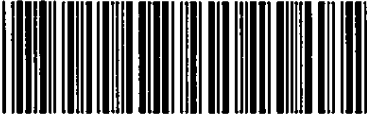


Gartmore Fledgling Trust plc

Report and Accounts for the year to 30 June 2007

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The Company

Investment Objective

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

Investment Policy

Gartmore Investment Limited (the "Manager") follows a hybrid investment policy that combines indexation with an active overlay aimed at adding sufficient value at least to mitigate the Company's management fees and portfolio rebalancing costs. The portfolio of shares and securities held possesses characteristics that broadly match those of the FTSE Fledgling Index (ex Investment Companies) in terms of area of business activity, market capitalisation and yield. A substantial proportion of the index is replicated.

Benchmark Index

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

As at 30 June 2007, the FTSE Fledgling Index (ex Investment Companies) comprised 134 companies listed on the London Stock Exchange. Together, these companies represented the smallest 0.23% of the UK equity market by market capitalisation. The Index is fully rebalanced annually during December, and partially during the final month of each other quarter. On the date of the index's last full rebalancing in December 2006, it had a threshold maximum market capitalisation of approximately £84.5 million.

Total Assets and Equity Shareholders' Funds

£112,462,000 at 30 June 2007

Market Capitalisation of Ordinary Shares

£95,794,000 at 30 June 2007

Management Company

The Company's investments are managed by Gartmore Investment Limited under an Agreement that provides for six months' notice of termination given by either side.

Management Fee

The management fee, which is payable at the end of each calendar month, is calculated at 0.8% per annum, plus value-added-tax, on the value of the Company's Total Assets less Current Liabilities up to £75.0 million, and 0.5% per annum thereafter.

Capital Structure

The Company is an investment trust company with an issued share capital at 30 June 2007 comprising 20,961,580 Ordinary shares.

Continuation Vote

An Ordinary Resolution will be proposed at each Annual General Meeting of the Company that the Company shall continue to operate as an investment trust company. If such resolution is not passed and alternative proposals for the unitisation or the reconstruction of the Company are not approved, the Company will be wound-up.

Voting Rights

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

ISA Status

Maximum investment through an ISA of £7,000 in 2007/2008 tax year and subsequent tax years up to 5 April 2010.

AIC

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

Registered Office

Gartmore House, 8 Fenchurch Place, London EC3M 4PB

Registered Number

2974633, England and Wales

Overview of the year to 30 June 2007

- Net Asset Value per Ordinary share rose by 29.2% on a mid-market capital basis over the year to 30 June 2007, compared with a rise of 31.9% in the FTSE Fledgling Index (ex Investment Companies) and a rise of 14.7% in the FTSE All-Share Index
- Net Asset Value per Ordinary share rose by 162.5% on a mid-market capital basis over the five-year period to 30 June 2007, compared with a rise of 50.4% in the FTSE All-Share Index. The Company's portfolio therefore outperformed the FTSE All-Share by 11.8% per annum
- The Company's performance ranked 1st in The Association of Investment Companies UK Smaller Companies universe over the ten-year period to 30 June 2007, 2nd over the latest five-year period, and had an above-average ranking of 6th in the universe over the one-year period under review
- The Board is recommending an increased final dividend of 2.3p (2006 2.2p) per Ordinary share. The aggregate dividend for the year to 30 June 2007 will therefore be increased by 3.9% to 4.0p (2006 3.85p) per Ordinary share
- Fledgling companies offer more attractive investment prospects than their larger counterparts. This is due to their more robust balance sheets, generally low valuations and their long history of being acquired at good premiums to market prices

The Board of Directors

The Board consists of five non-executive Directors, all of whom are considered to be independent of the Company and the Manager

Jimmy West *Chairman*

Age 60

Length of Service Appointed a director on 24 November 1994

Experience. A chartered accountant with extensive experience of public and private companies covering a broad range of business activities including financial services, industry and commerce. He is a former managing director of Lazard Brothers & Co Limited and chief executive of Lazard Asset Management Limited. He was previously managing director of Globe Investment Trust plc

Current Appointments Non-executive chairman of New City High Yield Fund Limited, Jupiter Second Enhanced Income Trust PLC and Rurelec plc. He is also a non-executive director of British Assets Trust plc, Candover Investments plc, IPSA Group PLC, JPMorgan Income & Capital Investment Trust PLC, Shires Smaller Companies plc, UK Select Trust Limited and a number of private companies

Other connections with the Company or Manager: None

Shareholding in Company 18,000 Ordinary shares

John Hancox * *Senior Independent Director and Chairman of the Remuneration Committee*

Age 66

Length of Service Appointed a director on 3 August 1998

Experience A chartered accountant with broad industrial and commercial experience. He is a former managing director of Charterhouse Tilney Securities Limited. He has also served as a non-executive director and chairman of a number of listed and unlisted companies including most recently Martin Currie Enhanced Income Trust plc and Johnson Service Group plc. He holds an MA in Economics from Cambridge University

Current Appointments Non-executive chairman of Lowland Investment Company Plc and a non-executive director of a number of private companies

Other connections with the Company or Manager None

Shareholding in Company: 60,000 Ordinary shares

James Kerr-Muir * *Chairman of the Audit Committee*

Age 66

Length of Service Appointed a director on 25 November 1994

Experience He is a former group finance director of Kingfisher plc. Prior to that, he was with Tate & Lyle PLC where he held the position of managing director UK division. He has also served as a non-executive director of a number of companies including Birmingham Midshires Building Society, Hardys & Hansons plc and Senior plc. He holds a BA in Law from Oxford University and an MBA from Harvard Business School

Current Appointments Non-executive chairman of Acertec plc and Davenham Group plc

