

427958

Gartmore European Investment Trust p.l.c.

Report and Accounts for the year to 30 September 2004



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The Company

Investment Objective

The Company seeks capital growth over the longer term from investment in Continental Europe.

Investment Policy

The Company will focus on stock selection, primarily larger companies with strong balance sheets and above-average growth prospects. Less emphasis will be given to adding value through country allocation although the portfolio will maintain a broad geographic diversification. Up to 5% of Total Assets may be invested in companies which, although not listed in Continental Europe, derive the greater part of their earnings from its markets.

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

Benchmark Index

Performance is measured against the FTSE World Index – Europe (ex UK) in sterling terms.

Net Assets

£210,877,000 at 30 September 2004.

Shareholders' Funds

£210,877,000 at 30 September 2004.

Market Capitalisation

£186,898,000 at 30 September 2004.

Capital Structure

The Company is an investment trust with an indefinite life whose share capital at 30 September 2004 comprised 59,903,064 Ordinary shares of 50p each.

Voting Rights

Ordinary shareholders are entitled on a poll at a general meeting to one vote in respect of each Ordinary share held.

Management Company

The Company's investments are managed by Gartmore Investment Limited under an agreement that provides for twelve months' notice of termination to be given by either party.

Management Fee

Calculated monthly at 0.0625% (0.75% per annum), of Total Assets plus VAT. A relative performance-related element to the management fee was introduced with effect from 1 October 2000. Details are given in the Report of the Directors' on page 17.

No performance-related fee is payable for the year ended 30 September 2004.

ISA Status

Maximum investment of £7,000 in an Individual Savings Account in 2004/2005 tax year and in the subsequent year to 5 April 2006.

PEP Status

The Company's Ordinary shares will continue to qualify for retention in Personal Equity Plans.

AITC

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

Registered Office

Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

Registered Number

427958, England and Wales.

Highlights

- Net Asset Value per Ordinary share increased by 13.5% to 352.03p over the year to 30 September 2004 by comparison with an increase of 12.7% in the Company's benchmark, the FTSE World Index – Europe (ex UK) in sterling terms.
- Excluding the Net Asset Value enhancing effects of the share buy backs undertaken during the year the Net Asset Value increased by 12.7%, in line with the Company's benchmark index.
- Mid-market Price per Ordinary share increased by 20.1% to 312.00p.
- Proposed dividend increased by 45% to 4.35p per Ordinary share.
- Net revenue after taxation rose from £1,935,000 to £2,873,000.

The Board of Directors

The Directors of the Company, all of whom are non-executive, are listed below:

John von Spreckelsen (Chairman) (German)

is aged 62 and was appointed a Director of the Company in 1997 and became Chairman in January 2003. He is Executive Chairman of Somerfield PLC and was a Director of The German Investment Trust PLC prior to its acquisition by Gartmore European Investment Trust p.l.c.

Jean Claude Banon (French)

is aged 56 and was appointed a Director in 1991. He is the corporate representative of Veolia Environment SA in the UK and Managing Director of Veolia Water UK PLC, the holding company for the Veolia group's investments in the British water sector.

Alexander Comba

is aged 51 and was appointed a Director in November 2003. He is a Chartered Accountant and is currently Group Financial Director of Vinci PLC. Prior to joining Vinci PLC he obtained extensive business experience through a number of appointments within Hanson PLC. Mr Comba is Chairman of the Audit Committee.

Rodney Dennis

is aged 52 and was appointed a Director in November 2003. He runs an investment and pensions consulting business. He was formerly Deputy Chief Executive of The Prince's Trust. Prior to joining The Prince's Trust he held a number of senior positions at Prudential Portfolio Managers Limited.

Bruno Merki (Swiss)

is aged 62 and was appointed a Director in 1987. He is General Manager of Mirabaud Asset Management AG in Zurich and was Managing Director of Anlage & Kredit Bank in Zurich. Previously he was head of the finance division of Swiss Volksbank, Geneva.

Dr Manfred Piehl (German)

is aged 66 and was appointed a Director in 1992. He was formerly head of the investment division of Provinzial Versicherungen, a general and life insurance company in Düsseldorf, and is now retired.

All Directors are members of the Audit Committee.

The Managers

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

The day-to-day management of the Company's portfolio is undertaken by an award winning team led by Roger Guy.

Roger has over 13 years experience in investment management. Before joining Gartmore Roger worked for Eagle Star as an investment manager with responsibility for European unit trust funds. He joined Gartmore as an investment manager in the European Equity Team in 1993. He has a specific responsibility for high performance funds and also runs the Alphagen Capella Hedge Fund. Roger won the European Fund Manager of the Year Award in both 1998 and 1999. He was also highly commended in several other years.

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

Gartmore Investment Limited is authorised and regulated by the Financial Services Authority.

Chairman's Statement

John von Spreckelsen

Performance

While the strengthening global recovery pushed stocks higher early in the year, macro economic concerns dogged equities for the remainder of the period, creating a challenging environment for stock picking. Nevertheless, I am happy to report that your Company delivered strong performance over the year, in line with expectations.

The net asset value (NAV) per share, excluding the NAV enhancing effects of the share buy back, rose by 12.7% over the period, matching the performance of the benchmark, the FTSE World Europe (ex-UK) Index, which also rose by 12.7%, in sterling terms. While favouring selected cyclical stocks, your Managers remained discriminating and sought to avoid stocks that reflected an overly optimistic view of their profits growth outlook. The Manager's balanced approach also encompassed defensive stocks with the potential to deliver high quality earnings growth over the longer term. In the wake of the Madrid bombings in March, the market dwelt on macro risks such as the situation in Iraq and the Middle East, the level of the dollar and oil prices. This forced European markets into a narrow-trading range, making significant outperformance harder to achieve. Nevertheless, astute stock-picking over the long-term has helped our Manager deliver an increase of 3.3% in net asset value over five years, compared to the benchmark index which fell by 15.1% over the same period.

Revenue, Borrowings and Dividends

Gross revenue in the year to 30 September 2004 increased by 40% to £5.1 million. Net revenue after taxation increased by 48%. This increase in both gross and net revenue is, in part, attributable to revenue generated on the enlarged portfolio arising from the proceeds of the exercise of warrants in February of this year. A contributory factor was the resumption of dividends by a number of companies within the investment portfolio. Further, whilst the costs of managing the Company's assets have risen as a result of the increase in net assets the level of other costs has been kept in check. The modest use of the Company's borrowing facility has, in turn, further impacted positively on the revenue account.

The Board is recommending a final dividend of 4.35p, an increase of 45% over that paid last year. This will result in a transfer of £267,000 into revenue reserves.

Corporate activities

The Board remains committed to a policy of enlarging the Company. However, few opportunities have presented themselves. Nevertheless, in February, the final exercise date for the Company's warrants, all the warrants in issue were exercised and 6,967,242 Ordinary shares were issued, resulting in net proceeds of £15.3 million.

The Company's discount to net asset value remained wide during the year and the Managers took the opportunity to repurchase 3.2 million shares which enhanced the net asset value to remaining shareholders and had narrowed the discount to 11% at the year end. Further buy backs may be undertaken at the Board's discretion.

Market Background

Cyclical stocks drove European markets higher in the first half of the year, thanks to optimism about global economic growth and encouraging corporate trading updates. Gains were also supported by a pick-up in corporate mergers and acquisitions on both sides of the Atlantic. However, markets slipped following March's terrorist attack in Spain, which shook investors' confidence. The prospect of rising interest rates proved unsettling and investors sought to reduce risk, despite some reassurance from the Federal Reserve over borrowing costs. While steady economic growth continued in Europe, the rate of progress appeared to have peaked by the second quarter of 2004. Record oil prices prompted concerns over corporate profitability but despite unease over the level of domestic demand, company results generally revealed improving profits thanks to strong global demand.

Chairman's Statement

Outlook

While economic data has not been as positive as investors might have hoped, Europe's economy has made considerable progress this year. With markets climbing higher at the end of the period, in spite of high oil prices and some mixed corporate results, the long-term outlook remains positive. Attractive stock valuations are underpinned by an improving backdrop and we anticipate decent profit growth from the region's corporates. We believe that individual company fundamentals, such as earnings delivery and valuations, will drive performance and I am confident that your Company's Managers will continue to capitalise on the attractive opportunities on offer to secure further gains in the coming year.

Special Business of the Annual General Meeting

At the Annual General Meeting the Directors will again seek to renew the authorities previously granted to allot and to buy back shares for cancellation or to be held in Treasury. The passing of these resolutions will continue to give the Board flexibility to add shareholder value should the opportunity arise. A special resolution will also be proposed to adopt new Articles of Association. Further details on these resolutions are given in the Report of the Directors on pages 19 to 21. I hope you will give these resolutions your support.



J von Spreckelsen
Chairman

24 November 2004

Managers' Review

Roger Guy

Net asset value (NAV) per share rose by 13.5% over the year. Excluding the NAV enhancing effects of the share buy backs undertaken in the period the NAV rose by 12.7%, in line with the Company's benchmark index, the FTSE World Europe (ex-UK) Index (in sterling terms).

Market Performance

A relatively strong start to the review year led Continental European markets to record decent gains, although little progress was made in the second half of the period. Initially, equities moved ahead supported by the brightening economic outlook and earnings growth, as company results revealed rising profits. However, stocks slipped after March's terrorist attack in Spain, which shook investors' confidence, and markets remained range-bound for the second half of the year. April saw stocks recover, but mounting concerns over oil prices and the prospect of higher interest rates combined with slower economic growth proved unsettling and investors moved to reduce risk. The markets were affected by a general apathy during the summer. This was exacerbated by some disappointing second quarter corporate results and further record-breaking crude prices, both of which fuelled concerns about growth and profitability. However, as the review year drew to a close shares enjoyed a modest rally with investors looking beyond the short-term impact of higher oil costs.

Early in the period, cyclical sectors including engineering & machinery posted strong gains, *boosted by expectations of growing demand as the operating backdrop improved.* Consumer cyclicals such as automobiles & parts also rose as investors anticipated stronger sales. *Defensive sectors such as food producers & processors and beverages recorded more subdued gains as investors looked elsewhere for attractive earnings growth opportunities.* However, as risk aversion increased, defensive and non-cyclical sectors prospered, including pharmaceutical groups such as UCB, which received a further boost after announcing the acquisition of biotech group Celltech. *Information technology companies initially rallied on hopes that rising business confidence would prompt higher corporate spending.* Mobile phone manufacturer Ericsson led increases as demand for its products rose and the company announced its first quarterly profit since 2001. *Less positive news from rival Nokia led to losses as the company saw its market share fall.* Later in the year, strong commodity prices helped steel producers and oil companies move ahead.

Economic Background

The European economy strengthened steadily through the year although progress on the continent lagged behind the US and Japan, with all regions reporting a slower rate of growth in the second quarter of 2004. After reaching a record high against the dollar in February, the euro declined, further improving exporters' outlook as global economic growth continued to spur demand for European goods. France emerged as the leader of Europe's revival while growth in Germany was held back as rising unemployment took its toll on consumer confidence and domestic spending. Having reached a three year high in January, Germany's IFO business confidence index subsequently declined. European interest rates remained unchanged at 2%, and the slowdown in growth supports expectations that the European Central Bank will hold rates at their current level for the rest of the year.

