# Half Year Report 08

# JPMorgan European Fledgeling Investment Trust plc

Half Year Report & Accounts for the six months ended 30th September 2008

JPMorgan Asset Management

# Features

## Contents



## Objective

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

## Investment Policy

– 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.
– To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

## Risk

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.

## Benchmark

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

## Capital Structure

The Company has an authorised share capital of 280,000,000 ordinary shares of 25p each.

At the period end 51,293,198 shares were in issue, including 3,306,875 shares held in Treasury.

## Management Company

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

# Half Year Performance

## Total Returns (capital plus income)

**-25.5%**
Return to shareholders[1]

**-20.8%**
Return on net assets

**-23.7%**
Benchmark return[2]

## Financial Data

| | 30th Sept 2008 | 31st March 2008 | % change |
|---|---|---|---|
| Shareholders' funds (£'000) | 306,423 | 393,957 | -22.2% |
| Number of shares in issue[3] | 51,293,198 | 51,350,198 | |
| Net asset value per share | 638.6p | 807.8p | -20.9% |
| Net asset value per share assuming reissue of Treasury shares[4] | 635.0p | 801.4p | -20.8% |
| Share price | 506.5p | 680.0p | -25.5% |
| Discount of share price to net asset value per share | 20.7% | 15.8% | |

A glossary of terms and definitions is provided on page 14.

[1]Source: Standard & Poor's – www.funds.morningstar.com

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

[3]Includes 3,306,875 (31st March 2008: 2,579,875) shares held in Treasury.

[4]Net asset value assuming the shares held in Treasury were reissued in accordance with the Board's current policy on the reissue of Treasury Shares.

# Chairman's Statement

## Performance

Against a background of acute economic uncertainty, global equity markets were extremely volatile in the first six months of the Company's financial year and the environment has not improved post the period end.

For the six months to 30th September 2008, the Company produced a return on net assets of –20.8%. This compares with the return of -23.7% from the benchmark index, the HSBC Smaller European Companies (ex UK) Index. Whilst it is disappointing to report such a fall in net asset value, it is a small comfort that the Investment Managers have again outperformed the benchmark index over the first half of the financial year. The return to shareholders over the period was –25.5% as the discount on the Company's shares widened in these difficult markets from 15.8% as at 31st March 2008 to 20.7% as at 30th September 2008, its highest level in several years.

## Revenue and Dividend

Revenue return after tax for the six months to 30th September 2008 was £4,439 million, significantly higher than the revenue generated in the corresponding period in 2007 (£450,000). This primarily reflected the higher dividend levels on the more defensive stocks held during this period together with the income on the increased level of cash and liquid assets being held. As at 30th September 2008, approximately 18% of the Company's assets were held in cash.

The Company has a deficit on the revenue reserve, £3.341 million at the end of the period, reflecting the Company's objective to achieve long term capital growth, rather than producing revenue. Accordingly, as in previous periods, no dividend will be payable.

## Share Capital

In the six months to 30th September 2008 the Company has continued to use the authority given by shareholders to buy and sell its shares through Treasury. During the period 727,000 shares were repurchased into Treasury at a total cost of £4.9million. A total of 57,000 shares were repurchased and cancelled over the period at a cost of £399,000. Since the end of September, the Company has repurchased a further 407,000 shares into Treasury at a total cost of £1.9million.

## VAT

We have reached agreement in principle with our Managers JPMAM (who have been negotiating recovery from HMRC) on the basis of recovery of past VAT and are in the process of documenting this. Our total recovery is expected to be of the order of £2.8 million plus interest.

## Outlook

We expect that the exceptionally volatile market conditions of the past year will continue. We therefore anticipate that in the short term our Investment Managers will maintain their cautious stance and not employ gearing. Whilst it is very difficult to put a timeframe on a return to more stable market conditions, we are mindful that the negative economic outlook will become fully reflected in market pricing and that this point may not be far off.

