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Gartmore Fledgling Trust plc

Report for the six months to 31st December 2003

The Company

Investment Objective

The Company seeks long-term growth in capital and dividends from investment in the constituents of the FTSE Fledgling Index ex Investment Companies ("Fledgling Index").

Investment Policy

The Managers follow a hybrid investment policy that combines indexation with a small active overlay aimed at adding value to mitigate the Company's management fees and annual portfolio rebalancing costs. The portfolio of securities held possesses characteristics that broadly match those of the Fledgling Index in terms of, inter alia, types of business activity, market capitalisation and yield. A substantial proportion of the Index is replicated.

The Company will not invest more than 15% of its gross assets in other listed investment companies (including investment trusts).

Benchmark Index

The Company's benchmark is the FTSE Fledgling Index ex Investment Companies. The Fledgling Index was established by the FTSE Actuaries UK Indices Committee as part of their range of indices following UK equities.

As at 31st December 2003, the Fledgling Index (excluding Investment Companies) comprised 308 companies listed on the London Stock Exchange. The Index has been rebalanced quarterly. At its latest rebalancing, the Index represented the smallest 0.49% of the UK equity market by market capitalisation, and had a threshold maximum market capitalisation of £56 million.

Gartmore Fledgling Trust plc
is managed by Gartmore Investment Limited. Gartmore Investment Limited is authorised and regulated by the Financial Services Authority.

Overview

- The Company's Net Asset Value rose by 34.6% over the six months to 31st December 2003, compared with a rise of 12.0% in the FTSE All-Share Index.
- The Company's Net Asset Value rose by 199.8% over the five-year period to 31st December 2003. This was almost 30% per annum ahead of the FTSE All-Share Index.
- The Company's performance has been ranked 1st in the AITC UK Smaller Companies Investment Trusts universe over the one-year, three-year and five-year periods to 31st December 2003.
- The Company won the Investment Trust of the Year Award in the Investment Week Awards 2003 in the UK Small Capitals & Venture Capitals category.
- The Company outperformed the FTSE Fledgling Index (ex Investment Companies) by 0.3% per annum (in capital terms) over the five years to 31st December 2003.
- The Company will pay an unchanged interim dividend of 1.50p per Ordinary share.
- Fledgling companies continue to have more attractive prospects than their larger counterparts which is reflected in the high incidence of directors purchasing shares in their own companies. Their attractiveness results from their low relative valuations, the high level of takeover activity in the sector and their greater reliance on domestic earnings.

Chairman's Statement

I have pleasure in presenting the Interim Report and Accounts of Gartmore Fledgling Trust plc for the six-month period to 31st December 2003.

Performance

During the period under review, the Company significantly outperformed larger UK companies, as represented by the FTSE All-Share Index. The Company achieved an increase in Net Asset Value of 34.6%, compared with an increase of 12.0% for the FTSE All-Share Index. This outperformance, of more than 20% on a relative basis, was driven by a combination of factors. These included the greater bias towards domestic earnings, the low comparative valuations and the high level of takeovers of Fledgling companies, together with the relative strength of many of the larger industry sectors within the Fledgling sector. This was particularly true of those with a significant domestic focus, notably transport, media, leisure, and support services, which achieved positive absolute capital returns of 67%, 61%, 59% and 52% respectively over the six months.

The Company underperformed the Fledgling Index by 0.8% during the period. This was the result of larger than usual dealing costs associated with unusually large rebalances of the Fledgling Index in September and December 2003. In aggregate, a larger proportion of the portfolio had to be realigned in order to maintain a broad matching of the Index. It is expected that most of these costs will be recovered during the remaining six months of the Company's financial year.

The Company was originally formed to enable investors to participate in the long-term outperformance of the FTSE Fledgling Index (ex Investment Companies). During the five-year period to 31st December 2003, the Company's Net Asset Value rose by 199.8%, a compound annual increase of 24.6%, compared with a fall of 3.8% per annum for the FTSE All-Share Index.

Performance of FTSE Fledgling Index (ex Investment Companies) relative to the FTSE All-Share Index

Chairman's Statement

Net Asset Value Performance

The Company has also performed exceptionally well against competitor UK smaller company investment trusts. Over the one-year, three-year and five-year periods to 31st December 2003, the Company's performance was ranked first within the AITC universe of similar funds. This performance led the Company to win the Investment Trust of the Year Award 2003, in the Investment Week Awards for UK Small Capitals & Venture Capitals category.

NAV Performance relative to AITC Smaller Companies Investment Trusts

Periods to 31st Dec 2003	Gartmore Fledgling Trust NAV Return %	AITC UK Smaller Cos Sector Average Return %	Ranking in Sector	Quartile Ranking
3 Months	+13.1	+6.2	1/24	1st
6 Months	+34.6	+21.1	3/24	1st
1 Year	+62.2	+38.4	1/24	1st
3 Years	+45.5	-23.1	1/21	1st
5 Years	+199.8	+35.4	1/21	1st

Source: AITC Fundamental Data. Figures shown are unannualised NAV capital only returns.