Other connections with the Company or Manager None

Shareholding in Company. 16,000 Ordinary shares

Peter Dicks *

Age. 64

Length of Service Appointed a director on 30 November 1999

Experience Began his career at stockbrokers Joseph Sebag & Co in 1964. In 1973, he co-founded Abingworth plc, a venture capital company which focused on investment in unquoted technology-based companies in the United States

Current Appointments Non-executive chairman of Daniel Stewart Securities PLC, Foresight 2 VCT PLC, Foresight 3 VCT PLC, Foresight 4 VCT PLC, Foresight Technology VCT PLC, Private Equity Investor plc, Second London American Trust PLC, SVM UK Emerging Fund plc, Unicorn AIM VCT PLC and Waterline Group PLC. He is also a non-executive director of Graphite Enterprise Trust PLC, Polar Capital Technology Trust PLC and Standard Microsystems Corporation, a company incorporated in the United States of America

Other connections with the Company or Manager None

Shareholding in Company Nil

Nigel Whittaker *

Age 58

Length of Service Appointed a director on 28 August 1998

Experience. From 1982 to 1995 he was an executive director of retailer Kingfisher plc, during which time he was chairman of B&Q and group corporate affairs director. He also chaired the UK Government's Deregulation Taskforce for Retail, Tourism and Small Business. In 1995, he established a portfolio of directorships in smaller companies

Current Appointments He is a founding partner of ReputationInc Limited

Other connections with the Company or Manager None

Shareholding in Company Nil

* Member of the Audit Committee

Chairman's Statement

I have pleasure in presenting the Annual Report and Accounts of Gartmore Fledgling Trust plc for the year to 30 June 2007

Performance

During the period under review, the Company achieved an increase in Net Asset Value per Ordinary share of 29.2% on a mid-market capital basis and 29.4% on a bid-to-bid capital basis. These returns compare with an increase of 31.9% in the FTSE Fledgling Index (ex Investment Companies) and an increase of 14.7% in the FTSE All-Share Index. The Company's underperformance against the Fledgling Index over the year is principally attributable to the dealing costs associated with the December 2006 rebalancing.

Following the sluggish performance of the Fledgling versus larger company indices during the Company's previous financial year ended 30 June 2006, it is pleasing that it has once again substantially outperformed its larger counterparts over the latest twelve months. Fledgling companies have also significantly outperformed over the longer-term. Over the five-year period to 30 June 2007, the Fledgling Index rose by 163.2% in capital terms, a compound annual increase of 21.4%, compared with an annualised increase of 8.5% in the FTSE All-Share Index. It is this long-term outperformance that the Company was formed to capture, and has more than succeeded in doing so, with the Net Asset Value per Ordinary share having increased by 162.5% on a mid-market capital basis over the five-year period.

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

The long-term performance of the Fledgling sub-sector derives from a combination of factors. These factors are present as much now as they have been in recent years, and support the expectation of future outperformance by the Fledgling Index. As in previous periods, the factors include a greater capacity for earnings growth for Fledgling companies, their more robust balance sheets, generally lower comparative valuations, and the strength of many industry sectors within the index. During the financial year, four of the largest Fledgling sectors delivered very substantial capital returns. They were industrial engineering (65.1%), travel and leisure (62.0%), health care (55.1%), and technology hardware (50.0%).

Performance versus Competitor Companies

The Company achieved mid-range performance within the AIC UK Smaller Companies Sector over the final 6 months of the year, and an above-average ranking over the financial year as a whole. However, over longer periods, it remains a leading performer, having ranked 1st in sector over 10 years and 2nd over 5 years to 30 June 2007. On an unannualised basis over the 10-year period, the Company's NAV has appreciated by 437.6%, whilst the Sector average grew by 183.0%. These returns equate to an outperformance by the Company of the sector average of 6.6% per annum.

Jimmy West

Chairman's Statement

NAV Performance relative to AIC UK Smaller Companies Investment Trusts

Periods to 30 June 2007	Gartmore Fledgling Trust NAV Total Return %	AIC UK Smaller Companies Sector Size Weighted Average Return %	Ranking in Sector
6 Months	+8.6	+8.6	8/17
1 Year	+30.6	+28.9	6/17
5 Years	+177.5	+146.1	2/17
10 Years	+437.6	+183.0	1/15

Sources: AIC Fundamental Data

All returns shown on unannualised NAV total return (including income) basis

Discount

The discount at which the Ordinary shares trade relative to their bid-priced Net Asset Value widened from 12.5% at 30 June 2006 to 14.8% at 30 June 2007. This may be compared against a similar widening of the AIC UK Smaller Companies sector median discount from 12.9% to 14.4% between these dates.

Your Board is mindful of the need to manage the discount at which the Ordinary shares trade as compared to the prevailing discount of the Company's peer group. Consequently, an active share buy-back policy remains in place. During the year ended 30 June 2007, 3.3% of the Ordinary shares in issue at the beginning of the financial year were repurchased, compared with 4.8% in the previous financial year.

Dividends

The Directors have recommended a final dividend of 2.3p (2006 2.2p) per Ordinary share for the year ended 30 June 2007, making an aggregate dividend for the year of 4.0p (2006 3.85p) per Ordinary share, an increase of 3.9%.

Looking forward to the financial year to 30 June 2008, it is currently anticipated that most Fledgling companies in which the Company invests will maintain or moderately increase their dividend payments, particularly in view of their significant levels of dividend cover.

Continuation Vote

Pursuant to the Company's Articles of Association, an Ordinary Resolution will once again be proposed at the Annual General Meeting on 28 September 2007 to the effect that the Company should continue in operation as an investment trust company. This continuation vote is important to shareholders as it gives them the power to decide whether or not the Company should continue in existence.