**Elisabeth Airey**
Chairman

26th November 2008

# Investment Managers' Report

Jim Campbell

Francesco Conte

## Review

While the banking crisis continued in the new financial year, following the successful takeover of Bear Stearns by JPMorgan, there were tentative signs that the markets had started to believe in the "too big to fail" mantra, where, in the worst case scenario bank equity holders would lose their equity but bond investors and the system at large would be protected. However, the protracted difficulties in the credit markets had an increasingly negative impact on the economy. From the middle of July, the themes which had dominated the last few years, of strong emerging economies buying infrastructure equipment, capital goods and services from the western economies, went into sharp reversal. There was a flight to safety which resulted in strengthening of the usual safe havens such as the US dollar, Swiss Franc and gold, while prices of other commodities fell sharply, easing the central banks' mounting inflationary concerns.

With Lehman Brothers failing in September, confidence in the banking system evaporated. The inter-bank market, along with bank bond issuance which had increasingly been suffering, came to a virtual standstill and depositors began withdrawing their cash from banks perceived to be inadequately financed. 1929 analogies looked frighteningly realistic. Fear of systemic failure was not stemmed until after the period ended, when the G7 countries agreed on a global banking bail out plan which essentially amounted to nationalisation of many banks and the guarantee of virtually all deposits. The negative economic impact resulting from the consumer confidence collapse at the end of the period is something we shall probably live with for some time.

With a flight to safety, in the first six months of the financial year, the blue-chip MSCI Europe (ex UK) Index fell by 15.9 per cent, continuing to outperform the HSBC Smaller European Companies (ex UK) Index which fell by 23.7 per cent. The portfolio net asset value outperformed the small cap index, with a fall of 20.8 per cent.

The sharp change in the global macroeconomic environment from strong growth to sharp deceleration meant that sectors such as construction and capital goods producers, i.e. "value" stocks, performed very badly whilst companies less dependent on the general economic environment, "growth" stocks, performed better.

## Portfolio

The key active sector exposures within the Company's portfolio were stable over the six months, with software and IT services and support services remaining the largest overweight positions. At the time of writing, we still feel comfortable with our IT weighting as companies in the sector continue to display good operational momentum, while we are disposing of more economically sensitive companies in support services.

In the period we cut the industrial and oil and gas weightings as forward macro economic indicators, such as the price of commodities and freight rates, increasingly pointed to sharp global deceleration. Likewise, prices of agricultural soft commodities fell, resulting in the sale of Vilmorin, the European leader in seeds. During the six months we increased our exposure to defensive stocks in the pharmaceutical sector.

Best performing stocks in the period were French smart card producer Gemalto, Italian rail equipment producer Ansaldo STS and Grifols, a Spanish producer of plasma derivatives. Worst performing stocks included Spanish pharmaceutical producer Laboratorios Almirall, on failure of a phase three drug trial, Dutch oil service company SBM Offshore on cost over-runs, and German capital goods manufacturer GEA as markets feared a slowdown. Net cash at the end of the quarter was 17% of the portfolio.

# Investment Managers' Report continued

## Outlook

October was an extremely difficult month for the markets, with the blue-chip MSCI Europe (ex UK) Index falling by 14.4% and the HSBC Smaller European Companies (ex UK) Index falling by 19.7%. Our cautious stance to markets mitigated some but not all of these losses. The net asset value of the Company fell by 12.5%.

While fears of a systemic banking collapse have receded with inter-bank spreads contracting from excessively high levels, the markets are now worried about the potential of a global synchronised recession and the possibility of deflation. At the time of writing the markets are in a state of extreme stress. All asset classes are reaching unprecedented levels of volatility. The Vix, an indicator of equity volatility, has reached 70, a level last seen in 1987; currencies have reached similar levels of volatility and the corporate bond market is extremely risk averse. While newsflow remains overwhelmingly negative, valuations are attractive at about 8x prospective earnings, suggesting that the market is discounting a further 30% to 40% reduction in future earnings. Moreover, with the US S&P500 index down 41% year to date, it represents the second worst calendar year of performance since 1825. With all central banks now committed to cutting interest rates and governments determined to sustain increasing spending programmes, we remain vigilant as to the possibility the market may already have discounted the recession.