Dividend

The interim dividend for the year ending 30th June 2004 will be 1.5p per Ordinary share. This is the same as the amount paid for the corresponding period last year. The shares will be marked ex-dividend on 18th February 2004 and the dividend will be paid on 19th March 2004 to Shareholders on the Register on 20th February 2004.

Subject to unforeseen circumstances, it is expected that the aggregate dividend for the Company's financial year to 30th June 2004 will be maintained.

Outlook

The global environment has become more stable since April 2003. Politically, the shock of war in Iraq has receded and Libya is no longer classed as a rogue state. Economically, monetary factors have been favourable too, such as lower real interest rates, a weak dollar and a relatively weak sterling. Further, oil price volatility has fallen away, and corporate surprises have become generally positive in nature. This multitude of positive factors has led to a global recovery in stockmarkets.

Further corporate recovery is expected in 2004, with continued earnings and profits growth, and improved balance sheets. Monetary policy is also expected to continue as a stimulus, albeit to a lesser degree. Internationally, recovery should largely be non-inflationary, since most economies still have free capacity that can be reutilised. Markets are consequently expected to move further upwards, though probably at a lesser rate than during 2003.

The UK experience has been that smaller company indices have performed better than larger ones in the second half of 2003. It is within this smaller company sphere, and more particularly the Fledgling niche, that your Board remains confident that substantial equity returns are still available to be

Chairman's Statement

earned. Fledgling businesses are more domestic in nature than their larger counterparts, and, as such, provide maximum access to the growth expected to occur in the home economy. Fledgling companies are also significantly more 'cheaply' valued compared to their larger counterparts. They are, for example, priced on average at only a little more than their book value, whilst larger companies are typically priced at twice book value. These factors lead to the expectation that smaller domestic companies will see higher levels of earnings and dividend growth and stronger share price performance than larger firms during the coming year.

The attractiveness of the Fledgling sector can further be demonstrated through the activity of directors dealings in the shares of their own companies, and through takeover activity, within this segment of the market. During 2003, there were nearly three times as many director purchases as sales. Although down from its peak, this ratio still indicates a vote of confidence by managements in their own companies. The level of acquisitions has risen significantly from its low in 2002. Indeed, nearly 11% of Fledgling companies were acquired during 2003. This suggests a continued keen interest in the sector by corporates and venture capitalists.

In summary, as indicated in the last Annual Report, the factors driving the historic strength of the FTSE Fledgling Index (ex Investment Companies) remain firmly in place. The Fledgling sector should continue to be attractive for investment during 2004.

Jimmy West
Chairman

2nd February 2004

Managers' Review

Investment Policy

The Company is managed using a hybrid investment style. For the most part, a policy of broad indexation of the FTSE Fledgling Index (ex Investment Companies) is adopted. A small active overlay is then applied to approximately 10% of the portfolio. This overlay takes the form of overweighting the holdings in those Fledgling companies where directors have recently purchased their own shares. Conversely, constituents of the Index which are considered unlikely to remain solvent on a one-year view are excluded from the portfolio.

This dual approach is seen as the most practicable way of obtaining full exposure to the anticipated long-term outperformance of the FTSE Fledgling Index (ex Investment Companies). It offers a widely diversified portfolio, close in structure to that of the Index. The active overlay then helps the Company to still perform approximately in line with benchmark, by aiming to add value to mitigate the sometimes significant periodic rebalancing costs.

Performance

Over the very long-term, the Fledgling segment of the market has significantly outperformed the FTSE All-Share Index. The 49 year period from 1st January 1955 to 1st January 2004 saw the smallest capitalisation stocks in the market, as represented by the MicroCap and Fledgling indices, deliver an annualised rate of return of 20.9%, whilst the FTSE All-Share Index produced an annualised return of 12.7%. Retail price inflation was 6.0% per annum over the same period, implying a real return of nearly 15% per annum for this sector of the market.

The table below shows the performance history of the Company's portfolio over various periods during the past five years. Over the six months to 31st December 2003, the Company underperformed the FTSE Fledgling Index by 0.8%. This was the result of dealing costs associated with untypically large rebalances of the Fledgling Index in September and December.

Managers' Review

In aggregate, a greater proportion of the fund had to be transacted in order to maintain a broad matching of the Index. Over five years, the active overlay has still enabled the portfolio to outperform its benchmark by 0.3% per annum.

Period Covered	Gartmore Fledgling Trust Total Assets Net Share %	Benchmark Capital Return %	Relative Performance* %
1999	+98.9	+93.7	+2.7
2000	+5.5	+6.7	-1.1
2001	-3.0	-3.2	+0.2
2002	-7.8	-9.8	+2.2
2003 1st Half	+20.6	+22.6	-1.6
2nd Half	+34.6	+35.7	-0.8
Year	+62.2	+66.3	-2.5
5 Years to 31st Dec 2003 (Annualised)	+24.9	+24.6	+0.3

Source: Gartmore, Datastream.
*Relative performances are calculated as compound relatives and based on more decimal places than shown.