Investment Strategy

Against an improving economic backdrop, a broadly pro-cyclical stance has been maintained throughout the year, with a particular bias towards cyclical consumer goods. One of our favoured stocks, German sportswear manufacturer Puma, has consistently outperformed during the year following a successful brand re-positioning which boosted sales. We have recently taken partial profits as we believe the stock's valuation now fully reflects the company's earnings potential. Also in household goods & textiles, an overweight position was maintained in luxury goods group Christian Dior, which stands to benefit from increased demand due to global economic growth. Likewise, we have a positive view of manufacturers of cars and auto parts, in particular

Managers' Review

luxury car group **BMW**, where we expect new models to boost earnings, and French manufacturer **Peugeot**, which is benefiting from cheaper labour costs in Eastern Europe.

We also focused on media & entertainment groups, which we believed benefit from rising spending from businesses and consumers alike. In media, two of our preferred franchises, **Vivendi Universal** and Spanish pay-TV broadcaster **Sogecable**, performed well as a result of corporate restructuring and industry consolidation, respectively.

Early in the year we adopted a positive stance towards information technology companies, based on the considerable scope for positive earnings surprise as corporate and consumer spending recovered. We initially favoured internet service provider **T-Online**, before focusing more on hardware companies, as they moved away from the cost cutting of recent years towards product development, new technologies and earnings growth. We increased investment in mobile phone manufacturers **Nokia** and **Ericsson**. New customers in developing countries and upgrades in mature markets should boost phone sales. Investment in the sector was reduced in the second half of the review year. Although exposure to **Ericsson** was increased, the Company's holding in rival **Nokia** was cut after profit warnings caused the stock to decline, and on concerns over possible restructuring costs. The Company's stake in internet service provider **T-Online International** was also sold. The shares lost value as increased competition eroded its share of the broadband market, although the stock was held until it had recovered some ground, boosted by news of the CEO's departure.

We continue to favour selected telecom services stocks but locked in gains following the strong performance of shares including **Telefonica**, **Deutsche Telekom** and **France Telecom**, which has undergone considerable reorganisation and reduced debt levels. We believe the prices of some of these large incumbents now reflect more accurately their lower risk profiles following restructuring efforts. The Company also benefited from **France Telecom's** offer to buy the remaining stake in internet service provider **Wanadoo** that it does not already own. We introduced an overweight position in German mobile operator **Mobilcom**, however this was recently disposed of as disappointing results from **Freenet.de**, the internet service provider in which it owns a stake, caused the shares to fall. We increased our focus on cash-rich Italian operator, **Telecom Italia**, which offers a generous dividend yield.

Early in the period we trimmed investment in food producers such as **Unilever** and **Group Danone**. However, with selected high quality defensive stocks at compelling valuations after falling out of favour last year, we selectively raised exposure to stocks including beverage producer **Pernod Ricard**, as well as food group **Numico** and retailer **Carrefour**.

More recently, investment in non-cyclical consumer goods was reduced again, as weaker than anticipated second quarter sales prompted the sale of cosmetics firm **L'Oréal**. Meanwhile, in the pharmaceutical sector additional investment was made in merger partners **Aventis** and **Sanofi-Synthelabo**, which agreed to combine in May, creating the world's third-largest drug manufacturer. The Company continues to hold an overweight position in the merged group, **Sanofi-Aventis**, as we believe its valuation is compelling compared to its peers.

Our stance towards the financial sector has remained broadly cautious, with our holdings underweight relative to the index. Some profits were locked in on banks including **ABN-Amro** and **Credit Agricole**, which benefited from cost synergies following the acquisition of **Credit Lyonnais**. Partial profits were also taken on **UBS**, as we were concerned the group could pursue some higher risk growth opportunities. In the second half of the period investment in a number of insurance groups was raised, including **ING**, **Munich Re** and **Allianz**, on the basis that their valuations did not fully reflect their earnings potential. Although still underweight across the financial sector as a whole, we recently raised exposure to selected banks, which offer compelling valuations and strong fundamentals. These include Italian group **UniCredito Italiano**, which pays an attractive yield.

Managers' Review

A stake in Spanish stainless steel manufacturer Acerinox was acquired in May after the group announced excellent first quarter results. The holding is further supported by strong industry fundamentals and the company's low production costs. Our overweight position was increased as the company has succeeded in passing on higher raw material costs to consumers. Also, in light of strong commodity prices, we raised exposure to the oil & gas sector, adding to oil company Repsol as the potential to increase production from its Latin American assets has improved the company's prospects. A stake in Norsk Hydro was acquired and we also increased investment in Italian group, Eni. Recently, utility groups Suez and Enel were purchased on the strength of their attractive yields, a feature shared with Eni.

Outlook

Looking ahead, we believe that both positive newsflow and compelling stock valuations support strong performance from European markets. Equity valuations remain attractive in Europe and macro economic data suggests steady progress, with anecdotal evidence pointing to a pickup in domestic consumer confidence. Bolstered by strong global demand, the economic backdrop has certainly improved but we anticipate that growth will be slower next year. However, with subdued inflation and a consistently benign interest rate environment, our long-term outlook remains positive. Against a stable macro economic background, and following the recent rally, we believe equity markets are likely to consolidate in the coming months. *Attractive stock-specific opportunities continue to arise among companies we believe are particularly well placed to benefit from the more supportive operating environment.* Individual company fundamentals, such as earnings growth, will be essential in delivering outperformance. In addition, the increase in merger and acquisition deals and the surge of activity in Eastern and Central Europe following the enlargement of the European Union in May provide further support for European equities.

GARTMORE INVESTMENT LIMITED

Managers

24 November 2004

Financial Statistics

Capital	At 30 September 2004	At 30 September 2003	Change %
Net Assets (£'000)	210,877*	180,482	+16.8
FTSE World Index – Europe (ex UK) in sterling terms	251.50	223.18	+12.7

Ordinary shares

Net Asset Value (NAV)	352.03p	310.25p	+13.5
Net Asset Value (excluding NAV enhancing effects of share buy backs)	349.70p	310.25p	+12.7
Mid-market Price per Ordinary share	312.00p	259.75p	+20.1
Discount per Ordinary share	11%	16%	

Total Assets (£'000)

Total Assets less Current Liabilities	210,877	180,482	+16.8
Market Capitalisation	186,898	145,839	+28.2

Revenue	Year to 30 September 2004	Year to 30 September 2003
Net Revenue after taxation (£'000)	2,873	1,935
Revenue Return per Ordinary share	4.79p	3.45p
Dividend per Ordinary share	4.35p	3.00p
Total Expense Ratio	1.1%	1.2%

Total Return per Ordinary share

Revenue	4.79p	3.45p
Capital	40.66p	57.48p
Total Return	45.45p	60.93p

*Net Assets increased by £15,328,000 on the exercise of Warrants and reduced by £9,582,000 as a result of share buy backs undertaken during the year.

Dividend Calendar

Year ended	Rate	Announced	XD Date	Record Date	Pay Date
30 September 2004					
Final	4.35p	24.11.04	1.12.04	3.12.04	31.01.05

Principal Investments

Company	Sector Classification	Geographical Area	Valuation at 30.9.2004 £'000	Percentage of Listed Investments
Sanofi-Aventis	Pharmaceuticals	France	7,429	3.5
Novartis	Pharmaceuticals	Switzerland	7,217	3.4
Total	Oil & Gas	France	6,971	3.3
Ericsson	Information Technology	Sweden	6,344	3.0
UBS	Bank	Switzerland	5,690	2.7
Eni	Oil & Gas	Italy	5,448	2.5
E.On	Diversified Industrials	Germany	5,144	2.4
BNP Paribas	Bank	France	4,917	2.3
Telefonica	Telecommunications	Spain	4,820	2.2
Sogecable	Media & Entertainment	Spain	4,668	2.2
Telecom Italia di Risp	Telecommunications	Italy	4,480	2.1
Roche	Pharmaceuticals	Switzerland	4,381	2.0
Royal Dutch Petrol	Oil & Gas	Netherlands	4,361	2.0
ING	Insurance	Netherlands	3,998	1.9
Unicredito Italian	Bank	Italy	3,923	1.8
Fortis	Bank	Belgium	3,821	1.8
Deutsche Telekom	Telecommunications	Germany	3,745	1.7
Nestlé	Food Production	Switzerland	3,512	1.6
Vivendi Universal	Media & Entertainment	France	3,325	1.6
Repsol	Oil & Gas	Spain	3,258	1.5
Atlas Copco	Engineering & Machinery	Sweden	3,217	1.5
France Telecom	Telecommunications	France	3,027	1.4
Credit Suisse	Bank	Switzerland	2,957	1.4
Iberdrola	Electricity	Spain	2,900	1.4
Vinci	Civil Engineering	France	2,882	1.3
Christian Dior	Household Goods, Textiles	France	2,862	1.3
Cie de St-Gobain	Construction, Building Materials	France	2,701	1.3
Arcelor	Steel & Other Metals	France	2,605	1.2
ABN-Amro	Bank	Netherlands	2,566	1.2
Bayer	Chemicals	Germany	2,516	1.2
Thirty largest investments			125,685	58.7
Other investments (69)			88,552	41.3
Total listed investments			214,237	100.0

Sector Classification & Weightings of Investments

	France	Germany	Switzerland	Spain	Netherlands	Italy	Scandinavia	Austria	Belgium	Finland	Portugal	Greece	UK	Total 2004	Total 2003
Equities															
Resources															
Oil and Gas	3.3	-	-	1.5	2.1	3.1	1.0	0.6	-	-	-	-	-	11.6	9.6
Basic Industries															
Chemicals	-	1.7	-	-	0.5	-	-	-	-	-	-	-	-	2.2	2.5
Construction/Building Material	3.3	-	-	0.8	-	-	-	-	-	-	-	-	-	4.1	3.1
Forestry & Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.5
Steel & Other Metals	1.2	-	-	1.2	-	-	-	-	-	-	-	-	-	2.4	-
General Industrials															
Aerospace & Defence	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4
Electronic & Electrical	-	0.9	-	-	1.1	-	-	-	-	-	-	-	-	2.0	4.8
Engineering & Machinery	-	-	0.4	-	-	-	1.5	-	-	-	-	-	-	1.9	0.8
Cyclical Consumer Goods															
Automobiles & Parts	2.2	2.1	-	-	-	-	-	-	-	-	-	-	-	4.3	4.7
Household Goods & Textiles	1.4	0.9	0.6	-	-	-	-	-	-	-	-	-	-	2.9	2.5
Non-Cyclical Consumer Goods															
Beverages	0.5	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.5
Food Producers & Processors	1.2	-	1.7	-	1.4	-	-	-	-	-	-	-	-	4.3	5.4
Health	-	0.9	0.4	-	-	-	0.1	-	-	-	-	-	-	1.4	-
Personal Care/Household Prods.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.6
Pharmaceuticals	3.5	-	5.5	-	-	-	-	-	-	-	-	-	-	9.0	9.6
Tobacco	-	-	-	0.5	-	-	-	-	-	-	-	-	-	0.5	1.0
Cyclical Services															
General Retailers	0.7	-	-	-	-	-	-	-	-	-	-	-	-	0.7	0.8
Leisure & Hotels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
Media & Entertainment	1.6	-	-	2.2	0.2	-	-	-	-	-	-	-	-	4.0	2.5
Support Services	-	0.4	-	-	-	-	-	-	-	-	-	-	-	0.4	0.3
Transport	0.7	-	-	-	-	-	0.1	-	-	-	-	-	-	0.8	0.6
Non-Cyclical Services															
Food and Drug Retailers	1.0	-	-	-	0.3	-	-	-	-	-	-	-	-	1.3	1.2
Telecommunication Services	1.4	2.0	-	2.3	0.4	2.6	0.7	-	-	-	0.7	-	-	10.1	11.6
Utilities															
Electricity	-	-	-	1.7	-	0.4	-	-	-	-	-	-	-	2.1	1.3
Utilities Other	0.4	2.4	-	-	-	-	-	-	-	-	-	-	-	2.8	2.7
Financials															
Banks	3.9	2.2	4.1	1.6	1.2	1.9	0.6	1.3	1.8	1.6	-	0.3	-	20.5	19.4
Insurance	0.5	1.1	1.3	-	1.9	1.1	-	-	-	-	-	-	-	5.9	4.3
Life Assurance	-	-	-	-	0.3	-	-	-	-	-	-	-	-	0.3	1.0
Real Estate	0.5	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.6
Speciality & Other Finance	-	0.4	-	-	-	-	-	-	-	-	-	-	-	0.4	0.4
Information Technology															
Information Tech Hardware	-	-	-	-	-	-	4.2	-	-	-	-	-	-	4.2	4.3
Software & Computer Services	0.1	0.4	-	-	-	-	-	-	-	-	-	-	-	0.5	1.5
	27.4	15.4	14.0	11.8	9.4	9.1	8.1	2.0	1.8	1.6	0.7	0.3	-	101.6	98.6
Investments in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Net Current (Liabilities)/Assets	-	-	-	-	-	-	-	-	-	-	-	-	(1.8)	(1.8)	1.2
Total 2004	27.4	15.4	14.0	11.8	9.4	9.1	8.1	2.0	1.8	1.6	0.7	0.3	(1.6)	100.0	100.0
Total 2003	27.3	14.7	15.3	8.4	12.4	7.5	9.4	0.5	0.9	1.5	0.7	-	1.4	100.0	100.0
Index 2004*	21.5	15.7	15.2	8.6	11.0	9.5	11.5	0.7	2.6	1.8	0.9	1.0	-	100.0	100.0