Your Board believes that the Company's investment approach will continue to produce the excellent long-term relative returns experienced in the past. It also considers that the Company provides a unique vehicle for investors to take advantage of the long-term outperformance of the Fledgling area of the stock market. The Directors accordingly recommend that shareholders vote in favour of the Ordinary Resolution, as they intend to do in respect of their own beneficial holdings.

Outlook

It is pleasing to report that the strong levels of economic growth that were present in the UK and across Europe at December-time have been sustained in the months since. The latest OECD forecast for the UK still predicts a full year GDP growth rate of 2.7% for 2007, with early estimates showing a similar value of 2.5% for 2008.

Within the UK corporate sector, balance sheets have remained strong. This is particularly true at the Fledgling end of the market, where companies typically possess only half as much debt as their larger counterparts. Such strength provides Fledgling firms with the opportunity to finance acquisitions, and also means that they attract interest as takeover candidates themselves. Indeed, during the twelve month period under review, there has been an acceleration in the already buoyant takeover activity within the Fledgling sector, with one sixth of the universe having been acquired, the highest proportion for 6 years.

Chairman's Statement

Balance sheet strength and the buoyancy of takeover activity are two attractions of the Fledgling area. Another characteristic that sets the sector apart from much of the market is relative cheapness. As at the end of June 2007, Fledgling companies were valued at only 80% of the level of their larger competitors using the price-to-book value measure and less than 50% using the price-to-sales measure. A final noteworthy feature involves directors' dealing activity, as illustrated by the ratio of directors of Fledgling companies buying shares in their own businesses to those selling. This ratio has averaged 2.7 times during the financial year of the Company just ended, the same as the level seen in the previous year. This indicates that directors of Fledgling companies retain consistent and significant confidence in their prospects.

In summary, as I have highlighted in most previous Reports, and notwithstanding recent market turbulence, the factors driving the performance of your Company and the FTSE Fledgling Index remain intact. Your Board continues to be confident that the Fledgling sector should provide significant future long-term returns. It also believes that the Company's investment approach provides a unique way of accessing such returns.

Jimmy West
Chairman
28 August 2007



The Manager

Gartmore Investment Limited, a subsidiary of Gartmore Investment Management plc, acts as the Company's Investment Manager and Corporate Secretary

On 25 May 2006, it was announced that Hellman & Friedman LLC, one of the world's leading private equity firms, together with members of Gartmore's senior staff, had agreed to acquire Gartmore Investment Management plc, the parent company of Gartmore Investment Limited, from Nationwide Mutual Insurance Company. The transaction was completed on 30 September 2006. As a result, Gartmore's senior fund managers and executives own a significant portion of the equity of Gartmore and control the day-to-day operations of the business.

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

Gervais Williams

Gervais Williams joined Gartmore in 1993 and heads its award-winning UK smaller companies team. He has more than 20 years' fund management experience in the smaller companies sector. Prior to 1993, Gervais spent three years at Thornton Investment Management and five years at Throgmorton Investment Management. He graduated from the University of Liverpool in 1980 with an Honours degree in Engineering.

Andrew Russell joined Gartmore in 1992 and is Co-Head of Structured Portfolio Management. He has prime responsibility for the implementation of Gartmore's asset allocation policy and is also co-manager of the AlphaGen Perseus and Antea hedge fund of funds products. He is also Gartmore's investment representative to the Board of Gartmore SICAV, the company's off-shore retail fund range. Prior to joining Gartmore, Andrew spent five years at Phillips & Drew Fund Management as a Quantitative Investment Manager. Andrew graduated from Exeter University in 1985 with a MA in Finance and Investment. He also has an Honours degree in Economics and Statistics.

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

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

Andrew Russell

Manager's Review

Investment Policy

The Company is managed using a hybrid investment style. For the most part, a policy of broad indexation of the FTSE Fledgling Index (ex Investment Companies) (the "Fledgling Index") is adopted. An active overlay is then applied to between 10% and 15% of the portfolio. This overlay takes the form of overweighting holdings in those Fledgling companies that are strongly favoured by Gartmore's active investment process, and/or where directors have recently purchased their own shares. Conversely, constituents of the Fledgling Index which are considered unlikely to remain solvent on a one year view are excluded from the portfolio.

This dual approach is seen as the most practicable way of obtaining full exposure to the anticipated long-term outperformance of the Fledgling Index. It offers a widely diversified portfolio, close in structure to that of the Fledgling Index. The active overlay then helps the Company to perform approximately in line with benchmark over longer periods, by adding value to try to offset the sometimes significant periodic rebalancing costs.

Performance

Over the very long term, the Fledgling segment of the market has significantly outperformed the FTSE All-Share Index. The period of more than 52 years from 1 January 1955 to 1 July 2007 saw the smallest capitalisation stocks in the market, as represented by the MicroCap and Fledgling indices, deliver an annualised rate of return of 20.8%, whilst the FTSE All-Share Index produced an annualised return of 12.9%. Retail price inflation was 5.8% per annum over the same period, implying a real return of 15% per annum for the Fledgling sector.

The table overleaf shows the investment performance of the Company's portfolio relative to its benchmark over various periods, and is based upon mid-market priced portfolio valuations to enable the most like-with-like comparison.

During the financial year to 30 June 2007, the portfolio underperformed the Fledgling Index by 2.0%. This was principally the result of higher than usual portfolio rebalancing costs in December and January. There was also a marginal performance drag associated with the disposal of a handful of illiquid holdings in companies that reclassified to AIM during the first half of the financial year. These various costs have been mitigated in part by gains made as a result of the active overlay policy.

Manager's Review

Over longer periods, the Company's portfolio has added value relative to its benchmark. For example, over 10 years it outperformed by 0.2% per annum.