Rebalancing

The nature of the FTSE Fledgling Index is that its constituents are smaller than those of the FTSE All-Share Index, with no gap between or overlap in the two indices' constituents. A full review occurs annually in December, when a 'threshold' market capitalisation is set by the FTSE Actuaries Committee to divide the two benchmarks. This was set at approximately £56m in December 2003. Quarterly, a smaller number of constituent companies move between the two indices, in cases where significant changes in market capitalisation have occurred during the quarter.

Together, the September and December 2003 rebalances resulted in a turnover of just over 30% by value of the constituents of the FTSE Fledgling Index (ex Investment Companies). This proportion is amongst the highest turnover levels seen in recent years, and inevitably involved greater dealing volumes and costs for the Company's portfolio.

The larger than usual volume of deals required to be transacted in late December, a time of traditionally illiquid markets in smaller, and particularly Fledgling, companies also meant that not all rebalancing trades were able to be completed by 31st December 2003. A number of outstanding transactions accordingly increased the deviation of portfolio sector weight and tracking error compared to the benchmark to higher than usual levels at the end of 2003. Most of these outstanding transactions have now been completed.

Managers' Review

Portfolio Construction

(a) Summary Risk Statistics

The portfolio is widely diversified over the FTSE Fledgling area of the market with investments held in just over 300 companies. The following table summarises the risk characteristics of the portfolio. The key summary statistic is the tracking error of 1.9% against the FTSE Fledgling Index (ex Investment Companies). This number estimates the typical range in performance around the Index that might be expected in two out of three years. As indicated above, this level of predicted tracking error is higher than is typically the case. Once all rebalancing trading has been completed, the value is expected to fall to a little over 1%. This is a reasonable level given the illiquidity in the Fledgling sector of the market and the active overlay within the Portfolio.

	Gartmore Fledgling Trust	FTSE Fledgling Index (ex. Inv. Cos.)	Portfolio & Index Overlap
No. of Companies	307	308	289
Tracking Error	1.9%	0.0%	
Beta	0.94	1.00	

Source: Northfield.

(b) Sector Weightings

The portfolio's sector positions are reasonably close to those of the benchmark as befits an index tracking approach. The table on page 12 shows the portfolio's weightings against the benchmark index as at the end of 2003. As with the portfolio's risk statistics, once all rebalancing trading has been completed, the deviation's from the benchmark will reduce.

Characteristics of the FTSE Fledgling Index (ex Investment Companies)

The FTSE Fledgling Index (ex Investment Companies) possesses a number of differences in characteristics from the well-known larger company indices such as the FTSE All-Share Index or the FTSE 100 Index. In particular, the FTSE Fledgling Index has a significantly different industry distribution and has different style biases. These include a bias towards "cheaper" stocks and towards companies with a substantially higher proportion of domestic UK sales. Fledgling companies also contain significantly lower gearing and possess higher levels of dividend cover. These low valuations, superior financing capabilities, and a greater potential for profits growth in the area have led to continuing above-average levels of take-over activity at this end of the market. Nearly 11% of the Company's portfolio was taken over in 2003.

Managers' Review

(a) Distribution by Market Capitalisation

The FTSE Fledgling Index represents the smallest listed companies on the London Stock Exchange that are not included in the FTSE All-Share Index. The chart below shows the distribution of the constituents of the Fledgling Index by market capitalisation as at 31st December 2003.

(b) Sector Distribution

The FTSE Fledgling Index (ex Investment Companies) possesses significantly different sector weightings than to the FTSE All-Share Index. In particular, it is overweight in Cyclicals and Industrials, and is underweight in Resources (notably Oil & Gas), Non-Cyclical Consumer Goods and Services (mainly Telecoms) and Financials (particularly Banks).

Industry Group Weightings at 31st December 2003

of the FTSE Fledgling Index (ex Investment Companies) compared to the FTSE All-Share Index

(c) Valuation

The constituents of the FTSE Fledgling Index (ex Investment Companies) remain more cheaply valued compared to larger UK companies. They are priced, for example, at little more than book value, a level just over half that of larger companies. Other valuation measures show similarly attractive comparisons, except for dividend yield, which, as was reported in the last annual report, remains

Managers' Review

lower within the Fledgling area than for the FTSE All-Share Index. Future dividend growth is still, however, expected to be substantially greater for the FTSE Fledgling Index (ex Investment Companies) than is expected for the FTSE All-Share Index.

Valuation Measures at 31st December 2003	FTSE Fledgling Index (ex Investment Companies.)	FTSE All-Share Index	Relative
Price/Sales Ratio*	0.56x	1.50x	0.37
Price/Book Value Ratio	1.10x	2.02x	0.54
Price/Earnings Ratio#	11.8x	13.3x	0.89
Dividend Yield	2.4%	3.1%	0.76

Source:

Price Ratios: UBS Warburg, Dividend Yield: Datastream.

All figures are based on data at 31st December 2003.