**Jim Campbell**
**Francesco Conte**
Investment Managers

26th November 2008

# Ten Largest Investments[1]

as at 30th September 2008

| Company | Country | Valuation £'000 | Total assets %[2] |
|---|---|---|---|
| Ansaldo STS | Italy | 10,307 | 3.4 |
| Gemalto | Netherlands | 9,785 | 3.2 |
| Zodiac | Netherlands | 8,538 | 2.8 |
| Lottomatica | Italy | 7,828 | 2.6 |
| Temenos | Switzerland | 7,432 | 2.4 |
| Recordati | Italy | 7,314 | 2.4 |
| Unit 4 Agresso | Netherlands | 7,221 | 2.4 |
| Galenica | Switzerland | 7,083 | 2.3 |
| Jeronimo Martins | Portugal | 7,010 | 2.3 |
| Rubis | Switzerland | 6,405 | 2.1 |
| **Total** | | 78,923 | 25.9 |

[1] Excluding the holding in the JPM Euro Liquidity Fund.
[2] Based on total assets less current liabilities of £306.4m.

As at 31st March 2008 the value of the ten largest investments amounted to £115,497,000, representing 29.3% of total assets less current liabilities.

# Portfolio Analyses

## Geographic Analysis*

| | 30th September 2008 | | 31st March 2008 | |
|---|---|---|---|---|
| | Portfolio* % | Benchmark % | Portfolio* % | Benchmark % |
| Italy | 15.5 | 10.4 | 15.7 | 11.9 |
| France | 13.7 | 14.7 | 12.8 | 11.8 |
| Switzerland | 8.4 | 13.3 | 11.9 | 8.8 |
| Germany | 7.9 | 15.4 | 6.0 | 13.8 |
| Netherlands | 6.7 | 2.9 | 14.8 | 6.0 |
| Spain | 5.8 | 8.8 | 13.4 | 8.9 |
| Sweden | 5.1 | 5.6 | 5.5 | 8.1 |
| Belgium | 4.6 | 2.9 | 1.2 | 3.4 |
| Greece | 3.1 | 7.7 | 2.5 | 5.8 |
| Finland | 3.0 | 3.6 | 5.7 | 4.0 |
| Denmark | 2.7 | 1.1 | 2.8 | 4.5 |
| Portugal | 2.3 | 1.5 | – | 1.7 |
| Ireland | 2.0 | 1.4 | 2.8 | 2.1 |
| Austria | 1.2 | 2.3 | 3.0 | 3.5 |
| Norway | 0.4 | 3.3 | 0.2 | 5.3 |
| Hungary | – | 2.6 | – | – |
| Poland | – | 2.5 | – | – |
| Luxembourg | – | – | – | 0.4 |
| Total equities | 82.4 | 100.0 | 98.3 | 100.0 |
| Liquidity fund | 9.2 | – | 2.5 | – |
| Net current assets/(liabilities) | 8.4 | – | (0.8) | – |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 |

Based on total assets less current liabilities of £306.4m (31st March 2008: £394.0m).

*This has been calculated on a "look through" basis to take account of the JPMorgan Europe Micro Cap fund, which is invested in a number of countries. This also affects the net current assets/(liabilities) figure.

## Sector Analysis

| | 30th September 2008 | | 31st March 2008 | |
|---|---|---|---|---|
| | Portfolio % | Benchmark % | Portfolio % | Benchmark % |
| Industrials | 27.7 | 18.2 | 29.7 | 26.8 |
| Information Technology | 20.2 | 5.2 | 15.7 | 6.5 |
| Healthcare | 10.9 | 9.0 | 9.8 | 7.3 |
| Consumer Staples | 8.8 | 7.7 | 14.2 | 6.5 |
| Financials | 7.0 | 23.1 | 3.5 | 18.5 |
| Other | 2.8 | – | 1.3 | – |
| Utilities | 2.1 | 5.9 | 3.5 | 2.5 |
| Consumer Discretionary | 1.6 | 12.6 | 14.3 | 16.9 |
| Materials | 1.3 | 8.1 | 4.0 | 8.7 |
| Telecommunication Services | – | 4.2 | 2.3 | 0.9 |
| Energy | – | 6.0 | – | 5.4 |
| Total equities | 82.4 | 100.0 | 98.3 | 100.0 |
| Liquidity fund | 9.2 | – | 2.5 | – |
| Net current assets/(liabilities) | 8.4 | – | (0.8) | – |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 |

Based on total assets less current liabilities of £306.4m (31st March 2008: £394.0m).