Period	Gartmore Fledgling Trust Total Assets per Share Capital Return %	Benchmark Capital Return %	Relative Performance*
1 Year to 30 June 2003	+13.2	+12.9	+0.2
1 Year to 30 June 2004	+45.8	+46.3	-0.3
1 Year to 30 June 2005	+16.1	+14.7	+1.2
1 Year to 30 June 2006	+6.1	+5.4	+0.7
1 Year to 30 June 2007	+29.2	+31.9	-2.0
6 Months to 31 Dec 2006	+19.3	+21.0	-1.4
6 Months to 30 June 2007	+8.3	+9.0	-0.6
5 Years to 30 June 2007 #	+21.3 p.a.	+21.4 p.a.	-0.1 p.a.
10 Years to 30 June 2007 #	+17.0 p.a.	+16.8 p.a.	+0.2 p.a.

Source: Gartmore, Datastream

* Relative performances are calculated as compound relatives and based on more decimal places than shown.
Annualised

Rebalancing

The nature of the Fledgling Index is that its constituents are smaller than those of the FTSE All-Share Index, with no gap between, or overlap in, the two indices' constituents. A full review occurs annually in December, when a 'threshold' market capitalisation is set by the FTSE Actuaries Committee to divide the two benchmarks. This was set at £84.5m in December 2006. Quarterly, a smaller number of constituent companies move between the two indices, in cases where significant changes in market capitalisation have occurred during the quarter.

Together, the four rebalancing reviews from September 2006 to June 2007 resulted in a turnover of 27% by value of the make-up of the Fledgling Index, with virtually all turnover occurring in December 2006. Given the Company's investment objective to broadly match the make-up of the index, a similar level of turnover has also been required within the Company's portfolio. This proportion is at the top-end of annual rebalancing turnover in recent years, and inevitably led to higher than usual dealing costs and associated performance drag in December and January.

Portfolio Construction

(a) Summary Risk Statistics

The portfolio is widely diversified over the Fledgling area of the market with investments held in approximately 130 companies. The following table summarises the risk characteristics of the portfolio. The key summary statistic is the tracking error of just over 1% against the Fledgling Index. This number estimates the typical range in performance around the Fledgling Index that might be expected in two out of three years. This is a reasonable level given the illiquidity in the Fledgling sector of the market and the active overlay within the portfolio. As anticipated, the tracking error has fallen from the 1.4% figure reported for 31 December 2006, this is because annual portfolio rebalancing trades that remained outstanding then have subsequently been completed, mainly in January.

Manager's Review

	Gartmore Fledgling Trust	FTSE Fledgling Index (ex Investment Companies)	Portfolio & Index Overlap
Number of companies	133	134	121
Tracking error	1.04%	0.00%	
Beta	1.03	1.00	

Source: Northfield

(b) Sector Weightings

The portfolio's sector positions are reasonably close to those of the benchmark as befits an index tracking approach. The table on page 17 shows the portfolio's weightings against the benchmark index as at the end of June 2007.

Characteristics of the FTSE Fledgling Index (ex Investment Companies)

The Fledgling Index possesses a number of differences in characteristics from larger company indices such as the FTSE All-Share Index or the FTSE 100 Index. In particular, the Fledgling Index has a significantly different industry distribution and different style biases.

Compared to larger company indices, the Fledgling Index contains stocks that possess substantially lower levels of debt, have significantly lower exposure to international sales, and are more cheaply valued using the price-to-book value and price-to-sales measures. Further, there has been an acceleration in the already buoyant takeover activity within the Fledgling area, with one sixth of the universe having been acquired during the year under review.

Together, these many differences in characteristics between the Fledgling Index and larger company indices underpin the view that the Fledgling sector remains both unique and attractive for the long-term.

(a) Distribution by Market Capitalisation

The Fledgling Index represents the smallest listed companies on the London Stock Exchange that are not included in the FTSE All-Share Index (ex Investment Companies). The chart below shows the distribution of the constituents of the Fledgling Index by market capitalisation as at 30 June 2007.

(b) Sector Distribution

The Fledgling Index possesses significantly different sector weightings to the FTSE All-Share Index. In particular, it is overweight in Industrials (notably Support Services) and Technology, it has no exposure to Oil & Gas, and is underweight in Telecoms and Financials (especially Banks).

Manager's Review

Industry Group Weightings at 30 June 2007 of the FTSE Fledgling Index (ex Investment Companies) relative to the FTSE All-Share Index

Source: FactSet

(c) Valuation

The constituents of the Fledgling Index continue to be valued more cheaply than those of the FTSE All-Share Index using the price-to-sales and price-to-book value measures. They are priced, for example, at 80% of the level of larger companies using the price-to-book value measure. Using the price-to-earnings measure for forecast 2007 earnings, the constituents of the Fledgling Index are however somewhat more expensive. Constituents of the Fledgling are also less attractive than those of the FTSE All-Share in terms of dividend yield, as has been the case since May 2002. There continues, however, to be reasonable potential for future dividend growth within the Fledgling Index, particularly in light of the significant amount of dividend cover present.

Valuation Measures at 30 June 2007

Valuation Measures at 30 June 2007	FTSE Fledgling (ex Investment Companies)	FTSE All-Share Index	Relative
Price/Sales Ratio	0.63x	1.32x	0.48
Price/Book Value Ratio	1.93x	2.41x	0.80
Price/Earnings Ratio	13.9x	12.9x	1.08
Dividend Yield	2.0%	2.8%	0.72

Notes

Price/Sales Ratio is calculated as Enterprise Value (market capitalisation plus net debt) to Sales. (Source: UBS Warburg)

Price/Book Value Ratio is shown excluding negative earners. (Source: UBS Warburg, Gartmore)

Price/Earnings Ratio shown is 2007 forecast and excludes negative earners. (Source: UBS Warburg, Gartmore)

Dividend Yield is shown net. (Source: Datastream)

Manager's Review

In aggregate, Fledgling companies are valued at just below half their FTSE All-Share counterparts using the price-to-sales measure. This relative cheapness is true across most industry sectors, as the following chart illustrates.