The total value of investments and net current assets at 30 September 2004, on which this table is based, was £210,877,000 (£180,482,000).

*FTSE World Index - Europe (excluding the UK) weightings at 30 September 2004.

Analysis of Net Assets

	Valuation at 30.9.03 £'000	%	Net Transactions £'000	Appreciation/ (Depreciation) £'000	Valuation at 30.9.04 £'000	%
Investments in Equities						
France	49,338	27.3	(1,035)	9,263	57,566	27.4
Germany	26,487	14.7	1,894	3,991	32,372	15.4
Switzerland	27,612	15.3	334	1,600	29,546	14.0
Spain	14,953	8.4	6,337	3,676	24,966	11.8
Netherlands	22,427	12.4	(2,631)	106	19,902	9.4
Italy	13,478	7.5	3,570	2,070	19,118	9.1
Scandinavia	16,984	9.4	(1,744)	1,784	17,024	8.1
Austria	976	0.5	2,061	1,275	4,312	2.0
Belgium	1,604	0.9	1,639	578	3,821	1.8
Eire	2,782	1.5	189	411	3,382	1.6
Portugal	1,266	0.7	4	277	1,547	0.7
Greece	-	-	394	287	681	0.3
	177,907	98.6	11,012	25,318	214,237	101.6
Investments in Subsidiaries	345	0.2	-	19	364	0.2
Net Current Assets/(Liabilities)	2,230	1.2	(5,954)	-	(3,724)	(1.8)
Net Assets	180,482	100.0	5,058	25,337	210,877	100.0

Market and Currency Exposure

	Equities £'000	Other £'000	Net Currency Exposure at 30.9.04 £'000	%
France	57,566	-	57,566	27.4
Germany	32,372	-	32,372	15.4
Switzerland	29,546	-	29,546	14.0
Spain	24,966	-	24,966	11.8
Netherlands	19,902	-	19,902	9.4
Italy	19,118	-	19,118	9.1
Scandinavia	17,024	-	17,024	8.1
Austria	4,312	-	4,312	2.0
Belgium	3,821	-	3,821	1.8
Eire	3,382	-	3,382	1.6
Portugal	1,547	-	1,547	0.7
Greece	681	-	681	0.3
Euro	-	(1,139)	(1,139)	(0.6)
Net currency exposure	214,237	(1,139)	213,098	
UK	-	(2,221)	(2,221)	(1.0)
Total	214,237	(3,360)	210,877	
Percentage	101.6	(1.6)		100.0

Ten-Year Performance Record

Year ended 30 September	Net Assets attributable to Ordinary shares of 50p			Mid-Market Price per Ordinary share of 50p	Dividend per share p	Ordinary shares of 50p	
	Total (£'000)	per share (basic) p	per share (diluted) p			Earnings† per share p	Total Return per share p
1995 (a)	30,404	178.45	163.63	159.50	1.20	1.65*	32.56
1996 (b)	37,208	208.90	193.62	195.00	1.50	2.16	36.25
1997 (c)	100,108	259.14	252.67	250.50	1.50	1.58	68.63
1998	112,105	290.20	278.60	267.00	1.50	1.73	32.56
1999 (d)	186,496	358.35	340.63	341.00	2.00	3.11	67.84
2000 (e)	280,066	510.43	476.76	511.00	2.00	2.70	154.00
2001 (f)	195,007	347.53	333.39	300.00	3.00	4.01	(159.14)
2002 (g)	147,930	263.54	258.73	227.50	3.00	3.11	(80.96)
2003 (h)	180,482	321.45	310.25	259.75	3.00	3.45	60.93
2004 (i)	210,877	352.03	-	312.00	4.35	4.79	45.45

† Equivalent to Revenue per share.

* Restated as a prior year adjustment to reflect the changes in accounting policy in 1996 to allocate taxation to Capital reserve proportionate to expenses capitalised and to recognise investment income on an ex-dividend basis.

(a) Ordinary shares in issue increased by 560 on the exercise of warrants.

(b) Ordinary shares in issue increased by 773,244 on the exercise of warrants.

(c) Ordinary shares in issue increased by 2,588,956 on the final exercise of the 'old' warrants and by 18,230,742 in connection with the acquisition of The German Investment Trust plc.

(d) Ordinary shares in issue increased by 13,412,455. (11,482,455 attributable to the acquisition of Aberdeen European Investment Trust and a further 1,930,000 shares issued under the powers taken at the AGM on 14 December 1998).

(e) Ordinary shares in issue increased by 2,825,228. (450,228 on the exercise of warrants and a further 2,375,000 shares issued under the powers taken at the AGM on 20 December 1999).

(f) Ordinary shares in issue increased by 1,243,356. (193,356 on the exercise of warrants and a further 1,050,000 shares issued under the powers taken at the AGM on 3 November 2000).

(g) Ordinary shares in issue increased by 19,743 on the exercise of warrants.

(h) Ordinary shares in issue increased by 14,243 on the exercise of warrants.

(i) Ordinary shares in issue increased by 3,757,297 (6,967,242 shares were issued on the exercise of warrants and 3,209,945 shares were repurchased for cancellation under the powers taken at the AGM on 26 January 2004).

Report of the Directors

The Directors submit their Report and the Accounts for the year ended 30 September 2004.

Business and Status

The Company is an investment trust company and is a member of The Association of Investment Trust Companies. It is registered as a public limited company and is an investment company as defined by section 266 of the Companies Act 1985.

The Company was last approved by the Inland Revenue as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 30 September 2003. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has been approved as an investment trust for all previous years. Since 30 September 2003, the Company has directed its affairs so as to be able to continue to qualify for approval by the Inland Revenue as an investment trust for tax purposes.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Issued Share Capital

At 30 September 2003, the Company's issued share capital comprised 56,145,767 Ordinary shares of 50p each and 6,967,242 Warrants. On 2 February 2004 all the Warrants in issue were exercised and 6,967,242 Ordinary shares of 50p each were issued at an exercise price of 220p per share. During the remainder of the year the Company repurchased 3,209,945 Ordinary shares of 50p each, with nominal value of £1,605,000, for cancellation. This represented approximately 5.7% of the issued share capital at 30 September 2003. At 30 September 2004 the Company had authority to repurchase a further 5,206,305 Ordinary shares, such authority to expire at the conclusion of the next Annual General Meeting of the Company. There were 59,903,064 Ordinary shares in issue at 30 September 2004.

Duration

The Company has an indefinite life.

Net Assets

Net Assets at 30 September 2004 amounted to £210,877,000, compared with £180,482,000 at 30 September 2003.

Borrowing

Under an agreement with The Bank of New York the Company has an uncommitted multicurrency loan facility in the sum of £30,000,000. At 30 September 2004 the Company had no borrowings under this facility.

The Company has an overdraft facility of £5,000,000 with The Royal Bank of Scotland. Interest is charged on the facility at 1% per annum over the base rate set by the Bank of England. At the year end the Company had a bank overdraft of £46,000 (£293,000).

Revenue and Dividends

Net revenue for the year, after expenses and taxation, amounted to £2,873,000, compared with £1,935,000 for the previous year, an increase of 48.5%.

The Directors recommend a final dividend of 4.35p per Ordinary share in respect of the year ended 30 September 2004.

Subject to shareholders' approval of the proposed final dividend, it will be paid on 31 January 2005 to Shareholders on the Register on 3 December 2004. The ex-dividend date will be 1 December 2004.

The final dividend on 59,903,064 Ordinary shares at a cost of £2,606,000, will allow the sum of £267,000 (£251,000) to be transferred to the Company's Revenue reserve, which, at 30 September 2004, amounted to £2,923,000 (£2,656,000).

Management, Company Secretarial and Custody Agreements

The Company's investments are managed by Gartmore Investment Limited under an Investment Management Agreement dated 1 November 2002, which provides for twelve months' notice of termination to be given by either side. The management fee is calculated monthly at 0.0625% (0.75% per annum), plus value-added tax, on the value of Total Assets. A performance related incentive fee is also in place. The calculation of this additional fee is based on the Company's performance relative to its benchmark index and is capped at 0.5% of year-end Total Assets. Details are given on page 17.

Report of the Directors

Gartmore Investment Limited provides the accounting, company secretarial and administrative services required by the Company in connection with its business and operation under a Company Secretarial and Administration Agreement dated 1 November 2002.

The Bank of New York provides custodian services to the Company under a Custody Agreement with the Company dated 1 November 2002.

Continuing Appointment of the Managers

In accordance with the Listing Rules published by the Financial Services Authority, the Management Engagement Committee has reviewed the performance of the Managers in managing the Company's portfolio. The review considered the Company's investment performance over both the short and longer terms, together with the quality and adequacy of other services provided by Gartmore Investment Limited, including company secretarial and accounting. The Committee also reviewed the appropriateness of the terms of the Investment Management Agreement, in particular the length of notice period and the management fee structure, and of the Company Secretarial and Administration Agreement.

Following this review, the Directors concluded that the continuing appointment of the Managers on the terms agreed is in the interests of Shareholders as a whole.

Performance Fee

In the event of outperformance, the performance fee is calculated annually as follows:

- 10% of the amount that the percentage movement in the Company's Net Asset Value per Ordinary share exceeds the percentage movement in the Company's benchmark, the FTSE World Index – Europe (ex UK) capital only in sterling terms, in the same period, up to 1.5% outperformance (i.e. 0.15%); plus
- 20% of the amount that the percentage movement in the Company's Net Asset Value per share further exceeds the percentage movement in the benchmark, up to 2% outperformance (i.e. 0.10%); plus
- the amount that the percentage movement in the Company's Net Asset Value per share further exceeds the percentage movement in the benchmark, up to 2.25% (i.e. 0.25%).

Each annual performance calculation is in respect of the Company's financial year.

