised gains		122,867
Opening valuation		387,213
Movement in the year:		
Purchases at cost		777,706
Sales – proceeds		(801,142)
Sales – realised gains on investments		6,986
Net movement in unrealised gains		75,192
		445,955
Closing book cost		328,513
Closing unrealised gains		117,442
		445,955

Transaction costs on purchases during the year amounted to £1,201,000 (2006: £913,000) and on sales during the year amounted to £1,097,000 (2006: £965,000). These costs comprise mainly broker commission.

During the year, prior year unrealised gains amounting to £80,617,000 have been transferred to realised gains as disclosed in note 13.

(b) Stocklending details

	2007 £'000	2006 £'000
Net fee income from stocklending during the year	64	63

The aggregate value of securities on loan at 31st March 2007 amounted to £28,169,000 (2006: £13,744,000) and the maximum value of stock on loan during the year amounted to £28,169,000 (2006: £22,513,000). Collateral with a value equivalent to a minimum of 105% of the value of stocks on loan is obtained by JPMorgan Chase & Co. Limited as agent for the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

(c) Significant interests

At 31st March 2007 the Company held 34% (2006: 40%) of units in JPM Europe Micro Cap Fund which is registered in Luxembourg. This does not represent a participating interest.

Notes to the Accounts continued

	2007 £'000	2006 £'000
10. Current assets		
Debtors		
Securities sold for future settlement	8,123	3,317
Sale of shares from treasury for future settlement	1,200	–
Currency receivable	1,199	6,359
Dividends and interest receivable	213	358
Overseas tax recoverable	323	17
Other debtors	65	47
	11,123	10,098

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 approximates to their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	2007 £'000	2006 £'000
11. Creditors: amounts falling due within one year		
Bank loans	–	10,465
Securities purchased for future settlement	5,791	9,795
Currency payable	1,200	6,366
Other creditors and accruals	148	132
	7,139	26,758

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

The bank loan at 31st March 2006 represents Euro 15 million drawn down on the Company's floating rate facility with ING Bank. Further details are given in note 19 (c).

	2007 £'000	2006 £'000
12. Called up share capital		
Authorised:		
280,000,000 ordinary shares of 25p each	70,000	70,000
Issued and fully paid:		
Opening balance of 52,781,517 (2006: 53,566,517) shares	13,195	13,391
Repurchase of nil (2006: 785,000) shares for cancellation	–	(196)
Repurchase of 1,881,319 (2006: 300,000) shares into treasury	(470)	(75)
Sale of 625,000 (2006: 125,000) shares from treasury	156	31
Subtotal	12,881	13,151
Repurchase of 1,881,319 (2006: 300,000) shares into treasury	470	75
Sale of 625,000 (2006: 125,000) shares from treasury	(156)	(31)
Closing balance ¹	13,195	13,195

¹Represented by 52,781,517 (2006: 52,781,517) ordinary shares of 25p each including 1,431,319 (2006: 175,000) shares held in treasury.

Further details of transactions in the Company's share capital during the year are given in the Directors' Report on page 17.

	Called up share capital £'000	Share redemption premium £'000	Capital reserve £'000	Other reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
13. Reserves								
Opening balance	13,195	91	2,441	26,851	216,215	122,860	(8,683)	372,970
Realised foreign currency gains on cash, short term deposits and bank loans	–	–	–	–	235	–	–	235
Realised gains on investments	–	–	–	–	6,986	–	–	6,986
Net movement in unrealised gains	–	–	–	–	–	75,192	–	75,192
Transfer on disposal of investments	–	–	–	–	80,617	(80,617)	–	–
Unrealised loss on currency hedge	–	–	–	–	–	(1)	–	(1)
Unrealised loss on currency hedge now realised	–	–	–	–	(7)	7	–	–
Repurchase of shares into treasury	–	–	–	(11,195)	–	–	–	(11,195)
Sale of shares from treasury	–	1,221	–	3,602	–	–	–	4,823
Other capital charges	–	–	–	–	(45)	–	–	(45)
Retained revenue for the year	–	–	–	–	–	–	1,279	1,279
Closing balance	13,195	1,312	2,441	19,258	304,001	117,441	(7,404)	450,244

14. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £450,244,000 (2006: £372,970,000) and on the 51,350,198 (2006: 52,606,517) shares in issue at the year end, excluding shares held in treasury.