Sector Price to Sales Relatives at 30 June 2007 of the FTSE Fledgling Index (ex Investment Companies) relative to the FTSE All-Share Index

Source: UBS Warburg

Figures below 100 indicate sectors where the FTSE Fledgling sector is cheaper than the FTSE All-Share sector.
Information shown for non-financial sectors only.

(d) Growth, Financing and Profitability

Growth

Consensus forecasts suggest that both earnings and dividend growth will be of the order of 5% to 10% for larger UK companies over the twelve months to June 2008. It is anticipated that Fledgling companies will deliver somewhat more in terms of earnings growth, but about the same level of dividend expansion.

Financing

The average level of dividend cover of Fledgling companies stood 22% higher than the average for FTSE All-Share companies at the end of June 2007. Fledgling companies continue to possess a clear ability to sustain or increase their levels of dividend payment during the coming year.

The average debt to equity ratio of the Fledgling Index has fallen noticeably during the past six months. At the end of June 2007, Fledgling companies on average held 48% less debt as a proportion of equity than the typical FTSE All-Share company. This compares against 12% less debt at the end of December 2006. Fledgling companies have in fact carried lower levels of debt at all times since autumn 2001.

Characteristics at 30 June 2007	Dividend Cover	Debt/Equity Ratio %
FTSE Fledgling Index (ex Investment Companies)	2.8x	21
FTSE All-Share Index	2.3x	40

Source: UBS Warburg

Dividend cover is only in respect of companies actually paying a dividend.

Manager's Review

Profitability

During the first six months of 2007, Fledgling companies have become even less oriented to overseas sales compared to larger businesses. Approximately one sixth of their sales and consequently profits, on average, originate from abroad. This compares to nearly a half for larger companies. Average returns on equity also remain lower at the Fledgling end of the market. This underpins the continuing greater capability for earnings and profit growth in the Fledgling sector.

Characteristics at 30 June 2007	Overseas Sales as a Percentage of Total* %	Average Return on Equity# %
FTSE Fledgling Index (ex Investment Companies)	17	11.7
FTSE All-Share Index	47	18.7

Source: * FactSet, Worldscope # UBS Warburg

(e) Takeover Activity

During the financial year under review, there has been an acceleration in takeover activity within the Fledgling sector. In aggregate, 16.7% of universe value has been acquired over the twelve months. This proportion matches acquisition levels last seen in 2001 and substantially exceeds takeover rates of larger company indices.

Corporates and venture capitalists have become ever more confident in taking advantage of the long-term prospects of Fledgling businesses. They have continued to actively pursue niche opportunities as they have occurred, buoyed by the ongoing persistence of low valuations and the potential for significant earnings growth. Takeover activity is further supported by a combination of the strength of balance sheets in general, and borrowing costs that are still not high relative to the potential uplifts in revenue that corporate transactions can bring. In summary, the environment for acquisitions remains very favourable.

Period	Takeovers as Proportion of the Portfolio %	Number of Takeovers
2001	16.8	45
2002	6.9	36
2003	10.8	30
2004	10.3	24
2005	8.7	15
2006 (First Half)	4.5	8
(Second Half)	7.4	9
Year	11.9	17
2007 (First Half)	9.3	8
Company Year to 30 June 2007	16.7	17

GARTMORE INVESTMENT LIMITED

Manager

28 August 2007

Principal Investments at 30 June 2007

Company	Sector	Valuation £'000	Percentage of Portfolio %
Air Partner	Travel & Leisure	3,596 (1,320)	3.3 (1.5)
MTL Instruments	Electronic & Electrical Equipment	3,132 (1,598)	2.9 (1.8)
Renold	Industrial Engineering	2,970 (750)	2.7 (0.8)
Volex Group	Electronic & Electrical Equipment	2,960 (998)	2.7 (1.1)
Dyson Group	Chemicals	2,599 (–)	2.4 (–)
Flying Brands	General Retailers	2,287 (1,120)	2.1 (1.2)
Alumasc Group	Construction & Materials	2,270 (900)	2.1 (1.0)
Trafficmaster	Technology Hardware & Equipment	2,109 (948)	1.9 (1.1)
XP Power	Electronic & Electrical Equipment	2,063 (1,165)	1.9 (1.3)
Trifast	Industrial Engineering	2,046 (910)	1.9 (1.0)
Top Ten Investments		26,032	23.9
Kewill Systems	Software & Computer Services	1,944 (1,054)	1.8 (1.2)
Arc International	Technology Hardware & Equipment	1,837 (651)	1.7 (0.7)
Carclo	Chemicals	1,832 (710)	1.7 (0.8)
Zetex	Technology Hardware & Equipment	1,804 (–)	1.7 (–)
Dawson Holdings	Support Services	1,798 (–)	1.6 (–)
Ardana	Pharmaceuticals & Biotechnology	1,794 (1,364)	1.6 (1.5)
Gresham Computing	Software & Computer Services	1,764 (1,034)	1.6 (1.2)
Biocompatibles	Health Care Equipment & Services	1,729 (–)	1.6 (–)
Havelock Europa	Household Goods	1,705 (898)	1.6 (1.0)
Bioquell	Health Care Equipment & Services	1,691 (707)	1.5 (0.8)
Top Twenty Investments		43,930	40.3
Dialight	Electronic & Electrical Equipment	1,683 (–)	1.5 (–)
Vega Group	Software & Computer Services	1,625 (860)	1.5 (1.0)
Porvair	Chemicals	1,620 (1,120)	1.5 (1.2)
Cosalt	General Industrials	1,572 (617)	1.4 (0.7)
Ben Bailey	Household Goods	1,553 (644)	1.4 (0.7)
Harvey Nash Group	Support Services	1,552 (510)	1.4 (0.6)
Smart (J)	Real Estate	1,463 (1,093)	1.3 (1.2)
Scarborough Minerals	Mining	1,438 (–)	1.3 (–)
Torotrak	Automobiles & Parts	1,411 (619)	1.3 (0.7)
Alphameric	Software & Computer Services	1,377 (–)	1.3 (–)
Top Thirty Investments		59,224	54.2
Waterman Group	Support Services	1,330 (792)	1.3 (0.9)
Avon Rubber	General Industrials	1,324 (946)	1.2 (1.1)
Alterian	Software & Computer Services	1,320 (550)	1.2 (0.6)
Dee Valley Group	Gas, Water & Multi-utilities	1,308 (963)	1.2 (1.1)
Alexandra	Personal Goods	1,300 (1,128)	1.2 (1.3)
Celsis International	Health Care Equipment & Services	1,294 (761)	1.2 (0.8)
Microgen	Software & Computer Services	1,292 (1,214)	1.2 (1.4)
Pochins	Construction & Materials	1,280 (915)	1.2 (1.0)
Plasmon	Technology Hardware & Equipment	1,251 (–)	1.1 (–)
Zotefoams	Chemicals	1,210 (553)	1.1 (0.6)
Top Forty Investments		72,133	66.1
Other listed investments (93 stocks)		37,047	33.9
Total Investments at Fair Value		109,180	100.0