No performance fee was paid to the Managers in respect of the year ended 30 September 2004 (2003: nil).

Supplier Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the equity markets in which it operates. All other creditors are settled on the due date for payment. The Company does not have trade creditors.

Directors

The Directors of the Company who served during the year are listed on page 4, with the exception of Mr H Jenkins who retired on 26 January 2004. All Directors are non-executive and are independent of the Managers.

All Directors are members of the Audit Committee.

In accordance with the requirements of the Combined Code, Mr J C Banon, Mr B Merki, Dr M Piehl and Mr J von Spreckelsen, all of whom have served on the Board for more than nine years, retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr A Comba and Mr R Dennis were appointed as Directors on 11 November 2003. Their appointments were ratified by shareholders at the Annual General Meeting held on 26 January 2004.

Report of the Directors

The Directors held the following beneficial interests in the Ordinary shares and warrants of the Company at 1 October 2003 and 30 September 2004. There have been no changes since 30 September 2004.

	30 September 2004	Ordinary shares of 50p 1 October 2003
J von Spreckelsen	—	—
J C Banon	—	—
A Comba	—	—
R Dennis	—	—
B Merki	2,500	2,500
M Piehl	2,500	2,500
H Jenkins	—	—

No Directors hold non-beneficial interests.

No Director has a contract of service with the Company; nor has any Director had such a contract in the last six months. The Directors are covered under a policy of directors' liability insurance arranged by the Company at its own expense.

Save as aforesaid, there were no contracts or arrangements existing at any time during the year, or since, in which a Director of the Company was materially interested, either directly or indirectly.

Substantial Shareholders

At 9 December 2004, the Company had not been notified of any interests in the Company's Ordinary share capital requiring disclosure.

However, the five largest registered holders of the Company's shares at that time were as follows:

	Number	Percent
Morgan Stanley Quilter Nominees Limited	1,832,888	3.1
BNP Paribas Arbitrage SNC	1,809,205	3.0
R C Greig Nominees Limited	1,665,922	2.8
BNY GIL Client Account (Nominees) Limited	1,556,949	2.6
HSBC Global Custody Nominee (UK) Limited	1,535,941	2.6

Going Concern

The Directors believe that it is appropriate to continue to prepare the accounts on a going concern basis as the Company's assets are readily realisable and the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Personal Equity Plans

The Directors intend to ensure that the Company's shares continue to qualify for retention in Personal Equity Plans in existence at 5 April 1999. Details of Gartmore's range of savings schemes are set out on page 48.

Socially Responsible Investment

The Company has delegated responsibility for making and holding investments and voting on its behalf at investee company meetings to the Managers, Gartmore Investment Limited, on the basis that, subject to an overriding requirement to pursue the best economic interests of the Company and its shareholders, the Managers should take account of social, environmental and ethical factors in making and holding investments and in using the voting powers conferred by such investments.

Report of the Directors

Special Business of the Annual General Meeting

Four items of Special Business are proposed in the Notice of Meeting on pages 42 and 43. The first will be proposed as an Ordinary Resolution, while the second, third and fourth will be proposed as Special Resolutions.

The Directors are seeking general authority within the limits stated below.

First, for the purposes of Section 80 of the Companies Act 1985, to allot relevant securities up to an aggregate nominal amount of £9,930,898 of the Company's issued share capital, being one-third of the issued Ordinary share capital of the Company as at the date of this Report.

Second, to disapply the pre-emption provisions of Section 89 of the Companies Act 1985 in respect of equity securities of an aggregate nominal amount up to £1,489,634 equal to just under 5% of the Company's issued Ordinary share capital as at the date of this Report, in addition to any equity securities which may be allotted in connection with rights issues. Following the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, this authority will now also cover, within the aggregate limit, the sale of treasury shares for cash.

The authorities being sought in the first and second items, which will expire at the conclusion of the next Annual General Meeting or, if earlier, on expiry of 15 months from the passing of the resolution, will give the Board flexibility to take advantage of any opportunities to issue new shares within a shorter period than would otherwise be the case.

Third, a special resolution is to be proposed to renew the Company's general authority to purchase its own shares in the market. Under the Financial Services Authority Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99% of the Ordinary shares expires at the conclusion of the forthcoming Annual General Meeting. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary shares for cancellation or to be held as treasury shares. The Board is therefore seeking to renew its power to make market purchases of Ordinary shares which it has the option either to cancel or to hold as treasury shares. Accordingly, a Special Resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary share capital at the date of the Annual General Meeting is proposed. The authority will be limited to 8,931,849 Ordinary shares representing 14.99% of the Company's issued share capital at the date of this Report.

There are no warrants or options to subscribe for Ordinary shares outstanding at the date of this Report.

Any purchases made pursuant to the renewed authority would be in addition to any purchases of Ordinary shares occurring between the date of this document and the Annual General Meeting, which would be made pursuant to the authority granted at the Annual General Meeting held in 2004.

Any purchase of shares would only be made at a discount to the prevailing Net Asset Value and hence would enhance the Net Asset Value of the remaining shares. The Company would also be better positioned to address any imbalance between supply and demand for its shares. Purchases of shares would be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions.

The resolution will restrict the price payable to the effect that it could not be less than the 50p nominal value of the shares and not more than 5% above the average of the mid-market quotations for the five business days immediately preceding the day of purchase.

No dividends will be paid on shares whilst held in treasury and no voting rights will attach to the treasury shares. Whilst in treasury, the shares are treated as if cancelled.

Report of the Directors

The authority will expire at the conclusion of next year's Annual General Meeting or if earlier, on expiry of 15 months from the passing of the resolution.

In addition, it is proposed that the Company adopt new Articles of Association. The Company's existing Articles were adopted in 1992 and have subsequently been amended only in specific limited respects (in 1999). Since 1999 there have been a number of changes in best practice and legislation which are not reflected in the Company's existing Articles. A general review of the Company's Articles has been conducted which has given rise to a number of recommendations for changes. The proposed adoption of new Articles is designed to bring the Company's Articles into line with current best practice and to consolidate the effect of relevant changes in legislation. The following is a summary of the substantive changes between the proposed new Articles to be adopted pursuant to Resolution 13 and the existing Articles:

(i) **Directors' fees**

The Company's existing Articles currently set the Company's aggregate maximum annual level of Directors' fees at £100,000. It is now proposed that this aggregate maximum be increased to £150,000 per annum. This aggregate maximum covers Directors' fees only and does not cover remuneration for other services.

(ii) **Retirement of Directors**

The existing Articles currently require that a third of the Directors retire at every annual general meeting. The proposed new Articles will, if adopted, bring the Articles into line with the provisions of the revised Combined Code on Corporate Governance (the "Code") by requiring each Director to retire at the annual general meeting held in the third calendar year after the year in which he was elected, or last re-elected, as a Director.

(iii) **Treasury shares**

The proposed new Articles reflect recent changes in the law allowing a company to purchase its own shares, in certain limited circumstances, and hold them in treasury rather than requiring that the shares be cancelled. These amendments are being made for the sake of clarity and certainty.

(iv) **Electronic communication with shareholders**

The proposed new Articles enable the Company to communicate electronically (for example by e-mail or by notifying the availability of information on a website) in accordance with the Electronic Communications Order 2000 (the "Order"). Such communications include the Company's annual Report and Accounts, interim results and notices of annual general meetings and other shareholder meetings issued by the Company. Electronic communication would only be with and to those of its shareholders who so request or agree. The Company would also be permitted to accept proxies electronically, although the Company has no plans to implement electronic voting at present.

The Order includes provisions overriding companies' Articles of Association insofar as they would prevent a company from taking advantage of the new opportunities for electronic communication. However, the Directors wish to follow best practice by making these amendments for the sake of clarity and certainty.

(v) **Auditors**

The proposed new Articles clarify that auditors will not be regarded as officers of the company and are therefore not eligible to benefit from the Company's Directors and officers liability insurance policy. This reflects the ABI's recommendations that such insurance should not extend to auditors.

Report of the Directors

(vi) CREST

Whilst the existing Articles contemplate the settlement of securities in CREST, for the sake of clarity and certainty, the proposed new Articles set out in further detail the provisions relating to settlement in CREST.

(vii) Introduction of CREST electronic proxy voting

CREST Co. Limited, the operator of the London Stock Exchange securities settlement in CREST, now allows members of CREST to appoint proxies electronically. The proposed new Articles will, if adopted, allow the Company to adopt this service. The Company has no current plans to implement this service at present.

(viii) Introduction of electronic archiving

With a view to reducing the cost of archiving paper copies of documents, the proposed new Articles of Association will, if adopted, allow paper documents to be destroyed where electronic copies are being kept in their place.

In addition, the proposed new Articles reflect a number of changes of a technical or minor nature which reflect changes to the Companies Act 1985 and to the UK Listing Authority's Listing Rules. For example, in the event of a sale of shares in the case of an untraced shareholder, the proposed new Articles reflect the deletion from the Listing Rules of the compulsory notification to the Stock Exchange prior to the sale of such shares; the Articles are to be amended to clarify that at least five members must be present and entitled to vote to demand a poll at any general meeting, reflecting changes in section 378 of the Companies Act 1985; the period for forfeiture of *unclaimed dividends* has been *reduced from twelve to six years following the relaxation* of the Listing Rules.

Copies of the new Articles highlighting the differences between the existing Articles and the proposed new Articles to be adopted pursuant to Resolution 13 are available for inspection at the registered office of the Company from the date of this document until the close of the Annual General Meeting.

The Directors consider that the above authorities are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the Directors intend to in respect of their own beneficial holdings of Ordinary shares amounting in aggregate to 5,000 shares, representing approximately 0.01% of the Company's issued Ordinary Share Capital.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as Auditors and resolutions proposing their re-appointment and authorising the Audit Committee to fix their remuneration will be submitted at the Annual General Meeting.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
24 November 2004



Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year 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 then ended.

In preparing those accounts, the Directors are required to:

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

The Directors confirm that they have complied 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 for maintaining adequate systems of internal control which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the Company's assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

The accounts are published on www.gartmore.com, which is the website maintained by the Company's Managers. The work undertaken by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that may 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 other jurisdictions.

Corporate Governance Statement

Introduction

The Company is committed to maintaining the highest standards of corporate governance. Pursuant to the Listing Rules of the Financial Services Authority, the Company is required to provide shareholders with a statement of how the principles set out in Section 1 of the Combined Code issued in June 1998 (the Code) have been applied and whether it has complied with the provisions of the Code.

The Board has reviewed the provisions of the new Combined Code on Corporate Governance, which is effective for the Company's financial year to 30 September 2005, and believes that the Company is already compliant with a substantial part of the new regulations and intends to comply with those provisions appropriate to the Company's circumstances that it currently does not comply with.

The Board has established arrangements which it believes are appropriate to an investment trust company. The following statement describes how the Principles of Good Corporate Governance have been applied and the Code followed.

The Board

The Board consists of six non-executive Directors, all of whom are independent of the Company's Managers. The Board does not consider it necessary to appoint a senior independent director other than the Chairman. The brief biographies for each Director provided, on page 4, demonstrate a wide range of investment, commercial and professional experience.

The whole Board considers the appointment of new Directors. Newly appointed Directors are subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board. In accordance with the Articles of Association of the Company, the number nearest to, but not exceeding, one-third of the Directors are required to retire and submit themselves for re-appointment on the occasion of each Annual General Meeting. However, the Directors intend to follow the requirement of the Code, and, as a matter of practice, to ensure that each Director should retire and, if so desired, be proposed for re-appointment at least every three years. In accordance with recommendations of the Code of Corporate Governance published by the Association of Investment Trust Companies Directors who have served for more than nine years will retire and submit themselves for re-appointment annually.