*Price/Sales Ratio shown is for non-financials only. This ratio is calculated as Enterprise Value (market capitalisation plus net debt) to Sales.

#Price/Earnings Ratio shown is 2003 forecast.

These relatively cheap valuations are consistent across most sectors, as the following chart illustrates.

Sector Price to Sales Relatives at 31st December 2003
of the FTSE Fledgling Index relative to the FTSE All-Share Index

The chart shows the price-to-sales ratio of all non-financial FTSE Fledgling Index sectors relative to their respective FTSE All-Share Index sectors. Figures below 100 indicate sectors of the FTSE Fledgling Index which are relatively cheap, when compared against the respective FTSE All-Share Index sectors.

Managers' Review

(d) Growth, Financing and Profitability

Growth:

The Managers foresee significant earnings growth during 2004, of the order of 15% for larger UK companies, and as much as 20% to 25% for smaller and Fledgling companies. Payout ratios are expected to fall a little for larger companies, with a greater proportion of earnings held in reserve. Dividends are however still expected to grow by the same rate as earnings for smaller businesses. Overall, Fledgling dividend payments are therefore expected to grow by significantly more than those made by larger companies.

Financing:

The table below shows that the dividend cover of Fledgling businesses is in aggregate substantially greater than that of FTSE All-Share Index companies. This has been the case for eighteen months and indicates that most Fledgling companies retain a clear ability to sustain or increase current levels of dividend payment in 2004.

The average debt to equity ratio of Fledgling stocks is also very favourable when compared against the corresponding figure for larger companies. At the end of December 2003, Fledgling companies on average held a little less than half as much debt as a proportion of equity as the typical FTSE All-Share Index company. This is a reversal of the position until the middle of 2001, when Fledgling companies were carrying higher levels of debt.

Characteristics at 31st December 2003	Dividend Cover	Debt/Equity Ratio %
FTSE Fledgling (ex Inv. Co.)	2.8x	21
FTSE All-Share	2.2x	45

Source: UBS Warburg. Dividend cover is only in respect of companies actually paying a dividend.

Profitability:

Fledgling companies continue to be significantly less oriented to overseas sales than larger companies. Only two-thirds as much of their sales and consequently profits, on average, originate from abroad. This is seen as very positive, since it means that they are less susceptible to the vagaries of the international environment. Average returns on equity are also lower at the Fledgling end of the market. Together, these factors suggest a continuing greater capability for profitability and profit growth in the sector.

Characteristics at 31st December 2002	Overseas Sales as a Percentage of Total Sales* %	Average Return on Equity# %
FTSE Fledgling (ex Inv. Co.)	28	10.7
FTSE All-Share	42	15.2

Source: *FactSet, Worldscope.
#UBS Warburg.

Managers' Review

(e) Takeover Activity

2003 witnessed a significant pick-up in takeover activity within the Fledgling sector compared to the low point of 2002. Close to 11% of the universe was acquired during the year. The last six months saw nearly as big a proportion acquired as occurred in the whole of 2002. Although acquisition levels remain less than at their peak in the late 1990s, they still represent a very substantial proportion when compared to larger company acquisition rates. Corporates and venture capitalists are continuing to take advantage of the specific opportunities provided by the low valuations and growth potential of the Fledgling sectors.

Period	Takeovers as Proportion of Portfolio Companies %	Numbers of Takeovers
1995	5.9	33
1996	5.7	30
1997	10.2	47
1998	17.5	83
1999	21.8	96
2000	17.7	66
2001	16.8	45
2002	6.9	36
2003 1st Half	4.7	15
2nd Half	6.1	15
Year	10.8	30

Gartmore Investment Limited

2nd February 2004

Managers' Review

Sector	Gartmore Fledgling Trust plc (ex liquidity) %	FTSE Fledgling Index (Investment Companies) %	Difference %
Resources	**5.4**	**5.4**	**0.0**
Mining	0.8	0.9	-0.1
Oil & Gas	4.6	4.5	+0.1
Basic Industries	**7.0**	**7.4**	**-0.4**
Chemicals	1.3	1.7	-0.4
Construction & Building Materials	5.5	5.5	0.0
Forestry & Paper	0.2	0.2	0.0
General Industrials	**12.7**	**13.7**	**-1.0**
Aerospace & Defence	0.5	0.5	0.0
Electronic & Electrical Equipment	5.4	6.3	-0.9
Engineering & Machinery	6.8	6.9	-0.1
Cyclical Consumer Goods	**6.9**	**7.3**	**-0.4**
Automobiles & Parts	1.7	1.7	0.0
Household Goods & Textiles	5.2	5.6	-0.4
Non-Cyclical Consumer Goods	**8.6**	**9.5**	**-1.0**
Beverages	1.0	1.0	0.0
Food Producers & Processors	1.3	1.5	-0.2
Health	4.1	4.2	-0.1
Personal Care & Household Products	0.1	0.2	-0.1
Pharmaceuticals	2.1	2.6	-0.5
Cyclical Services	**33.1**	**34.7**	**-1.6**
General Retailers	3.2	3.5	-0.3
Leisure & Hotels	4.4	5.1	-0.7
Media & Entertainment	7.5	7.5	0.0
Support Services	15.3	15.9	-0.6
Transport	2.7	2.7	0.0
Non-Cyclical Services	**2.1**	**1.9**	**+0.2**
Food & Drug Retailers	0.8	0.7	+0.1
Telecommunication Services	1.3	1.2	+0.1
Utilities	**0.7**	**0.9**	**-0.2**
Electricity	0.3	0.4	-0.1
Other Utilities	0.4	0.5	-0.1
Financials	**16.4**	**13.0**	**+3.4**
Insurance	0.4	0.4	0.0
Real Estate	6.0	6.9	-0.9
Speciality & Other Finance	10.0	5.7	+4.3
Information Technology	**5.9**	**6.2**	**-0.3**
Information Technology Hardware	1.2	1.2	0.0
Software & Computer Services	4.7	5.0	-0.3