Notes to the Accounts continued

	2007 £'000	2006 £'000
15. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total return on ordinary activities before finance costs and taxation	85,149	152,341
Less capital return before finance costs and taxation	(82,367)	(151,194)
Scrip dividends received as income	(77)	(339)
Decrease in accrued income	145	342
Increase in other debtors	(18)	(28)
Increase/(decrease) in accrued expenses	25	(27)
Overseas withholding tax	(1,009)	(542)
Net cash inflow from operating activities	1,848	553

	At 31st March 2006 £'000	Cash flow £'000	Exchange movement £'000	At 31st March 2007 £'000
16. Analysis of changes in net debt				
Cash and short term deposits	2,417	(2,116)	4	305
Bank loans falling due within one year	(10,465)	10,241	224	-
Net debt	(8,048)	8,125	228	305

17. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2006: none).

18. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 19. The management fee payable to JPMorgan Asset Management (UK) Limited ("JPMAM") for the year was £3,806,000 excluding VAT (2006: £2,750,000) of which £nil (2006: £nil) was outstanding at the year end.

During the year £109,000 excluding VAT (2006: £80,000) was payable to JPMAM for the marketing of "wrapper" products, of which £26,000 (2006: £21,000) was outstanding at the year end.

Included in other management expenses in note 5 on page 35 are safe custody fees amounting to £133,000 excluding VAT (2006: £230,000) of which £29,000 (2006: £54,000) 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 £8,000 (2006: £34,000) of which £nil (2006: £nil) was outstanding at the year end. The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company holds an investment in JPM Europe Micro Cap Fund which is managed by JPMAM. At the year end this fund was valued at £45.2m (2006: £44.4m) and represented 10.1% (2006: 11.5%) of the Company's investment portfolio. During the year the Company made no purchases of this investment (2006: £nil) and sales with a total value of £9.7m (2006: £4.0m). Income amounting to £137,000 (2006: £108,000) was received from this investment during the year.

During the year the Company made purchases and sales of units in the JPM Euro Liquidity Fund, which is managed by JPMAM. At the year end, the Company's investment in this fund amounted to £12.7m (2006: £nil) or 2.9% of the Company's investments. Income amounting to £313,000 was received from this investment during the year.

The Company received £64,000 (2006: £63,000) from stocklending transactions during the year. JPMAM commissions in respect of such transactions amounted to £16,000 (2006: £16,000).

Handling charges payable on dealing transactions undertaken by overseas sub custodians on behalf of the Company during the year amounted to £45,000 (2006: £54,000) of which £6,000 (2006: £14,000) was outstanding at the year end.

At the year end, a bank balance of £276,000 (2006: £879,000) was held with JPMorgan Chase. A net amount of interest of £5,000 (2006: £23,000) was received by the Company during the year from JPMorgan Chase.

Notes to the Accounts continued

19. Financial instruments

(a) Management of risk

The Company's financial instruments may comprise:

- Investments in equity shares of European companies, a fund with European exposure and a Euro liquidity fund, which are all held in accordance with the Company's investment objective;
- Short term debtors, creditors and cash arising directly from its operations; and
- Bank loans denominated in Euros, the main purpose of which is to finance the Company's operations.

The Company is an investment trust and invests in shares and securities for the long term. It is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's operations are market price risk, liquidity risk, interest rate risk, credit risk and foreign currency risk. A description of these risks is given below, together with the Board's policy for managing these risks where appropriate.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss which the Company might incur as a result of holding a portfolio of investments when market prices fall.

The Board meets on at least five occasions each year to consider the asset allocation of the portfolio in order to assess the risk associated with particular industry sectors. An 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.

Liquidity risk

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

Interest rate risk

The Company finances its operations through bank borrowings and retained profits. Bank borrowings comprise short term loans drawn down on the Company's facility with ING Bank NV. Therefore the Company's exposure to risk due to fluctuating market rates of interest is not significant.

Credit Risk

The Company's financial assets are bank balances, debtors and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets. When buying and selling investments, the Company is exposed to the risk that the counterparty will not deliver the investment or cash. The Company will only deal with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies. Limits have been set as to the maximum exposure to any one counterparty at any time.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

19. Financial instruments continued

(a) Management of risk continued

Foreign currency risk

The Company has exposure to foreign currency as part of the risk reward inherent in a company that invests overseas.