The Board has contracted to external parties the management of the investment portfolio, custodian and registrar services, and the day-to-day accounting and company secretarial services. Each of these contracts is only entered into after proper consideration by the Board of the quality and cost of the services offered.

There is a formal schedule of matters specifically reserved for decision by the Board and guidelines within which the Managers implement investment policy. The Board meets regularly and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

The Directors have access to the advice and services of the corporate company secretaries, Gartmore Investment Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Independent Professional Advice

Procedures are also in place for individual Directors to seek independent professional advice on any matter concerning them in the furtherance of their duties at the expense of the Company.

Board Committees

The Board has established an Audit Committee with defined terms of reference and duties. The Audit Committee comprises all the Directors of the Company who, as noted above, are independent of the Managers. Mr A M Comba is Chairman of the Audit Committee. It meets at least twice a year and has formal arrangements for considering internal control, accounting policies and financial statements. The Audit Committee

Corporate Governance Statement

also reviews the appointment, remuneration and maintenance of an appropriate relationship with the Company's Auditors.

The Code recognises that investment companies may find some of the standard provisions of the Code inappropriate and it is, therefore, in order for the Board to continue to fulfil the responsibilities of the following committees:

- the Management Engagement Committee – responsible for reviewing the management contract on a regular basis and ensuring that the terms are fair and reasonable;
- the Nominations Committee – responsible for the nomination of new directors through an established formal procedure; and
- the Remuneration Committee – responsible for monitoring the remuneration of the Directors. The level of Directors' fees is reviewed relative to the work involved as well as the fees of comparable companies.

Shareholder Relations

The Board recognises the importance of maintaining and improving communication between the Company and its shareholders. The Managers meet with institutional shareholders on a regular basis and report to the Board on matters raised at these meetings. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. All shareholders are encouraged to attend and vote at the Company's Annual General Meeting, as this provides shareholders with a valuable opportunity to meet the Directors and the investment manager, to convey their views on the Company's performance and to discuss issues affecting the Company.

Internal Control

The Directors are responsible for the Company's systems of internal control.

The Code requires the Directors to review the effectiveness of the Company's systems of internal control, covering all controls including risk management.

Unlike the boards of most other listed companies, the boards of investment trust companies obtain the majority of their evidence as to whether internal controls are operating effectively from third party suppliers to whom investment management, custody, accounting and secretarial matters have been delegated. This means that an appreciation of internal controls for an investment trust company requires directors to consider information from a number of independent sources, rather than a consolidated single source covering a typical listed company's systems of internal control.

The Board formally considers, twice a year, the effectiveness of the system of internal control. The Board takes account of any risk management problems, or compliance breaches identified previously, and it receives reports from the Managers' Compliance Officer. At the conclusion of that formal review it makes a decision as to whether any changes to the internal control system are required.

The Directors have reviewed the information provided to them. Subject to reliance on third parties as mentioned above, the Directors have reviewed the effectiveness of internal controls and confirm that the internal controls in operation during the period from 1 October 2003 to the date of this report are appropriate to its business activities and methods of operation and that they operate effectively.

The Company has complied fully with the provisions set out in the Turnbull guidance throughout the year to 30 September 2004.

There is an ongoing process for identifying, evaluating and managing the significant risks to the Company. This process, which is regularly reviewed by the Board and accords with the Turnbull guidance, has been in place throughout the year under review and up to the date of approval of the annual report and accounts. Systems are in operation to safeguard the Company's assets and the shareholders' investment, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's systems of internal control are designed to

Corporate Governance Statement

manage rather than eliminate the risks of not achieving the Company's objectives and the system of internal control provides reasonable, but not absolute, assurance against material misstatement or loss.

Under the terms of the Investment Management Agreement and the Company Secretarial and Administration Agreement, referred to on pages 16 and 17, Gartmore Investment Limited provides investment management, accounting and secretarial services. Accordingly, employees of the Gartmore group (Gartmore) maintain all the financial arrangements associated with the day-to-day management of the Company. The Bank of New York provides custodian services under a separate Custody Agreement. A clearly defined investment strategy is set for the Managers and monitored by the Board, which regularly reviews the Company's investments, liquid assets and liabilities, investment transactions and revenue and expenditure. The Managers are responsible for day-to-day monitoring of the Company's investments and for exercising voting rights effectively and responsibly, but overridingly in the best interests of the Company. The Investment Management Agreement is approved and regularly reviewed by the Board as a whole.

Gartmore's systems of internal control include organisational arrangements with clearly defined lines of responsibility and delegated authority, as well as control procedures and systems which are regularly evaluated and internally audited. The Directors review reports from Gartmore on a regular basis as regards those aspects of Gartmore's systems relevant to the provision of services to the Company.

Statement of Compliance

The Board believes that, insofar as they are relevant to the Company's business as an investment trust company, the Company has complied with the provisions of the 1998 Code throughout its financial year to 30 September 2004.

The Association of Investment Trust Companies' Code of Corporate Governance (the AITC Code) was published in July 2003. The Board intends to adopt and adhere to the principles and to follow the recommendations of the AITC Code. In the event, however, that the Board concludes that adherence to or compliance with any particular principle or recommendation of the AITC Code would not be appropriate to the Company's circumstances, its reasons for non-compliance will be set out in the Annual Report to shareholders.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
24 November 2004

Directors' Remuneration Report

The Directors submit this Report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to 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 so indicated. The Auditors' opinion is included in their report on pages 28 and 29.

Remuneration Committee

The Board is comprised solely of non-executive Directors. It is therefore exempt under the *Financial Services Authority Listing Rules* from appointing a separate Remuneration Committee. The Board as a whole accordingly fulfils the function of the Remuneration Committee.

Policy on Directors' Fees

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £100,000 per annum or such higher amount as may, from time to time, be determined by an Ordinary resolution of the Company. The Notice of Annual General Meeting on page 43 includes such a resolution seeking Shareholders' approval to a number of amendments to the Articles of Association, one of which is to increase the aggregate amount available for Directors' remuneration from £100,000 per annum to £150,000 per annum. The Directors have no immediate plans to utilise the increased amount available. Subject to this overall limit, the Board's policy is that remuneration of non-executive Directors should be set at a level sufficient to attract and retain directors of the calibre required to direct the Company.

With effect from 1 October 2004, the Directors' fees were increased from £16,000 to £20,000 for the Chairman and from £12,000 to £15,000 for each of the other Directors. Mr A Comba receives an additional £1,000 as Chairman of the Audit Committee. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

Directors' Terms of Appointment

It is the Board's policy that none of the Directors should have a service contract. The terms of their appointment provide that a Director shall retire and be subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board, and be subject to re-appointment at least every third year thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Performance Graph

The Company's performance is measured against the FTSE World Index – Europe (ex UK) in sterling terms.

The graph below compares the Net Asset Value of the Company's Ordinary shares over the five years to 30 September 2004 with the FTSE World Index – Europe (ex UK) in sterling terms over the same period.

Directors' Remuneration Report

The graph below compares the total return by reference to the mid-market share price of the Company's Ordinary shares (with dividends reinvested) over the five years to 30 September 2004, compared with the total return on the FTSE World Index – Europe (ex UK) in sterling terms over the same period and on the same basis.

Directors' Emoluments for the Year (Audited)

The Directors who served during the year ended 30 September 2004 received the following emoluments in the form of fees:

	2004	2003
J von Spreckelsen	16,000	14,822
W Campbell Allan	–	4,755
J C Banon	12,000	12,000
A Comba	10,663	–
R Dennis	10,663	–
H Jenkins	3,554	12,000
B Merki	12,000	12,000
M Piehl	12,000	12,000
	76,880	67,577

No other emoluments or pension contributions were paid to or on behalf of any Director.


J von Spreckelsen
Chairman

Approved by the Board
on 24 November 2004

Report of the Independent Auditors

To the Members of Gartmore European Investment Trust p.l.c.

We have audited the financial statements for the year ended 30 September 2004, which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 28. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies in Note 1. We have also audited the information contained in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to *them in an auditor's report and for no other purpose. To the fullest extent permitted by law*, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Directors and the Auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report required to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises: The Company, Highlights, The Board of Directors, The Managers, Chairman's Statement, Managers' Review, Financial Statistics, Dividend Calendar, Principal Investments, Sector Classification and Weightings of Investments, Analysis of Net Assets, Market and Currency Exposure, Ten-Year Performance Record, Report of the Directors, Statement of Directors' Responsibilities, Corporate Governance Statement, unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting, Annual General Meeting, How to Find Us, Useful Information for Shareholders, Investing in Gartmore Investment Trusts and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Report of the Independent Auditors

Basis of Audit Opinion

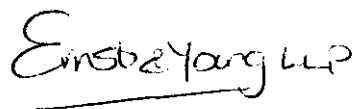
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements 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 financial statements 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 financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 30 September 2004 and the net return of the Company for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
24 November 2004

Statement of Total Return to 30 September 2004

		Year to 30 September 2004		
	Notes	Revenue Return £'000	Capital Return £'000	Total Return £'000
Income and Capital Profits				
Dividends and other income	2	5,064	–	5,064
Net profit on investments	3	–	25,337	25,337
Return before Expenses, Finance Costs and Taxation		5,064	25,337	30,401
Expenses				
Management fee	4	(457)	(1,370)	(1,827)
Other fees and expenses	4	(463)	–	(463)
Return before Finance Costs and Taxation		4,144	23,967	28,111
Finance Costs				
Interest payable	5	(8)	(2)	(10)
Exchange loss on currency transactions		–	(203)	(203)
Return on Ordinary Activities before Taxation		4,136	23,762	27,898
Taxation	6	(1,263)	620	(643)
Return to Equity Shareholders after Taxation		2,873	24,382	27,255
Appropriated to Equity Shareholders				
Dividends on Ordinary shares – 4.35p per share	7	(2,606)	–	(2,606)
Transferred to Reserves		267	24,382	24,649
Total Return per Ordinary share	8	4.79p	40.66p	45.45p

The revenue column above represents the Revenue Account of the Company.
All revenue and capital items derive from continuing activities.
No operations were acquired or discontinued during the year.

The Notes on pages 34 to 41 form part of these Accounts.

**Statement of Total Return
to 30 September 2003**

		Year to 30 September 2003		
	Notes	Revenue Return £'000	Capital Return £'000	Total Return £'000
Income and Capital Profits				
Dividends and other income	2	3,618	–	3,618
Net profit on investments	3	–	32,727	32,727
Return before Expenses, Finance Costs and Taxation		3,618	32,727	36,345
Expenses				
Management fee	4	(372)	(1,117)	(1,489)
Other fees and expenses	4	(524)	–	(524)
Return before Finance Costs and Taxation		2,722	31,610	34,332
Finance Costs				
Interest payable	5	(26)	(62)	(88)
Exchange gain on currency transactions		–	338	338
Return on Ordinary Activities before Taxation		2,696	31,886	34,582
Taxation	6	(761)	384	(377)
Return to Equity Shareholders after Taxation		1,935	32,270	34,205
Appropriated to Equity Shareholders				
Dividends on Ordinary shares – 3.0p per share	7	(1,684)	–	(1,684)
Transferred to Reserves		251	32,270	32,521
Total Return per Ordinary share	8	3.45p	57.48p	60.93p
Diluted Earnings per Ordinary share	9	3.08p		

The revenue column above represents the Revenue Account of the Company.
All revenue and capital items derive from continuing activities.
No operations were acquired or discontinued during the year.