Note: The above weightings reflect portfolio holdings as at 31st December 2003. Not all annual rebalancing trading had been completed by this date. As such the weightings are larger than is the Company's 'typical' profile. As of writing, most outstanding deals have been completed and weightings have hence been brought closer to benchmark. As at 31st December 2003, the Company's portfolio contained 1.2% liquidity.

Financial Statistics

	At 31st December 2003	At 30th June 2003	Change %
Capital			
Total Assets, less Current Liabilities (£'000)*	**78,495**	58,580	+34.0
Total Assets, less Current Liabilities ex Revenue (£'000)*	**78,059**	58,130	+34.3
FTSE Fledgling Index (ex Inv Companies)	**3458.8**	2549.3	+35.7
Market capitalisation of Ordinary shares in issue (£'000)	**62,519**	46,626	+34.1
Ordinary shares			
Net Asset Value*	**314.5p**	233.7p	+34.6
Mid-Market Price	**250.5p**	186.0p	+34.7

*The Company's assets were reduced during the period by £274,000 utilised in the repurchase and cancellation of 110,000 Ordinary shares, representing 0.4% of the number of Ordinary shares in issue at 31st December 2003. In broad terms, this reduction reflects the difference between the 34.3% rise in Total Assets and the 34.6% increase in Net Asset Value for the year to 31st December 2003.

	Six months to 31st December 2003	Six months to 31st December 2002
Revenue – Ordinary shares		
Net Revenue after taxation (£'000)	**360**	390
Revenue return per share*	**1.44p**	1.40p
Dividend per share	**1.50p**	1.50p

	Six months to 31st December 2003	Six months to 31st December 2002
Total Return – Ordinary shares*		
Revenue	**1.44p**	1.40p
Capital	**80.47p**	(16.83p)
	81.91p	(15.43p)

*Based on the weighted average number of shares in issue during the period.

Analysis of Net Assets and Shareholders' Funds

	Valuation at 30th June 2003 £'000	%	Net Transactions £'000	Appreciation/ (Depreciation) £'000	Valuation at 31st December 2003* £'000	%
Investments						
UK equities	58,529	99.9	(1,115)	20,148	**77,562**	**98.8**
Net Current Assets	51	0.1	882	–	**933**	**1.2**
Net Assets	58,580	100.0	(233)	20,148	**78,495**	**100.0**
Attributable to Ordinary shares	58,580	100.0	(219)	20,134	**78,495**	**100.0**
Equity Shareholders' Funds	58,580	100.0	(219)	20,134	**78,495**	**100.0**

*The valuation at 31st December 2003 includes £5,851,000 in respect of investments listed on the Alternative Investment Market or other markets, following the rebalancing of the FTSE Fledgling Index (ex Investment Companies) at 31st December 2003.

Dividend Calendar

Ordinary shares	Announced	XD Date	Record Date	Pay Date
Interim	2.2.04	18.2.04	20.2.04	19.3.04
Final	August	September	September	October