The income and capital value of the the Company's investments can be affected by exchange rate movements as the Company's assets and income are almost entirely denominated in currencies other than Sterling which is the reporting currency.

The Board has identified four principal areas where foreign currency risk could impact the Company:

- movements in rates affect the value of investments and foreign currency cash balances;
- movements in rates affect the value of loans;
- movements in rates affect short term timing differences; and
- movements in rates affect the value of income received.

The Company does not currently hedge the Sterling value of investments that are priced in other currencies. However the Company's policy of borrowing in Euro denominated loans thereby hedges part of the movements in the value of investments attributable to exchange rate fluctuations.

The Company may be exposed to currency risk due to exchange rate movement in the period between investment trade date and the date of settlement. This exposure is short term and therefore the risk is not significant.

(b) Currency exposures

An analysis of the Company's net currency assets at 31st March is:

	Euro £m 2007	Euro £m 2006	Skr £m 2007	Skr £m 2006	Sfr £m 2007	Sfr £m 2006	Other £m 2007	Other £m 2006	Total £m 2007	Total £m 2006
Investments	379.9	227.7	10.7	60.3	25.6	44.0	29.8	55.2	446.0	387.2
Net current assets/(liabilities)	2.5	(1.7)	–	(0.3)	0.1	(1.9)	1.6	0.2	4.2	(3.7)
Loans	–	(10.5)	–	–	–	–	–	–	–	(10.5)
Financial instruments outstanding at the year end	382.4	215.5	10.7	60.0	25.7	42.1	31.4	55.4	450.2	373.0

Notes to the Accounts continued

19. Financial instruments continued

(c) Interest rate risk profile of financial assets and financial liabilities

Financial assets

The Company's financial assets comprise investments, a holding in a liquidity fund, debtors and cash. The investments are all equity shares or holdings in investment funds which neither pay interest nor have a maturity date. The liquidity fund is held as an alternative to cash and earns a floating rate of interest linked to the seven day Euro LIBOR rate. The Company's debtors may comprise unsettled broker balances for securities sold, dividends receivable, prepayments and other small balances on which no interest accrues. Cash balances in excess of a predetermined amount are placed on short term deposit and earn market rates of interest.

Financial liabilities

The Company's liabilities may include unsettled broker balances for securities purchased, other accruals on which no interest is payable, short term loans and overdrafts. Overdraft interest is payable at the prevailing market rate. The interest rate profile of the Company's financial liabilities at 31st March is:

	2007 £m	2006 £m
Floating rate financial liabilities	–	10.5
Liabilities on which no interest is paid	7.1	16.3
	7.1	26.8

In November 2006, the Company arranged a Euro 70 million 364 day Floating Rate Loan Facility with ING Bank NV. The facility expires on 13th November 2007. Under the terms of this agreement the Company may draw down up to Euro 70 million at an interest rate of LIBOR as offered in the market for the relevant period, plus a margin of 0.375% per annum plus the "mandatory cost" rate, which is the cost of complying with the regulatory requirements of the Bank of England and other regulatory bodies during the term of the advance. The Company has utilised this facility during the year, however it was undrawn at the year end.

At 31st March 2006 the Company had drawn down Euro 15 million on a similar facility arranged with ING Bank NV.

(d) Maturity of the Company's financial liabilities

	2007 £m	2006 £m
Falling due in one year or less or on demand	7.1	26.8

(e) Fair values of financial instruments

All financial assets and liabilities are included in the balance sheet at fair values.

Information about the Company

Financial Calendar

Financial year end	31st March
Interim results announced	October
Final results announced	June
Annual General Meeting	July
Interim Management Statements	July and January

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 code: 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 Daily Telegraph, the Financial Times, The Times, The Independent, The Herald, on BBC Ceefax and on the JPMorgan Internet site at www.jpmeuropeanfledgeling.com, 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), Personal Equity Plan (PEP) and the Pension Account.

aic

The Association of
Investment Companies A member of the AIC

Manager and 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 Hilary A Lowe FCIS.