The Notes on pages 34 to 41 form part of these Accounts.

Balance Sheet

at 30 September 2004

	Notes	At 30 September 2004 £'000	At 30 September 2003 £'000
Fixed Assets			
Listed investments at valuation	10	214,237	177,907
Unlisted investments in subsidiaries	11	364	345
		214,601	178,252
Current Assets			
Debtors – amounts receivable within one year	12	668	1,610
Short-term deposits		2,631	4,576
Cash at bank		87	1,333
		3,386	7,519
Creditors – amounts payable within one year	13	(7,110)	(5,289)
Net Current (Liabilities)/Assets		(3,724)	2,230
Net Assets		210,877	180,482
Capital and Reserves			
Called-up share capital	14	29,952	28,073
Share premium	15	39,967	26,417
Warrant reserve	16	–	1,706
Merger reserve	17	61,344	61,344
Capital redemption reserve	18	1,605	–
Other reserves:			
Capital reserve – realised	19	57,886	55,545
Capital reserve – unrealised	20	17,200	4,741
		207,954	177,826
Revenue reserve	21	2,923	2,656
Equity Shareholders' Funds	22	210,877	180,482
Net Asset Value per Ordinary share	23	352.03p	321.45p


J von Spreckelsen
Chairman

Approved by the Board on 24 November 2004

The Notes on pages 34 to 41 form part of these Accounts.

Cash Flow Statement to 30 September 2004

	Notes	Year to 30 September 2004 £'000	Year to 30 September 2003 £'000
Revenue Activities			
Dividends and interest received from investments		4,080	2,809
Interest received on deposits		101	139
Other income		–	21
Expenses paid, allocated to revenue		(1,000)	(846)
Net cash inflow from revenue activities	24	3,181	2,123
Servicing of Finance			
Bank overdraft interest		(8)	(5)
Bank revolving credit facility interest		(2)	(83)
		(10)	(88)
Taxation Recovered			
Foreign tax		259	434
Investment Activities			
Acquisitions of investments		(279,398)	(386,564)
Disposals of investments		270,055	395,415
Expenses paid, allocated to capital		(891)	(1,957)
		(10,234)	6,894
Equity Dividends			
Ordinary shares		(1,684)	(1,684)
Finance			
Shares issued		15,328	31
Shares repurchased for cancellation		(9,582)	–
Exchange (loss)/gain on currency transactions		(202)	338
		5,544	369
Net Cash (Outflow)/Inflow	26	(2,944)	8,048
Reconciliation of Net Cash (Outflow)/Inflow to Movement in Net Cash			
Balance brought forward		5,616	(2,432)
Net cash (outflow)/inflow		(2,944)	8,048
Balance at 30 September	25	2,672	5,616

The Notes on pages 34 to 41 form part of these Accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2004 and are set out below.

Convention

The Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards and comply, in all material respects, with the Statement of Recommended Practice (SORP) for the Financial Statements of Investment Trust Companies issued in January 2003.

The Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the inclusion of fixed asset investments at market value.

The balance sheets of Aberdeen European Investment Trust PLC (in liquidation), The German Investment Trust plc (in liquidation) and GEIT Offer p.l.c., the Company's only subsidiaries at 30 September 2004, have not been consolidated due to their immateriality.

Revenue, Expenses and Interest Payable

Revenue includes dividends receivable from investments marked ex-dividend during the period.

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

Management fee and loan interest charges, net of any related tax relief, are allocated 75% to Capital reserve – realised and 25% to Revenue reserve, in line with the Board's expected long-term split of returns in the form of capital and income profits respectively. In accordance with the SORP, tax relief, if applicable, in respect of such amounts is apportioned between Capital reserve – realised and Revenue reserve using the marginal method.

In accordance with the SORP, the performance fee (when payable) is allocated to Capital reserve – realised, together with the tax relief in respect of such allocations.

Expenses which are incidental to the acquisition of an investment are included with the cost of the investment. Expenses which are incidental to the disposal of an investment are deducted from the proceeds of sale of the investment.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting on the basis of enacted tax rates.

Investments

The Company's investments are treated as fixed assets and are shown in the Balance Sheet at valuation. Listed investments are valued at mid-market prices at the close of business on the Balance Sheet date.

The difference between book-cost and valuation is shown under Capital reserve – unrealised.

Profits or losses on realisation of investments are taken to Capital reserve – realised in accordance with the Company's Articles of Association and are not distributable by way of dividend.

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, thereby rendering capital profits exempt from tax.

Rate of Exchange

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of each transaction. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rate ruling on that date.

Realised profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are included in revenue where related to income, otherwise such profits and losses are taken to Capital reserve – realised.

Notes to the Accounts

2. Dividends and Other Income	2004 £'000	2003 £'000
Income from investments:		
Franked dividends	–	5
Unfranked dividends	4,962	3,452
Bond interest	1	1
	4,963	3,458
Interest on deposits	101	139
Underwriting commission	–	21
	5,064	3,618

3. Net Profit on Investments	2004 £'000	2003 £'000
Net profit/(loss) realised on disposal of investments based on historical cost	12,859	(15,031)
Less: Amounts recognised as unrealised in earlier years	(3,613)	41,763
Net realised profit based on carrying value at previous balance sheet date	9,246	26,732
Net unrealised appreciation arising during the year	16,072	5,987
Unrealised revaluation of subsidiaries	19	8
	25,337	32,727

4. Expenses	2004 £'000	2003 £'000
Management fees	1,827	1,489
Directors' fees	77	68
Auditors' remuneration – audit services	20	11
General expenses	366	445
	2,290	2,013
Management fees allocated to capital (see Notes 1 & 19)	(1,370)	(1,117)
	920	896

5. Interest Payable	2004 £'000	2003 £'000
On borrowings repayable within five years:		
Bank overdraft	8	5
Multi-currency loan facility	2	83
	10	88
Interest payable allocated to capital (see Notes 1 & 19)	(2)	(62)
	8	26

Notes to the Accounts

6. Taxation

(a) Analysis of charge in period

	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000	Revenue 2003 £'000	Capital 2003 £'000	Total 2003 £'000
Tax relief to capital	620	(620)	–	384	(384)	–
Corporation tax	643	–	643	480	–	480
Double taxation relief	(643)	–	(643)	(480)	–	(480)
	620	(620)	–	384	(384)	–
Foreign tax suffered	643	–	643	480	–	480
Avoir fiscal	–	–	–	(103)	–	(103)
Total current tax for period (see note 6(b))	1,263	(620)	643	761	(384)	377

(b) Factors affecting current tax charge for the period

	2004 £'000	2003 £'000
Net income before taxation	4,136	2,696
Corporation tax at 30%	1,240	809
Effects of:		
Non-taxable UK dividends	–	(2)
Expenses not deductible for tax purposes	23	26
Allowable expenses in capital	(412)	(354)
Transfer to capital	620	384
Unrelieved expenses and interest	(208)	(132)
Overseas tax	643	480
Double tax relief claim	(643)	(480)
Avoir fiscal	–	(72)
Taxable income not reflected in income account	–	102
	23	(48)
Current tax charge for the period (6(a))	1,263	761

Due to the Company's status as an investment trust and the intentions to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

In accordance with the SORP, tax relief, if applicable, in respect of expenses allocated to Capital reserve is now apportioned between Capital reserve and Revenue reserve using the marginal method.

- (c) There is an unrecognised deferred tax asset of £487,000 (£635,000) in respect of excess expenses and interest. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised.

7. Dividends on Ordinary Shares

	2004 £'000	2003 £'000
Final Dividend proposed of 4.35p (3.0p) per share	2,606	1,684

If approved by shareholders, the proposed final dividend, of 4.35p (3.0p) per Ordinary share will be paid on 31 January 2005 to Shareholders on the Register on 3 December 2004. The ex-dividend date will be 1 December 2004.

Notes to the Accounts

8. Total Return per Ordinary Share

- (i) The Total Return per Ordinary share is calculated on the return of £27,255,000 (return of £34,205,000) and 59,961,066 (56,140,499) Ordinary shares, being the weighted average number of shares in issue during the year.
- (ii) The Revenue Return per Ordinary share is calculated on the return of £2,873,000 (£1,935,000) and 59,961,066 (56,140,499) Ordinary shares, being the weighted average number of shares in issue during the year.
- (iii) The Capital Return per Ordinary share is calculated on the return of £24,382,000 (return of £32,270,000) and 59,961,066 (56,140,499) Ordinary shares, being the weighted average number of shares in issue during the year.

9. Diluted Earnings per Ordinary share

Diluted Earnings per Ordinary share for the prior year (assuming all warrants had been exercised) was calculated on earnings of £1,935,000 using adjusted weighted average shares in issue at 30 September 2003 of 63,079,624 and assuming an average fair value per Ordinary share of 250p.

10. Listed Investments	2004 £'000	2003 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	173,166	198,151
Acquisitions at cost	280,147	384,560
Proceeds of disposals	(269,135)	(394,514)
Net loss realised on disposals	12,859	(15,031)
Book cost at 30 September	197,037	173,166
Unrealised appreciation of investments	17,200	4,741
Valuation of investments at 30 September	214,237	177,907

The Company's investments are registered in the name of nominees of, and held to the order of, The Bank of New York, as custodians to the Company.

11. Unlisted Investments in Subsidiaries

(a) Aberdeen European Investment Trust PLC:

Aberdeen European Investment Trust PLC was placed in members voluntary liquidation on 26 February 1999 and is included in these accounts at its net realisable value as estimated by the liquidators.

Book value of Aberdeen European Investment Trust PLC at 30 September 2004 was as follows:

	2004 £'000	2003 £'000
Book value brought forward	342	334
Revaluation of subsidiary	22	8
Valuation at 30th September	364	342

(b) The German Investment Trust plc:

The German Investment Trust plc was placed in members' voluntary liquidation on 20 May 1997 and is included in these accounts at its net realisable value as estimated by the liquidators.

	2004 £'000	2003 £'000
Book value brought forward	3	3
Revaluation of subsidiary	(3)	-
Valuation at 30 September	-	3

(c) GEIT Offer p.l.c.:

In May 1998 the Company established a new subsidiary, GEIT Offer p.l.c., as a necessary element of a potential corporate action.

This subsidiary has not traded and is valued at £1 in the books of the Company.

Notes to the Accounts

12. Debtors	2004 £'000	2003 £'000
Amounts receivable within one year:		
Investments sold	392	1,312
Prepaid expenses	18	21
Taxation	231	249
Accrued income	27	28
	668	1,610

13. Creditors	2004 £'000	2003 £'000
Amounts payable within one year:		
Investments purchased	3,598	2,849
Accrued expenses	860	463
Bank overdraft	46	293
Proposed dividend	2,606	1,684
	7,110	5,289

The Company has an overdraft facility of £5,000,000 with The Royal Bank of Scotland. Interest is charged at 1% over the base rate set by the Bank of England.

The Company has an uncommitted multi-currency loan facility of £30,000,000 with The Bank of New York. Interest is charged at the prevailing Interbank market rates, plus an appropriate margin. Borrowings are repayable on demand.

14. Called-up Share Capital	2004 £'000	2003 £'000
Authorised:		
100,000,000 (100,000,000) Ordinary shares of 50p	50,000	50,000
Allotted, Called up and Fully-paid:		
59,903,064 (56,145,767) Ordinary shares of 50p	29,952	28,073

During the year, 6,967,242 Ordinary shares were issued on the exercise of warrants, resulting in proceeds of £15,328,000. Further, 3,209,945 Ordinary shares were repurchased for cancellation during the year at a cost of £9,582,000.