Comparative valuations and percentage of portfolio for the previous year-end are shown in brackets

Sector Classification and Weightings
at 30 June 2007

Sector	Gartmore Fledgling Trust plc (ex liquidity) %	FTSE Fledgling Index (ex Investment Companies) %	Difference %
Basic Materials	8.6	8.6	-
Chemicals	6.7	6.5	+0.2
Forestry & Paper	0.0	0.3	-0.3
Mining	1.9	1.8	+0.1
Industrials	32.0	30.4	+1.6
Construction & Materials	3.8	4.2	-0.4
General Industrials	2.6	2.5	+0.1
Electronic & Electrical Equipment	8.6	7.9	+0.7
Industrial Engineering	8.4	7.5	+0.9
Support Services	8.6	8.3	+0.3
Consumer Goods	7.5	7.6	-0.1
Automobiles & Parts	1.2	1.2	-
Food Producers	1.5	1.6	-0.1
Household Goods	3.2	2.9	+0.3
Leisure Goods	0.3	0.4	-0.1
Personal Goods	1.3	1.5	-0.2
Health Care	7.7	8.0	-0.3
Health Care Equipment & Services	5.1	5.3	-0.2
Pharmaceuticals & Biotechnology	2.6	2.7	-0.1
Consumer Services	11.5	11.5	-
General Retailers	5.6	5.8	-0.2
Media	1.3	1.4	-0.1
Travel & Leisure	4.6	4.3	+0.3
Telecommunications	0.0	0.0	-
Fixed Line Telecommunications	0.0	0.0	-
Utilities	1.5	2.9	-1.4
Electricity	0.3	1.9	-1.6
Gas, Water & Multiutilities	1.2	1.0	+0.2
Financials	8.5	8.6	-0.1
Nonlife Insurance	0.9	0.9	-
Real Estate	6.0	5.6	+0.4
General Financial	1.6	2.1	-0.5
Technology	22.7	22.4	+0.3
Software & Computer Services	14.2	14.1	+0.1
Technology Hardware & Equipment	8.5	8.3	+0.2
Total Investments	100.0	100.0	-

Notes

The above weightings reflect portfolio holdings (excluding liquidity) as at 30 June 2007. The Company's portfolio also contained 1.9% liquidity as at this date.

Financial Statistics to 30 June 2007

Capital	At 30 June 2007	At 30 June 2006	Change %
Net Assets (£'000)	112,462	89,864	+25.1*
Net Assets, excluding undistributed revenue (£'000)	111,744	89,143	+25.4
FTSE Fledgling Index (ex Investment Companies)	5944.7	4508.2	+31.9
Market Capitalisation of Ordinary Shares in issue (£'000)	95,794	78,650	+21.8

Ordinary shares

Net Asset Value	536.5p	414.5p	+29.4*
Mid-Market Price	457.0p	362.75p	+26.0
Discount	14.8%	12.5%	

* The Company's assets were reduced during the year by £3,187,000 utilised in the repurchase and cancellation of 720,000 Ordinary Shares representing 3.3% of the number of Ordinary Shares in issue at 30 June 2006. In broad terms, this reduction reflects the difference between the 25.1% rise in Net Assets and the 29.4% increase in Net Asset Value per share for the year to 30 June 2007.

Revenue	Year to 30 June 2007	Year to 30 June 2006
Net Revenue after taxation (£'000)	837	792
Revenue return per Ordinary share†	3.90p	3.57p
Annual dividend per Ordinary share	4.00p	3.85p
Total Expense Ratio	1.3%	1.4%

Total Return per Ordinary share†

Revenue	3.90p	3.57p
Capital	120.16p	23.35p
	124.06p	26.92p

† Based on the weighted average number of shares in issue during the year

Analysis of Total Assets and Equity Shareholders' Funds

	Valuation at 30 June 2006		Net Transactions	Appreciation/ [Depreciation]	Valuation at 30 June 2007	
	£'000	%	£'000	£'000	£'000	%
Investments						
UK Equities	89,614	99.7	(6,552)	26,118	109,180	97.1
Net Current Assets	250	0.3	3,032	–	3,282	2.9
Total Assets, less Current Liabilities	89,864	100.0	(3,520)	26,118	112,462	100.0
Attributable to Ordinary shares	89,864	100.0	(3,520)	26,118	112,462	100.0
Equity Shareholders' Funds	89,864	100.0	(3,187)	25,785	112,462	100.0