# Income Statement

for the six months ended 30th September 2008

| | (Unaudited) Six months ended 30th September 2008 | | | (Unaudited) Six months ended 30th September 2007 | | | (Audited) Year ended 31st March 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **Losses from investments held at fair value through profit or loss** | – | (86,266) | (86,266) | – | (4,680) | (4,680) | – | (39,175) | (39,175) |
| Net foreign currency (losses)/gains | – | (377) | (377) | – | 376 | 376 | – | 2,107 | 2,107 |
| Income from investments | 7,511 | – | 7,511 | 4,326 | – | 4,326 | 5,890 | – | 5,890 |
| Other interest receivable and similar income | 256 | – | 256 | 118 | – | 118 | 259 | – | 259 |
| **Gross revenue and capital losses** | 7,767 | (86,643) | (78,876) | 4,444 | (4,304) | 140 | 6,149 | (37,068) | (30,919) |
| Management fee | (2,104) | – | (2,104) | (2,795) | – | (2,795) | (4,992) | – | (4,992) |
| Other administrative expenses | (297) | – | (297) | (327) | – | (327) | (617) | – | (617) |
| **Net return/(loss) before finance costs and taxation** | 5,366 | (86,643) | (81,277) | 1,322 | (4,304) | (2,982) | 540 | (37,068) | (36,528) |
| Finance costs | (25) | – | (25) | (374) | – | (374) | (394) | – | (394) |
| **Net return/(loss) before taxation** | 5,341 | (86,643) | (81,302) | 948 | (4,304) | (3,356) | 146 | (37,068) | (36,922) |
| Taxation | (902) | – | (902) | (498) | – | (498) | (522) | – | (522) |
| **Net return/(loss) after taxation** | 4,439 | (86,643) | (82,204) | 450 | (4,304) | (3,854) | (376) | (37,068) | (37,444) |
| **Return/(loss) per share (note 3)** | 9.20p | (179.55)p | (170.35)p | 0.88p | (8.42)p | (7.54)p | (0.75)p | (73.57)p | (74.32)p |

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

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

# Reconciliation of Movements in Shareholders' Funds

| Six months ended 30th September 2008 (unaudited) | 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 2008** | 12,837 | 1,312 | 2,799 | 415 | 384,374 | (7,780) | 393,957 |
| Repurchase and cancellation of shares | (14) | – | 14 | – | (399) | – | (399) |
| Repurchase of shares into Treasury | – | – | – | (4,931) | – | – | (4,931) |
| Net (loss)/return from ordinary activities | – | – | – | – | (86,643) | 4,439 | (82,204) |
| **At 30th September 2008** | 12,823 | 1,312 | 2,813 | (4,516) | 297,332 | (3,341) | 306,423 |

| Six months ended 30th September 2007 (unaudited) | 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 2007** | 13,195 | 1,312 | 2,441 | 19,258 | 421,442 | (7,404) | 450,244 |
| Repurchase of shares into Treasury | – | – | – | (3,937) | – | – | (3,937) |
| Net (loss)/return from ordinary activities | – | – | – | – | (4,304) | 450 | (3,854) |
| **At 30th September 2007** | 13,195 | 1,312 | 2,441 | 15,321 | 417,138 | (6,954) | 442,453 |

| Year ended 31st March 2008 (audited) | 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 2007** | 13,195 | 1,312 | 2,441 | 19,258 | 421,442 | (7,404) | 450,244 |
| Repurchase of shares into Treasury | – | – | – | (18,843) | – | – | (18,843) |
| Cancellation of shares held in Treasury | (358) | – | 358 | – | – | – | – |
| Net loss from ordinary activities | – | – | – | – | (37,068) | (376) | (37,444) |
| **At 31st March 2008** | 12,837 | 1,312 | 2,799 | 415 | 384,374 | (7,780) | 393,957 |