Largest Investments
at 31st December 2003

Company	Sector	Valuation £'000	Percentage of Total Assets
Guinness Peat Group	Speciality & Other Finance	4,321	5.5
Avon Rubber	Automobiles & Parts	842	1.1
Melrose Resources	Oil & Gas	834	1.1
Wiggins Group	Transport	821	1.1
Fibernet Group	Telecommunication Services	791	1.0
Renold	Engineering & Machinery	765	1.0
JKX Oil & Gas	Oil & Gas	764	1.0
Clarkson	Transport	741	0.9
NSB Retail Systems	Software & Computer Services	732	0.9
Edinburgh Oil & Gas	Oil & Gas	677	0.9
Mytravel Group	Leisure & Hotels	673	0.9
Alumasc Group	Engineering & Machinery	672	0.9
Moss Bros Group	General Retailers	662	0.8
Linx Printing Technology	Electronic & Electrical Equipment	644	0.8
Baggeridge Brick	Construction & Building Materials	633	0.8
Medisys	Health	633	0.8
Kewill Systems	Software & Computer Services	608	0.8
ICM Computer Group	Software & Computer Services	606	0.8
Lambert Howarth Group	Household Goods & Textiles	573	0.7
Biotrace International	Health	568	0.7
Volex Group	Electronic & Electrical Equipment	568	0.7
Ben Bailey	Construction & Building Materials	558	0.7
Estate & General	Real Estate	551	0.7
Celsis International	Health	549	0.7
Shore Capital Group	Speciality & Other Financial	548	0.7
Fortune Oil	Oil & Gas	535	0.7
Microgen	Software & Computer Services	535	0.7
Raven Mount	Construction & Building Materials	527	0.7
Austin Reed Group	General Retailers	517	0.7
SCI Entertainment	Software & Computer Services	515	0.7
Wyndeham Press Group	Media & Entertainment	511	0.6
Wintrust	Speciality & Other Finance	502	0.6
London & Associate Properties	Real Estate	501	0.6
Syltone	Engineering & Machinery	500	0.6
Bioquell	Health	499	0.6
Dart Group	Transport	499	0.6
Cosalt	Diversified Industrials	499	0.6
Hercules Property Service	Support Services	492	0.6
Medical Solutions	Health	490	0.6
Primary Health Property	Real Estate	488	0.6
Anglo Pacific Resources	Mining	482	0.6
Management Consulting Group	Support Services	481	0.6
Wireless Group	Media & Entertainment	480	0.6
Chime Communications	Media & Entertainment	473	0.6
Superscape Group	Software & Computer Services	472	0.6
Chapelthorpe	Household Goods & Textiles	468	0.6
Country & Metropolitian	Construction & Building Materials	460	0.6
SDL	Software & Computer Services	453	0.6
Ncipher	Software & Computer Services	445	0.6
White Young Green	Support Services	445	0.6
Fifty largest equity investments		**32,603**	**41.5**

The Total Assets, on which this table is based, amounted to £78,495,000 at 31st December 2003.

Statement of Total Return
to 31st December 2003

	Six months to 31st December 2003		
	Revenue Return £'000	Capital Return £'000	Total Return £'000
Income and Capital Profits/(Losses)			
Dividends and other income	844	–	844
Net profit on listed investments	–	20,148	20,148
Return before Expenses, Interest Payable and Taxation	844	20,148	20,992
Expenses			
Management fees	(332)	–	(332)
Other fees and expenses	(143)	–	(143)
Return before Interest Payable and Taxation	369	20,148	20,517
Interest Payable			
Bank overdraft interest	(9)	–	(9)
Return before Taxation	360	–	20,508
Taxation	–	–	–
Return after Taxation	360	20,148	20,508
Appropriated to Equity Shareholders			
Dividend on the Ordinary shares –			
1.50p per share	(374)	–	(374)
Transferred to/(from) Reserves	(14)	20,148	20,134
Total Return per share			
Ordinary shares	1.44p	80.47p	81.91p

The revenue return column shown above represents the Revenue Account of the Company.

All revenue and capital items in the above statement are derived from continuing activities.

The Notes on pages 20 to 22 form part of these Accounts.

Statement of Total Return
to 31st December 2002

	Six months to 31st December 2002		
	Revenue Return £'000	Capital Return £'000	Total Return £'000
Income and Capital Profits/(Losses)			
Dividends and other income	752	-	752
Net loss on listed investments	-	(4,678)	(4,678)
Return before Expenses, Interest Payable and Taxation	752	(4,678)	(3,926)
Expenses			
Management fees	(241)	-	(241)
Other expenses	(117)	-	(117)
Return before Interest Payable and Taxation	394	(4,678)	(4,284)
Interest Payable			
Bank overdraft interest	(4)	-	(4)
Return before Taxation	390	(4,678)	(4,288)
Taxation	-	-	-
Return after Taxation	390	(4,678)	(4,288)
Appropriated to Equity Shareholders			
Dividend on the Ordinary shares –			
1.50p per share	(380)	-	(380)
Transferred to/(from) Reserves	10	(4,678)	(4,668)
Total Return per share			
Ordinary shares	1.40p	(16.83p)	(15.43p)

The revenue return column shown above represents the Revenue Account of the Company.

All revenue and capital items in the above statement are derived from continuing activities.

The Notes on pages 20 to 22 form part of these Accounts.

Balance Sheet
at 31st December 2003

	At 31st December 2003 £'000	At 30th June 2003 £'000
Fixed Assets		
Listed investments at valuation	77,562	58,529
Current Assets		
Debtors: Amounts receivable within one year	361	156
Cash at bank and on deposit	1,826	534
	2,187	690
Creditors: Amounts payable within one year	(1,254)	(639)
Net Current Assets	933	51
Total Assets, less Current Liabilities	78,495	58,580
Capital and Reserves		
Called-up share capital	6,239	6,267
Capital redemption reserve	4,059	4,031
Other reserves:		
Capital reserve: realised	61,688	54,348
Capital reserve: unrealised	3,491	(9,372)
Merger reserve	2,582	2,856
Revenue reserve	436	450
Equity Shareholders' Funds	78,495	58,580
Net Asset Value Per Share		
Ordinary shares	314.5p	233.7p

Director Approved by the Boar 2nd February 2004

The Notes on pages 20 to 22 form part of these Accounts.