Dividend Calendar

Ordinary shares	Rate	Announced	XD Date	Record Date	Pay Date
Interim	1.70p	12/07	7/2/07	9/2/07	9/3/07
Final	2.30p	28/8/07	5/9/07	7/9/07	5/10/07
Total	4.00p				

Historical Record

	Total Assets £'000	Net Asset Value per Ordinary share p	Mid-Market Price per Ordinary share p	Discount %	Mid-Market Price per Warrant p
31 December 1995	36,530	102.9	94.0	8.6	28.0
31 December 1996	48,060	115.5	100.0	13.4	19.0
30 June 1998*	55,628	136.7	112.5	17.7	27.5
30 June 1999	51,087	144.9	108.0	25.5	17.5
30 June 2000	99,096	207.3	160.0	22.8	61.5
30 June 2001**	64,521	216.5	183.5	15.2	–
30 June 2002	58,367	206.5	179.5	13.1	–
30 June 2003	58,580	233.7	186.0	20.4	–
30 June 2004	79,470	340.7	297.0	12.8	–
30 June 2005***	88,782	389.9	370.0	5.1	–
30 June 2006	89,864	414.5	362.8	12.5	–
30 June 2007	112,462	536.5	457.0	14.8	–

* Accounting period extended to eighteen months

** Excludes assets attributable to 'B' Ordinary shareholders

*** Restated for changes in UK GAAP

Report of the Directors

The Directors submit their Report and the Accounts for the year ended 30 June 2007

Business Review

Nature and Status

The Company is an investment trust company and is a member of The Association of Investment 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's shares are listed on the London Stock Exchange.

The Company was last approved by HM Revenue & Customs as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 30 June 2006. 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 June 2006, the Company has directed its affairs so as to be able to continue to qualify for approval by HM Revenue & Customs 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.

Investment Objective

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

Investment Policy

The Company is managed using a hybrid investment style. For the most part, a policy of broad indexation of the Fledgling Index is adopted. An active overlay is then applied to between 10% and 15% of the portfolio. This overlay takes the form of overweighting holdings in those Fledgling companies that are strongly favoured by Gartmore's active investment process, and/or where directors have recently purchased their own shares. Conversely, constituents of the Fledgling Index which are considered unlikely to remain solvent on a one year view are excluded from the portfolio.

This dual approach is seen as the most practicable way of obtaining full exposure to the anticipated long-term outperformance of the Fledgling Index. It offers a widely diversified portfolio, close in structure to that of the Fledgling Index. The active overlay is intended to help the Company to perform in line with or slightly ahead of its benchmark index, by adding sufficient value at least to mitigate the Company's management fees and the sometimes significant portfolio dealing costs associated with the periodic rebalancing of the Fledgling Index.

Gearing

A £9 million uncommitted borrowing facility is provided by The Royal Bank of Scotland plc, which is used from time to time to facilitate periodic rebalancing of the portfolio. Drawings on the facility, when made, are therefore short-term in nature.

Performance

As the Company's primary investment objective is to broadly match the capital performance of the Fledgling Index, the Directors consider the movement of the net asset value per Ordinary share, compared with the benchmark index, to be the principal measure of the Company's performance. Over the year to 30 June 2007, the net asset value per Ordinary share increased by 29.4% on a bid-to-bid capital basis, compared with a rise of 31.9% in the Fledgling Index. The Company's capital performance over the longer term is summarised in a table provided in the Manager's Review on page 11.

Although it is not a primary investment objective, the Company also seeks to provide shareholders with an increasing dividend. Subject to shareholders approving the final dividend, the total dividend per Ordinary share in respect of the year ended 30 June 2007 is 3.9% higher than the previous year.

Report of the Directors

The Directors also monitor the performance of the Company's Ordinary shares and, in particular, the level of discount at which the Ordinary shares trade relative to the net asset value. Over the year to 30 June 2007, the mid-market price of the Company's Ordinary shares increased by 26%. An active share buy-back policy is in place which seeks to address imbalances between supply and demand of the Company's shares and thereby minimise the volatility and level of the discount to net asset value, as compared to the prevailing discount of the Company's peer group. At 30 June 2007, the Company's share price stood at a discount of 14.8% to the underlying net asset value, compared with an average of 14.4% for the AIC UK Smaller Companies sector.

Additionally, the Board regularly reviews the costs of running the Company. For the year to 30 June 2007, the Company's total expense ratio (TER), which is an expression of the Company's management expenses as a percentage of average shareholders' funds, was 1.3%, compared with 1.4% for the previous year.

Principal Risks and Uncertainties

The Company's performance is dependent on the performance of the companies and equity markets in which it invests. Smaller company markets are, by their very nature, less liquid than their larger counterparts and therefore tend to be more volatile. The key characteristics and differences between the Fledgling Index and the larger UK equity markets are provided in the Manager's Review on pages 12 to 15. The principal risks, and the Company's policies for managing these risks, are summarised in note 22 to the accounts.

Like most other investment trust companies the Company has no employees other than the non-executive directors. The Company therefore relies on services provided by third parties, including, in particular, the investment manager and company secretary Gartmore Investment Limited.

As expanded in the Corporate Governance Statement on pages 29 and 31, the Board keeps under review the risks facing the Company and minimises operational risks through its arrangements with service providers and reviews of their services and internal controls.

Financial Position and Total Return

At 30 June 2007, net assets amounted to £112,462,000, compared with £89,864,000 at 30 June 2006. All of the Company's investments are listed on recognised exchanges and would normally be realisable within a short period. The total return for the year was £26,625,000 compared with £5,974,000 for the previous year.