# Balance Sheet

as at 30th September 2008

| | (Unaudited) 30th September 2008 £'000 | (Unaudited) 30th September 2007 £'000 | (Audited) 31st March 2008 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value through profit or loss | 280,640 | 465,948 | 397,331 |
| **Current assets** | | | |
| Debtors | 8,434 | 1,938 | 6,582 |
| Cash and short term deposits | 22,329 | 192 | 2,456 |
| Derivative financial instrument | – | – | 2 |
| | 30,763 | 2,130 | 9,040 |
| **Creditors:** amounts falling due within one year | (4,974) | (25,625) | (12,414) |
| Derivative financial instrument | (6) | – | – |
| **Net current assets/(liabilities)** | 25,783 | (23,495) | (3,374) |
| **Total assets less current liabilities** | 306,423 | 442,453 | 393,957 |
| **Total net assets** | 306,423 | 442,453 | 393,957 |
| **Capital and reserves** | | | |
| Called up share capital | 12,823 | 13,195 | 12,837 |
| Share premium | 1,312 | 1,312 | 1,312 |
| Capital redemption reserve | 2,813 | 2,441 | 2,799 |
| Other reserve | (4,516) | 15,321 | 415 |
| Capital reserve | 297,332 | 417,138 | 384,374 |
| Revenue reserve | (3,341) | (6,954) | (7,780) |
| **Shareholders' funds** | 306,423 | 442,453 | 393,957 |
| **Net asset value per share (note 4)** | 638.6p | 870.0p | 807.8p |

# Cash Flow Statement

for the six months ended 30th September 2008

| | (Unaudited) Six months ended 30th September 2008 £'000 | (Unaudited) Six months ended 30th September 2007 £'000 | (Audited) Year ended 31st March 2008 £'000 |
|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 4,453 | 186 | (1,083) |
| Net cash outflow from returns on investments and servicing of finance | (25) | (355) | (395) |
| Tax recovered | 31 | 130 | 216 |
| Net cash inflow/(outflow) from capital expenditure and financial investment | 21,113 | (5,071) | 18,952 |
| Net cash (outflow)/inflow from financing | (5,330) | 4,435 | (17,544) |
| **Increase/(decrease) in cash for the period** | 20,242 | (675) | 146 |
| **Reconciliation of net cash flow to movement in net funds/debt** | | | |
| Net cash movement | 20,242 | (675) | 146 |
| Net loans drawn down in the period | – | (5,396) | (99) |
| Exchange movements | (369) | 374 | 2,104 |
| Movement in net funds/debt in the period | 19,873 | (5,697) | 2,151 |
| Net funds at the beginning of the period | 2,456 | 305 | 305 |
| **Net funds/(debt) at the end of the period** | 22,329 | (5,392) | 2,456 |
| **Represented by :** | | | |
| Cash at bank and in hand | 22,329 | 192 | 2,456 |
| Debt falling due within one year | – | (5,584) | – |
| **Net funds/(debt) at the end of the period** | 22,329 | (5,392) | 2,456 |

# Notes to the Accounts

for the six months ended 30th September 2008

1. **Financial Statements**

   The information contained within the financial statements in this half-yearly report has not been audited or reviewed by the Company's auditors.

   The figures and financial information for the year ended 31st March 2008 are extracted from the latest published accounts of the Company and do not constitute statutory accounts (as defined in Section 434(3) of the Companies Act 2006) for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either either Section 237(2) or 237(3) of the Companies Act 1985 (as ammended).

2. **Accounting policies**

   The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated 31st December 2005.