15. Share Premium	2004 £'000	2003 £'000
Balance brought forward	26,417	26,389
Exercise of 6,967,242 (14,243) warrants	13,550	28
Balance at 30 September	39,967	26,417

16. Warrant Reserve	2004 £'000	2003 £'000
Balance brought forward	1,706	1,710
Exercise of 6,967,242 (14,243) warrants	(1,706)	(4)
Balance at 30 September	-	1,706

There were no warrants outstanding at 30 September 2004.

17. Merger Reserve	2004 £'000	2003 £'000
Balance at 30 September	61,344	61,344

Notes to the Accounts

	2004 £'000	2003 £'000
18. Capital Redemption Reserve		
Balance brought forward	-	-
Nominal value of Ordinary shares repurchased	1,605	-
Balance at 30 September	1,605	-
19. Capital Reserve – Realised	2004 £'000	2003 £'000
Balance brought forward	55,545	71,025
Net realised profit based on carrying values at the previous balance sheet date	9,246	26,732
Transfer from capital reserve – unrealised, arising on disposal of investments	3,613	(41,763)
Cost of shares repurchased during year	(9,582)	-
Exchange (loss)/gain on currency transactions	(203)	338
Management fee allocated to capital	(1,370)	(1,117)
Interest charge allocated to capital	(2)	(62)
Tax relief on management fee and interest charge	620	384
Revaluation of subsidiaries	19	8
Balance at 30 September	57,886	55,545
20. Capital Reserve – Unrealised	2004 £'000	2003 £'000
Balance brought forward	4,741	(43,009)
Transfer to capital reserve – realised, arising on disposal of investments	(3,613)	41,763
Unrealised appreciation during the year	16,072	5,987
Balance at 30 September	17,200	4,741
21. Revenue Reserve	2004 £'000	2003 £'000
Balance brought forward	2,656	2,405
Retained revenue for the year	267	251
Balance at 30 September	2,923	2,656
22. Equity Shareholders' Funds	2004 £'000	2003 £'000
Balance brought forward	180,482	147,930
Reflected in Statement of Total Return:		
Revenue return	2,873	1,935
Dividends payable	(2,606)	(1,684)
Capital return	24,382	32,270
	205,131	180,451
Not reflected in Statement of Total Return:		
Shares issued	15,328	31
Shares repurchased	(9,582)	-
Balance at 30 September	210,877	180,482

23. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary share is calculated on Net Assets of £210,877,000 (£180,482,000) and 59,903,064 (56,145,767) Ordinary shares in issue at the year-end.

Notes to the Accounts

24. Cash Flow from Revenue Activities	2004 £'000	2003 £'000
Revenue return before taxation	4,136	2,696
Interest expense, allocated to revenue	8	26
Decrease/(increase) in accrued income	1	(23)
Increase in prepaid expenses	(3)	(7)
(Decrease)/increase in accrued expenses, allocated to revenue	(80)	55
Tax deductible at source from investment income	(881)	(624)
	3,181	2,123

25. Reconciliation of Net Cash Flow to Movement in Cash Balances	2004 £'000	2003 £'000
(Decrease)/increase in cash	(2,944)	4,529
Decrease in borrowings	–	3,519
Change in net cash balances resulting from cash flows	(2,944)	8,048
Net cash/(debt) brought forward	5,616	(2,432)
Cash balances at 30 September	2,672	5,616

26. Analysis of Net Cash Balances	At 30 September 2003 £'000	Cash Flow £'000	At 30 September 2004 £'000
Short-term deposits	4,576	(1,945)	2,631
Cash at bank	1,333	(1,246)	87
Bank overdraft	(293)	247	(46)
	5,616	(2,944)	2,672

27. Related Party Transactions

The investment manager, Gartmore Investment Limited (GIL), is regarded as a related party of the Company. During the year, total management fees of £1,827,000 (£1,489,000) were payable to GIL for the provision of investment management and secretarial services to the Company. The basis of management fees charged is disclosed in the Directors' Report. At the Balance Sheet date, management fees (including VAT) of £770,000 (£133,000) had been accrued.

28. Risk Management, Derivatives and Other Financial Instruments

The Company's investment objective is to seek capital growth over the longer term from investment in Continental Europe. The entire portfolio is held in equities.

As an investment trust, the Company invests in shares and securities for the long-term. Accordingly, it is the Company's policy that no trading in investments or other financial instruments is undertaken.

Events may occur that could result in a reduction in the Company's Net Assets or a reduction of revenue profits available for distribution as dividends.

The main risks arising from the Company's financial instruments are market price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board has reviewed and agreed policies for managing each of these risks and these are summarised below:

(i) Market price risk

Market price risk represents the potential financial loss that the Company might suffer through holding market positions in the face of price movements and movements in exchange rates. Market price risk arises over the future value of the Company's investments and borrowings.

In order to manage this risk, the Directors meet regularly with the Managers to compare the performance of the portfolio against market indices and to review the performance of comparable investment trusts, individual shares, securities and sectors, both within and outside the portfolio. The Company does not generally hedge against the effect of changes in the underlying prices of the investments as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth. The Company had

Notes to the Accounts

28. Risk Management, Derivatives and Other Financial Instruments (continued)

no derivative instruments at the year end, but, in the event that it had, the value of derivative instruments held at the balance sheet date would be determined by reference to their market value at that date.

(ii) Credit risk

Credit risk is the exposure to loss from failure of a counter-party or bank to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

These risks are managed by using brokers from a database of approved brokers who have undergone rigorous due diligence checks by the Managers' Risk Management Team and by dealing through Gartmore Investment Management Limited with banks considered to be of undoubted standing.

(iii) Liquidity risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

This is minimised through a policy of investing only in listed securities, which are usually readily realisable, and through holding a relatively large number of diverse stocks.

(iv) Interest rate risk

The Company finances its investment activities by means of realised capital profits and retained revenue profits. In addition, financing is obtained through bank borrowing facilities.

The Company has an overdraft facility of £5,000,000 with The Royal Bank of Scotland plc. The interest rate on the bank overdraft is 1% over the bank's base rate. At 30 September 2004 the Company had an overdraft of £46,000 (£293,000).

The Company also has an uncommitted multi-currency loan facility of £30,000,000 with The Bank of New York. Interest on the facility is charged at prevailing Interbank market rates, plus an appropriate margin. To minimise exposure to interest rate movements amounts drawn are rarely fixed for terms in excess of one month. At 30 September 2004 the Company had no drawings under this facility (nil).

(v) Foreign currency risk

The Company's total return and balance sheet can be affected by currency fluctuations as a significant proportion of the Company's assets are denominated in currencies other than sterling (see Market and Currency Exposure on page 14). No hedging of the currency exposure is undertaken. Revenue received in currencies other than sterling is converted into sterling on or shortly after the date of receipt.

Additional currency risk through gearing is minimised by borrowing in euro, the main currency of the securities held in the portfolio.

At 30 September 2004 the Company's financial instruments were as follows:

	Carrying Value £'000	2004 Fair Value £'000	Carrying Value £'000	2003 Fair Value £'000
Assets				
Shares and securities listed overseas	214,237	214,237	177,907	177,907
Interest-bearing current account	2,631	2,631	4,576	4,576
Cash at bank	87	87	1,333	1,333
Liabilities				
Overdraft	(46)	(46)	(293)	(293)

Short-term debtors and creditors receivable or payable within one year of the balance sheet date are not included above.

Market values have been used to determine the fair value of all financial instruments.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gartmore European Investment Trust p.l.c. will be held at Gartmore House (see page 44), 8 Fenchurch Place, London EC3M 4PB, on Monday, 24 January 2005 at 12.30 p.m. for the following purposes:

Ordinary Business

1. to receive the Report of the Directors and the Accounts for the year ended 30 September 2004, together with the Report of the Auditors;
2. to declare the final dividend;
3. to approve the Directors' Remuneration Report for the year ended 30 September 2004;
4. to re-appoint Mr J C Banon as a Director;
5. to re-appoint Mr B Merki as a Director;
6. to re-appoint Dr M Piehl as a Director;
7. to re-appoint Mr J von Spreckelsen as a Director;
8. to re-appoint Ernst & Young LLP as Auditors; and
9. to authorise the Audit Committee to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions. Number 10 will be proposed as an Ordinary Resolution and numbers 11, 12 and 13 will be proposed as Special Resolutions.

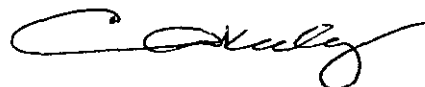
10. *THAT, pursuant to Section 80 of the Companies Act 1985, the Directors be and they are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £9,930,898 such authority to expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Directors may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the powers and authorities hereby granted had not expired.*
11. *THAT, subject to the passing of resolution number 10 set out in the notice convening the meeting at which this resolution is proposed, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act), which shall include the sale of treasury shares, wholly for cash pursuant to the authority given by the said resolution number 10 as if Section 89(1) of the Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:*
 - (a) *to the allotment of equity securities in connection with rights issues in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and*
 - (b) *to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £1,489,634.*

The authority contained in this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of *this resolution, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers and authorities hereby granted had not expired.*
12. *THAT, the Company be and is hereby generally and unconditionally authorised, in accordance with Section 166 of the Companies Act 1985 (the "Act"), to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 50p each in the capital of the Company provided that:*
 - (a) *the maximum number of Ordinary shares hereby authorised to be purchased shall be 8,931,849 Ordinary shares;*

Notice of Annual General Meeting

- (b) the minimum price which may be paid for an Ordinary share shall be 50p;
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the lower of (i) net asset value per share and (ii) 5% above the average of the mid-market quotations for an Ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary shares are contracted to be purchased;
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution; and
 - (e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract.
13. THAT, the articles set out in the printed document produced to the meeting be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles thereof.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
21 December 2004



NOTES:

- (1) With regard to the proposed re-appointment of directors, Shareholders are referred to the biographical details set out on page 4 of this document.
- (2) A copy of the Articles of Association marked up to show the alterations proposed to be made will be available for inspection at the Company's registered office during normal working hours on any week day excluding public holidays from the date of this notice up to and including the date of the Meeting and will also be available for inspection at the place of the meeting from 15 minutes before it is held until its conclusion.
- (3) A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. Such proxy need not be a Member of the Company. A Form of Proxy is enclosed. To be effective, the Form of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be deposited at the offices of the Company's Registrar not less than 48 hours before the time fixed for the Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) at least 48 hours before the taking of the poll at which it is to be used.
- (4) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of Ordinary Shares registered on the Company's Register of Members at 12.30 p.m. on 22 January 2005, or if the Meeting is adjourned 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the Meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the Register of Members after 12.30 p.m. on 22 January 2005, or if the Meeting is adjourned 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (5) The Register of Directors' Interests in the capital of the Company will be available for inspection at the Meeting from 15 minutes before it is held until its conclusion.
- (6) No Director has a contract of service with the Company.
- (7) Members are requested to notify the Company's Registrar of any change of address. This Report is forwarded to the address at present registered for communications.

Annual General Meeting

The Annual General Meeting will be held at:

Gartmore House
8 Fenchurch Place
London EC3M 4PB

on Monday, 24 January 2005 at 12.30 p.m.

How to Find Us

The entrance to Gartmore House is to the left of Fenchurch Street Railway Station on Fenchurch Place.

In the event of queries regarding your holding, please contact the Company's Registrars on 0870-601 5366 or write to Lloyds TSB Registrars Scotland.