Cash Flow Statement
to 31st December 2003

	Six months to 31st December 2003 £'000	Six months to 31st December 2002 £'000
Revenue Activities		
Net dividends and interest received from investments	**842**	820
Interest received on deposits	**12**	12
Expenses paid	**(496)**	(316)
Net Cash Inflow from Revenue Activities	**358**	516
Servicing of Finance		
Bank overdraft interest paid	**(5)**	-
	(5)	-
Investment Activities		
Acquisitions of investments	**(22,134)**	(14,117)
Disposals of investments	**23,641**	23,283
	1,507	9,166
Financing		
Cost of Ordinary shares repurchased for cancellation	**(274)**	(4,690)
	(274)	(4,690)
Equity Dividend Paid		
Ordinary shares	**(439)**	(353)
	(439)	(353)
Net Cash Inflow	**1,147**	4,639

The Notes on pages 20 to 22 form part of these Accounts.

Notes to the Accounts

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

Revenue

Revenue includes dividends receivable from investments marked ex-dividend on or before the balance sheet date.

Deposit interest, expenses and interest payable are accounted for on an accruals basis.

Investments

Investments are treated as fixed assets and are shown in the balance sheet at valuation. The difference between book-cost and valuation is shown under Capital reserve: unrealised.

The investments are all listed in Great Britain and are included in the balance sheet at mid-market value. Profits or losses on the realisation of investments are taken to Capital reserve: realised in accordance with the Company's Articles of Association, and are not distributable.

No provision for taxation is required in respect of any realised or unrealised appreciation of investments which arises as the Company expects to continue to qualify as an investment trust for tax purposes.

The Accounts on pages 16 to 19 comprise the unaudited results of the Company for the six months to 31st December 2003, and do not constitute statutory accounts under the Companies Act 1985. Full statutory accounts for the year to 30th June 2003 included an unqualified audit report and were filed with the Registrar of Companies on 24th October 2003.

There have been no changes in accounting policies since 30th June 2003.

2. Issued Share Capital

During the period the Company repurchased and cancelled 110,000 Ordinary shares, at a cost of £274,000, which reduced the number of Ordinary shares in issue from 25,067,505 to 24,957,505. Since the 31st December 2003 a further 660,000 Ordinary shares have been repurchased which has reduced the number of Ordinary shares from 24,957,505 to 24,297,505.

3. Duration of the Company

The Directors are required to propose an Ordinary Resolution each year at the Annual General Meeting of the Company to the effect that the Company should continue to operate as an investment trust company. If such a resolution is not passed and alternative proposals for the unitisation or reconstruction of the Company are not approved, the Company must be wound-up.

4. Investment Company Status

The Company is registered as a public limited company and is an investment company as defined by Section 266 of the Companies Act 1985.

Notes to the Accounts

5. Total Return

The Total Return per Ordinary share is calculated on the revenue return to Ordinary shareholders of £20,508,000 (negative return of £4,288,000) and 25,036,635 (27,795,602) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

6. Revenue Return

The Revenue Return per Ordinary share is calculated on the return of £360,000 (£390,000) and 25,036,635 (27,795,602) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

7. Capital Return

The Capital Return per Ordinary share is calculated on the return of £20,148,000 (negative return of £4,678,000) and 25,036,635 (27,795,602) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

8. Net Asset Value

The Net Asset Value per Ordinary share is calculated on attributable assets of £78,495,000 (£58,580,000) and 24,957,505 (25,067,505) Ordinary shares in issue at the period-end.

	At 31st December 2003 £'000	At 30th June 2003 £'000
9. Merger Reserve		
Balance brought forward	**2,856**	2,856
Ordinary shares repurchased	**(274)**	–
Balance at period-end	**2,582**	2,856

	Six months to 31st December 2003 £'000	Six months to 31st December 2002 £'000
10. Reconciliation of Net Cash Inflow to Movement in Cash Balances		
Balance brought forward	534	(359)
Net cash inflow	1,147	4,639
Balance at the period-end	1,681	4,280
Comprising:		
Cash at bank and on deposit	1,826	4,280
Bank overdraft	(145)	-
	1,681	4,280

11. Dividend on the Ordinary shares

The Directors have declared an interim dividend of 1.50p (1.50p) per share on 24,957,505 (25,317,505) Ordinary shares in respect of the year to 30th June 2004. The shares will be marked ex-dividend on 18th February 2004 and the dividend will be paid on 19th March 2004 to Shareholders on the Register on 20th February 2004.

The interim dividend is calculated on the number of Ordinary shares in issue at 31st December 2003.