Registrars

Lloyds TSB Registrars
 Reference 1083
 The Causeway
 Worthing
 West Sussex BN99 6DA
 Telephone number: 0870 600 3984

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
 Southwark Towers
 32 London Bridge Street
 London SE1 9SY

Brokers

Cenkos Securities plc
 6.7.8 Tokenhouse Yard
 London EC2R 7AS

Savings Products Administrators

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

Shareholder Analysis

at 31st March 2007

	Number of shares	% held
Private Client Brokers	11,084,914	21.0
Retail Investors holding shares directly or through nominee accounts ¹	7,801,679	14.8
Individuals in the Investment Trust Share Plan ³	3,316,378	6.3
Individuals in the Investment Trust Personal Equity Plan ³	1,309,913	2.5
Individuals in the Investment Trust Individual Savings Account ³	899,522	1.7
Individuals in the Investment Trust Pension Account ³	705,954	1.3
Total Retail Holdings	25,118,360	47.6
Pension Funds	13,756,950	26.0
Unit Trusts	6,482,229	12.3
Investment Trusts ²	2,124,185	4.1
Insurance Companies	1,355,965	2.6
Other Institutions	1,818,221	3.4
Charities	671,609	1.3
UK Government	22,679	0.0
Total Institutions	26,231,838	49.7
Treasury Shares*	1,431,319	2.7
Total shares in issue²	52,781,517	100.0

Nominee accounts have been allocated to their appropriate category.

¹Includes shares below threshold of 10,000 shares

²Includes 703,000 shares held by JPMorgan Elect plc

³Savings products managed by JPMorgan

*Shares held in Treasury do not carry any voting rights.

Source: Thomson Financial

Notice of Meeting

Notice is hereby given that the eighteenth Annual General Meeting of JPMorgan European Fledgeling Investment Trust plc will be held at The Library, JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on Friday 13th July 2007 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 2007.
- 2 To approve the Directors' Remuneration Report for the year ended 31st March 2007.
- 3 To re-elect Elisabeth Airey as a Director of the Company.
- 4 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 Special resolutions:

Authority to repurchase the Company's shares

- 5 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 7,911,949 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 12th June 2009 unless the authority is renewed at the Company's Annual General Meeting in 2008 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 ordinary shares from treasury

- 6 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 £1,319,538, 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 the aggregate dilution associated with all the reissues does not exceed 4 pence per share, being approximately 0.5% of the net asset value per share as at 31st March 2007.

Authority to disapply pre-emption rights on sale of ordinary shares from treasury

- 7 That subject to the passing of resolution 6 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 £1,319,538, 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 on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2008, or fifteen months after the date of the passing of this resolution, 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
 Hilary Lowe FCIS, for and on behalf of
 JPMorgan Asset Management (UK) Limited,
 Secretary
 5th June 2007

Notes

- 1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote on their behalf. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.
- 2 Any instrument appointing a proxy, to be valid, must be lodged at the Company's Registrar not less than 48 hours before the time of the meeting.
- 3 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. on 18th July 2006 (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.
- 4 Entry to the above Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with section 375 of the Companies Act 1985. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.
- 5 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 and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- 6 No Director has any contract of service with the Company.

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. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's CREST Manual. The CREST message must be transmitted so as to be received by the issuer's agent (ID7RA01) by not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timing and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

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 (net of tax) 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 value to bid value basis, assuming that all dividends paid out by the Company (net of tax) were reinvested in the shares of the Company at time the shares were quoted ex-dividend.

Prior to 31st December 2005 total return on net assets were based on a mid value to mid value basis. However to ensure consistency in the total return valuation basis, all net asset values prior to the 31st December have been adjusted to a bid-market value basis using an average factor compiled from the twelve month end valuations in the year to 31st December 2005 by Fundamental Data.

It should be noted that there may be a degree of divergence in the total return on net assets and the % change in net asset value per share quoted within the accounting records if the Trust has elected not to restate previous period end valuations onto a bid-market value basis under paragraph 108D of FRS 26.

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 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 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

Management fees and all other operating expenses (and including tax relief, where allowable, but excluding interest payments) expressed as a percentage of average net assets over the year.

Discount/Premium

If the share price of an investment company is lower than the net asset value (NAV) per share, the trust is 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 to trade at a discount than a premium.

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 in 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 40 30 30 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 6.00 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

PLEASE ADJUST SPINE
WIDTH IF NECESSARY