Useful Information for Shareholders

Annual General Meeting

This year's Annual General Meeting of the Company will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Monday, 24 January 2005 at 12.30 p.m.

Financial Calendar

Key dates for 2004/2005 are set out below:

24 November 2004	Annual results announced
24 January 2005	Annual General Meeting
31 January 2005	Final dividend payable
31 March 2005	Company's half-year
April 2005	Half-year results announced
30 September 2005	Company's year-end

Payment of Dividends

Cash dividends will be sent by cheque to the first-named shareholder on the Register at their registered address, together with a tax voucher. At Shareholders' request, dividends may instead be paid direct into the Shareholder's bank account through the Bankers' Automated Clearing System (BACS). This may be arranged by contacting the Company's Registrar on 0870-601 5366.

Price and Performance Information

The Company's Ordinary shares are listed on the London Stock Exchange and the closing mid-prices are published in the Financial Times and The Daily Telegraph (Ordinary shares only) under 'Investment Companies'.

Share prices, together with the Company's Net Asset Value per Ordinary share, which are calculated daily, can be viewed on the London Stock Exchange web site at www.londonstockexchange.com

Real-time share price information is available on 0906 003 2656. Calls are charged at 60p/min at all times.

The Company's Net Asset Value is calculated daily and can be viewed on the London Stock Exchange website at www.londonstockexchange.com. Further information can be obtained from Gartmore as follows:

Free Investor Helpline:	0800-289 336
Internet address:	www.gartmore.co.uk
email address:	helpline@gartmore.com

Share Dealing

Investors wishing to purchase Ordinary shares in the Company, or sell all or part of their existing holdings, may do so through a stockbroker. Most banks also offer this service. See also pages 47 and 48 for investing in Gartmore investment trusts.

Share Register Enquiries

The Company's Registrars, Lloyds TSB Registrars Scotland, maintain the share register. In the event of queries regarding your holding, please contact the Registrars on 0870-601 5366. Alternatively, there is now a range of information on line. You can check your holding and find practical help on transferring shares or updating your details at www.shareview.co.uk. Changes of name or address must be notified in writing to the Registrar.

ISAit, PEPit and SAVEit Enquiries

Details of the Gartmore Savings Plan, **SAVEit**, and the Gartmore tax-free Individual Savings Account, **ISAit**, are set out on page 48 of this Report. These enable individuals to buy shares in the Company in a straightforward and accessible way, or, in the case of **PEPit**, to transfer into an existing Personal Equity Plan.

Enquiries about **ISAit**, **PEPit** and **SAVEit** should be directed to:

Investor Helpline	- Call free on 0800-289 336
Administration Helpline	- Call on 0870-601 6163
Administration Fax	- 0870-888 3033
email	- helpline@gartmore.com

Useful Information for Shareholders

FastFacts

A FastFacts booklet, which contains statistics for the whole range of Gartmore managed investment trusts, is published regularly and is also available on request from Gartmore Investment Limited, Gartmore House, 8 Fenchurch Place, London EC3M 4PB, or call free on 0800-289 336.

Administration

Managers and Secretaries
Gartmore Investment Limited
Gartmore House
8 Fenchurch Place
London EC3M 4PB
Tel: 020-7782 2000

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Stockbrokers
HSBC Investment Bank plc
8 Canada Square
London E14 5HQ

Registrars and Transfer Office
Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Tel: 0870-601 5366

Registered Office
Gartmore House
8 Fenchurch Place
London EC3M 4PB

Registered No. 427958
England and Wales

Capital Gains Tax

Under present legislation, the annual capital gains of private individuals in excess of £8,200, after any tapering relief, are usually added to taxable income and charged to tax accordingly. Investment trust companies are able to switch investments without liability to capital gains tax.

The Association of Investment Trust Companies

The Company is a member of The Association of Investment Trust Companies, which produces monthly publications of detailed information on the majority of investment trusts. This information is also available on The Association's internet site, www.itsonline.co.uk. The Association of Investment Trust Companies can be contacted by telephone on 020-7282 5555, or by post at 9th Floor, 24 Chiswell Street, London EC1Y 4YY.

Investing in Gartmore Investment Trusts

The aims of the investment trusts managed by Gartmore are as follows:

Gartmore Absolute Growth & Income Trust PLC*

A high and growing level of income as well as the potential for capital growth from a portfolio comprising UK smaller companies and high-yielding income shares.

Gartmore Asia Pacific Trust PLC

Capital growth from a concentrated portfolio of companies domiciled, operating or generating revenue in the Asia Pacific region including Japan.

Gartmore European Investment Trust p.l.c.

Long term capital growth from investment in Continental Europe, with a focus on larger companies.

Gartmore Fledgling Trust plc

Long term growth in capital and dividends from investment in the constituents of the FTSE Fledgling (ex Investment Companies) Index. The investment policy combines indexation with a small active overlay.

Gartmore Global Trust PLC

Capital growth from active investment on a worldwide basis.

Gartmore Growth Opportunities plc

Capital appreciation from investment in a diverse portfolio of UK smaller companies.

Gartmore High Income Trust PLC*

A high level of income, plus the potential for capital growth, from investing primarily in UK equities, with some fixed income securities.

Gartmore Irish Growth Fund PLC

Long term capital growth from investment in companies incorporated in the Republic of Ireland or Northern Ireland.

Gartmore Smaller Companies Trust p.l.c.

Long term capital and income growth from a focused portfolio of smaller UK companies.

Gartmore SNT PLC*

Capital and income growth from investment primarily in UK equities and convertible securities.

**Split capital investment trusts, with different classes of shares that provide a variety of investment returns. Dividends have been suspended in certain instances. Please refer to the relevant Company's Report and Accounts.*

Investing in Gartmore Investment Trusts

Gartmore has a range of savings schemes that offer a simple and cost-effective means of buying shares in a number of Gartmore-managed investment trusts, details of which are given on page 47. You can use these schemes to invest on a regular savings basis, for lump sum investments or a combination of both.

There are three flexible schemes: **SAVEit**, **ISAI** and **PEPit**. Brief details of each scheme follow:

SAVEit, a low-cost, easy to use and flexible savings scheme

Regular savings from £50 per month

Lump sum investments from £1,000

SAVEit is the savings scheme for a number of investment trusts managed by Gartmore. There is the choice to invest in the UK or overseas, and to invest for income or capital growth. Any income can be reinvested or, alternatively, paid to your bank or building society account.

There is a dealing fee on share purchases of just 1% and no annual or exit fees. Moreover, you may switch from one Gartmore trust to another within the scheme at a cost of only 1% of the repurchase value. There is no maximum investment level.

ISAI – a tax-efficient way to invest

Regular savings from £100 per month

Lump sum investments from £3,000

ISAI is the Individual Savings Account (ISA) for a number of investment trusts managed by Gartmore. An ISA is a tax-efficient savings account.

Investments held within **ISAI** are not subject to capital gains tax.

ISAI allows you to invest, via a Maxi-ISA, up to a maximum of £7,000 per person each tax year up to and including 2005/2006. It is also available as a 'stocks and shares' Mini-ISA, with a maximum investment of £3,000 per annum.

There is an initial charge of 3% and an annual fee of 0.5% (plus VAT). Switches from one Gartmore trust to another within the scheme are available at a cost of only 1% of the repurchase value.

PEPit Transfers – available for the transfers of existing schemes

The minimum transfer value from another PEP provider is £3,000

PEPit is the Personal Equity Plan (PEP) for a number of investment trusts managed by Gartmore. Although PEPs are now closed to new investment, existing plans can continue indefinitely.

If you are an existing **PEPit** investor, you may switch from one Gartmore trust to another within the scheme, at a cost of 1% of the repurchase value.

If you have a PEP with another Plan Manager, you may transfer existing schemes from previous tax years to **PEPit**.

For PEP transfers, there is an initial charge of 3%. For all plans there is an annual fee of 0.5% (plus VAT).

How to receive further information

Write to: Gartmore Investor Services, Gartmore House, 8 Fenchurch Place, London EC3M 4PB

Call free: 0800-289 336 E-mail: helpline@gartmore.com Internet: www.gartmore.com

Telephone calls may be recorded for monitoring and training purposes.

Important Information

The value of investment trust shares and the income from them may go down as well as up and that you may not get back your original investment. Past performance is not a guide to future performance. Investment trust shares may trade at a discount or a premium to the value of the investment trust's assets. Funds investing in overseas securities are exposed to and can hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase. Emerging markets tend to be more volatile than more established stockmarkets and therefore your money is at greater risk. Other risk factors such as political and economic conditions should also be considered. Smaller companies are riskier and less liquid than larger companies which means their share price may be more volatile. Investment Trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If these investments fall in value, gearing will magnify the negative impact on performance. Particular share classes may also be structurally geared by other share classes that have earlier entitlements to the Company's assets up to a predetermined limit. If an investment trust incorporates a large amount of gearing its value may be subject to sudden and large falls in value and you could get back nothing at all. Where investment trust companies are involved in corporate activity, this may change the risk profile of individual shares, as well as impacting on the portfolio strategy, capital structure and duration of the overall Company. The value of current tax relief depends on individual circumstances. If you have doubts about your tax position you should seek professional advice. The level of yield may be subject to fluctuation and is not guaranteed. Some or all of the annual management fee may be currently charged to the capital of the Company. Whilst this increases the yield, it will restrict the potential for capital growth. Net Asset Value ("NAV") performance is not the same as share price performance and investors may not realise returns the same as NAV performance. Where a fund holds a limited number of investments and one or more of those investments declines or is otherwise adversely affected, it may have a more profound effect on the Fund's value than if a larger number of investments were held. If you choose to reinvest dividends to buy more shares in the same investment trust that paid the dividend, you should be aware that this will increase your investment risk exposure to the investment performance of that Company. Funds which specialise investing in a particular region or market sector are more risky than those which hold a very broad spread of investments. ISAs were introduced on 6th April 1999 for an initial ten year period. ISAs and PEPs are subject to government legislation and as such their tax treatment may be changed in the future.

Issued by Gartmore Investment Limited (GIL), which is authorised and regulated by the Financial Services Authority. Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

Glossary of Terms

Discount

The amount by which the mid-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.

Gearing

The term applied to the effect produced by borrowings and prior charge securities which tends to exaggerate the return attributable to shareholders. This is often expressed as a percentage indicating the extra amount by which shareholders' funds would rise or fall if the total assets, before deducting borrowings and prior charges, were to rise or fall. This is calculated by dividing total assets, before deducting borrowings and prior charges, by Net Asset Value, expressed as a percentage. A figure of 100 would indicate that a company had no gearing.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation (Market Cap)

The market value of a company as calculated by multiplying the mid-market price per share by the number of shares in issue.

Net Asset Value

Also described as Shareholders' Funds, Net Asset Value is the value of total assets less liabilities. Liabilities for this purpose include borrowings and prior charge securities as well as current liabilities.

Net Asset Value per share (NAV)

Net Asset Value per share is calculated by dividing the Net Asset Value by the number of shares in issue.

Premium

The amount by which the mid-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.

Prior charge

The term given to either borrowings or any class of security which, in a winding-up of the company, ranks ahead of the final beneficiary of surplus assets, usually ordinary or capital shares.

Total Expense Ratio

The total expenses (excluding interest) incurred by the Company, as a percentage of the average net assets.

Yield

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

Gartmore European Investment Trust p.l.c.

Registered Office:

Gartmore House

8 Fenchurch Place

London EC3M 4PB

Telephone: 020 7782 2000

Registered No. 427958 England and Wales

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