Directors

Jimmy West (Chairman)

Peter Dicks, John Hancox, James Kerr-Muir, Nigel Whittaker

Managers and Secretaries

Gartmore Investment Limited, a subsidiary of Gartmore Investment Management plc, act as Managers and Secretaries to the Company. Gartmore Investment Management plc is itself a wholly-owned subsidiary of Nationwide Mutual Insurance Company, a diversified insurance and financial services company based in Columbus, Ohio, USA.

At their regular meetings, the Directors and the Managers review the Company's activities and performance and determine investment strategy.

The day-to-day management of the portfolio of the Company is carried out by Gervais Williams and Andrew Russell.

Gartmore Investment Trust Savings Plans

Gartmore SAVE*it* and Gartmore ISA*it* are respectively the Savings Plan and tax-free Individual Savings Account for the investment trusts managed by Gartmore, and provide an adaptable, effective and accessible means of investing in the Company's shares. Investments can be made by lump sum, regular monthly savings or a combination of both. Investors should also note that they may still switch Personal Equity Plans existing at 5th April 1999 into Gartmore PEP*it*, the Personal Equity Plan for investment trusts managed by Gartmore.

Copies of the Accounts of the Company and details of Gartmore SAVE*it*, ISA*it* and PEP*it* can be obtained from:

Gartmore Investor Services
Gartmore Investment Limited
Gartmore House
8 Fenchurch Place
London EC3M 4PB

Call free on:
0800-289 336

Telephone calls may be recorded

helpline@gartmore.com
www.gartmore.com

Important Information

If you have any doubt whether this product is suitable for you and wish to obtain personal advice, please contact an independent financial adviser.

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance is not necessarily a guide to future performance. The level of yield may be subject to fluctuation and is not guaranteed. Emerging markets are volatile and may suffer from liquidity problems. Changes in rates of exchange between currencies may also cause the value of investments to decrease or increase. Individual Savings Accounts were introduced on 6th April 1999 for an initial ten-year period. Personal Equity Plans held at 5th April 1999 are no longer able to accept further contributions, although they can continue to be held outside the Individual Savings Account with the same tax advantages. A 10% tax credit on dividends received within Individual Savings Accounts and Personal Equity Plans may be reclaimed up to 5th April 2004. The value of current tax relief depends on individual circumstances. Telephone calls may be recorded. If you have any doubt whether this product is suitable for you and you wish to obtain personal advice, please contact an independent financial adviser.

Issued and approved by Gartmore Investment Limited, which is authorised and regulated by the Financial Services Authority.

The Company is a member of The Association of Investment Trust Companies

Glossary of Terms

Benchmark
The Company's benchmark is the FTSE Fledgling Index (ex Investment Companies). Prior to 31st December 1996 the benchmark was the MicroCap Index. The Fledgling Index was established by the FTSE Actuaries UK Indices Committee as part of their range of indices following UK equities.

Beta
A measure of portfolio responsiveness to market movements. The benchmark index has a beta of 1. A beta of 1.05, for example, means that if the benchmark rose by 20%, then 1.05 times this return (or 21%) is expected for the portfolio, (based on historical data). Conversely, if the market fell by 20%, the portfolio would be expected to fall by 21%. An index tracking portfolio should have a beta very close to 1.

Discount
The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Indexation
Investment in a portfolio of shares and securities the characteristics of which broadly match those of an index.

Net Asset Value
Net assets divided by the number of shares in issue gives the net asset value per share.

Premium
The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Price/Book Ratio
The price to book ratio is the ratio of the market capitalisation of the company to its net assets (total assets minus total debt). This is a valuation measure and indicates how far the price of the Company's shares is from its "real" asset backing. This measure is often used to help value companies in the financial sector or where asset values are important.

Price/Earnings Ratio
This ratio is calculated by dividing the mid-market price per share by the earnings per share. This ratio is a commonly used to measure the relative "cheapness" of companies.

Price/Sales Ratio
The price to sales ratio is the ratio of the total market capitalisation plus net debt (total debt minus current assets) to total revenue. The use of market capitalisation plus debt is to allow for the fact that different companies have different debt structures. The top line of the ratio reflects a measure of total capital to "buy-out" the company at the current share price and to clear all debts. This is compared to the total revenue one would have 'bought' by doing this. This is a useful valuation measure for non-financial companies, particularly when earnings are negative or at very depressed levels.

Re-balancing
Transactions in investments to re-align a portfolio with the index it is designed to track, or changes in the index itself to keep within its chosen criteria.

Tracking Error
A measure of how close to its benchmark the performance of a portfolio is likely to be. A tracking error of 2.5% indicates that in 2 out of every 3 years the portfolio's return would be expected to be within 2.5% of the index's return. A tracking error of 1% would indicate that the portfolio's performance is likely to be much closer to that of the index (within 1% in 2 out of 3 years). The tracking error is the most useful summary statistic for measuring a portfolio's total risk against its benchmark. In statistical terminology, the tracking error is the expected standard deviation of future portfolio returns against the index.

Winding-up Date
The date specified in the Articles of Association for winding-up a company.

Gartmore Fledgling Trust plc

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Registered No. 2974633 England and Wales

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