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

   The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st March 2008.

| | (Unaudited) Six months ended 30th September 2008 £'000 | (Unaudited) Six months ended 30th September 2007 £'000 | (Audited) Year ended 31st March 2008 £'000 |
|---|---|---|---|
| **3. Return/(loss) per share** | | | |
| Return/(loss) per share is based on the following: | | | |
| Revenue return/(loss) | 4,439 | 450 | (376) |
| Capital loss | (86,643) | (4,304) | (37,068) |
| Total loss | (82,204) | (3,854) | (37,444) |
| Weighted average number of shares in issue | 48,256,977 | 51,132,996 | 50,380,312 |
| Revenue return/(loss) per share | 9.20p | 0.88p | (0.75)p |
| Capital loss per share | (179.55)p | (8.42)p | (73.57)p |
| Total loss per share | (170.35)p | (7.54)p | (74.32)p |

## 4. Net asset value per share

The net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 30th September 2008 of 51,293,198 (30th September 2007: 50,855,698 and 31st March 2008: 48,770,323) excluding shares held in Treasury.

## 5. Contingent asset

Following a decision by the European Court of Justice, HM Revenue and Customs have conceded that VAT need not be charged on investment management fees and performance fees. Consequently no VAT has been payable on such fees since 1st October 2007 and the Company is in the process of recovering VAT paid in the past. An amount in excess of £2.8 million is probably recoverable, however in the absence of a definitive agreement with the Manager, no asset has been recognised in these interim accounts at 30th September 2008.

## 6. Reconciliation of total loss on ordinary activities before finance costs and taxation to net cash inflow/(outflow) from operating activities

| | (Unaudited) Six months ended 30th September 2008 £'000 | (Unaudited) Six months ended 30th September 2007 £'000 | (Audited) Year ended 31st March 2008 £'000 |
|---|---|---|---|
| Total loss on ordinary activities before finance costs and taxation | (81,277) | (2,982) | (36,528) |
| Less capital loss before finance costs and taxation | 86,643 | 4,304 | 37,068 |
| Scrip dividends received as income | (201) | (593) | (594) |
| Decrease/(increase) in accrued income | 421 | 47 | (356) |
| Decrease/(increase) in other debtors | 20 | 9 | (29) |
| (Decrease)/increase in accrued expenses | (45) | (10) | 13 |
| Overseas withholding tax | (1,108) | (589) | (657) |
| Net cash inflow/(outflow) from operating activities | 4,453 | 186 | (1,083) |

# Interim Management Report

The Company is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into five broad categories: Investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st March 2008.

## Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and

ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

for and on behalf of the Board
**Elisabeth Airey**
Chairman 26th November 2008

# Information about the Company

## Financial Calendar

| | |
|---|---|
| Financial year end | 31st March |
| Final results announced | June |
| Half year end | 30th September |
| Half year results announced | November |
| Interim Management Statements announced | January/July |
| Annual General Meeting | July |

### History

On 24th April 1990, the Company acquired the undertaking and assets of Fleming European Fledgeling Fund Limited (the 'Fund') in exchange for the issue of its shares and warrants. The Fund was an open-ended, unquoted investment company based in Jersey and formed in June 1987 with the same objectives and investment policies as the Company. The Company adopted its present name on 12th July 2006.

### Directors

Elisabeth Airey (Chairman)
Anthony Davidson
Paul Manduca
Federico Marescotti
Michael Wrobel

### Company Numbers

Company registration number: 2431143
London Stock Exchange number: 0341969
ISIN: GB0003419693
Bloomberg Code: JFF LN

### Market Information

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

### Share Transactions

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

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 and administrative matters please contact Jonathan Latter.

### Registrars

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

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

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

### Auditors

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

### Brokers

Cenkos Securities plc,
6.7.8 Tokenhouse Yard,
London EC2R 7AS

### Savings Product Administrators

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

# Glossary of Terms

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

### Total 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 were reinvested in the NAV of the Company at the time the shares were quoted ex-dividend.

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

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

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

### Volatility Index (VIX)
The VIX is one of the investment community's most widely accepted methods of gauging equity market volatility.

JPMorgan Helpline
Freephone 0800 20 40 20 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
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