Net revenue for the year, after expenses and taxation, amounted to £837,000, compared with £792,000 for the previous year. The Directors recommend a final dividend of 2.30p per Ordinary share which, subject to shareholders' approval, will be paid on 5 October 2007 to shareholders on the register on 7 September 2007. This dividend, together with the interim dividend of 1.70p per Ordinary share paid on 9 March 2007, makes a total for the year of 4.00p.

Future Trends

The Directors believe that the attractive valuations of Fledgling companies, relative to their larger peers, and the positive factors, as summarised in the Chairman's Statement, which have resulted in the Fledgling Index significantly outperforming the larger company indices over the short and longer term, remain in place.

Issued Share Capital

At 30 June 2006, the Company's issued share capital comprised 21,681,580 Ordinary shares of 25 pence each. During the year the Company repurchased 720,000 Ordinary shares of 25p each, with nominal value of £180,000, for cancellation. This represented approximately 3.3% of the issued share capital at 30 June 2006. The aggregate consideration paid by the Company was £3,187,000. At 30 June 2007, the Company had authority to repurchase a further 2,661,834 Ordinary shares, such authority to expire at the conclusion of the next Annual General meeting of the Company. There were 20,961,580 Ordinary shares in issue at 30 June 2007.

Report of the Directors

Directors

The Directors of the Company, all of whom served throughout the year ended 30 June 2007, are shown on pages 4 and 5. All Directors are non-executive and are considered to be independent of the Company and the Manager.

Mr N Whittaker retires by rotation in accordance with the Articles of Association of the Company and, being eligible, offers himself for re-appointment at the forthcoming Annual General Meeting. In accordance with the Combined Code on Corporate Governance, Mr J G West, Mr J R Kerr-Muir and Mr J P D Hancox, who have served as Directors for more than nine years, also retire and, being eligible, offer themselves for re-appointment.

The Directors held the following beneficial interests in the Ordinary shares of the Company at 1 July 2006 and at 30 June 2007. There have been no changes since 30 June 2007.

	At 30 June 2007	At 1 July 2006
J G West	18,000	18,000
P F Dicks	–	–
J P D Hancox	60,000	60,000
J R Kerr-Muir	16,000	16,000
N Whittaker	–	–

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.

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour.

Management and Administration

The Company's investments are managed by Gartmore Investment Limited under an Investment Management Agreement, which provides for six months' notice of termination by either side. The management fee, which is payable at the end of each calendar month, is calculated at 0.8% per annum, plus value-added-tax, on the value of the Company's Total Assets less Current Liabilities up to £75.0 million and at 0.5% per annum thereafter.

Gartmore Investment Limited provides the accounting, company secretarial and general administrative services required by the Company in connection with its business and operation under the terms of a Company Secretarial and Administration Agreement. No separate fee is charged for these services.

The Bank of New York provides custodian services to the Company pursuant to a Custody Agreement.

Continuing Appointment of the Manager

In accordance with the Listing Rules published by the Financial Services Authority, the Board, through the Management Engagement Committee, has reviewed the performance of the Manager 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, accounting and marketing. The Board also reviewed the appropriateness of the terms of the Investment Management Agreement, in particular the length of notice period of six months and the management fee structure.

Report of the Directors

The Board remains very satisfied with investment performance under Gartmore's management and, in particular, with the individual fund managers assigned by Gartmore to manage the Company's portfolio. It is, therefore, the Directors' opinion that the continuing appointment of the Manager on the existing terms is in the interests of the Company's shareholders.

Substantial Shareholders

At the date of this Report the Directors were aware of the following interests in 3% or more of the voting capital of the Company having unrestricted voting rights

	Number of Ordinary shares	Percentage of Ordinary shares
Prudential plc	6,569,686	31.5%
AXA Sun Life (including Sun Life Pensions Management - 8.3%)	2,671,305	12.8%
JPMorgan Asset Management (including JP Morgan Investment Trust Fund - 7.3%)	1,905,000	9.1%
Gartmore Investment Management clients	1,190,715	5.7%
State Street Bank & Trust clients	704,883	3.4%
Legal & General Investment Management	701,763	3.4%
National Westminster Bank Pension Fund	630,000	3.0%

Going Concern

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

The validity of the going concern basis depends on the outcome of the vote on the Ordinary Resolution which will be put to the Annual General Meeting authorising the Company to continue to operate as an investment trust company. In particular, no provision has been made for the costs of winding-up the Company, or of liquidating its investments in the event that the Ordinary Resolution is not passed at the Annual General Meeting. The value which would be generated from the realisation of the Company's assets on a winding-up, or from any reconstruction proposals that the Directors might put forward cannot currently be estimated since this will be determined by investment markets at the time.

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 payables.

Audit Information

Pursuant to Section 234ZA (2) of the Companies Act 1985, each of the Directors confirms that (a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as Auditors to the Company. Resolutions proposing their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Report of the Directors

Special Business of the Annual General Meeting

Resolution 10 – Continuation Vote

As part of the reorganisation proposals which were approved by shareholders at the Extraordinary General Meeting held on 24 April 2001, the Articles of Association were amended to provide that, inter alia, the Directors are required at every Annual General Meeting to propose an Ordinary Resolution that the Company continue operating as an investment trust company

The continuation vote is an important vote for shareholders and a means by which they may direct the future of the Company. If the continuation vote is not passed, the Directors are required to draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company within 90 days of the continuation vote not being passed. If the proposals for the voluntary liquidation, unitisation or other reorganisation of the Company are not approved by shareholders by Special Resolution, the Directors must then convene a further general meeting at which an Ordinary Resolution to wind-up the Company will be proposed.

Resolution 11 – Purchase of Own Shares

The Company's Articles of Association permit the Company to redeem or purchase its own shares out of capital profits. 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. During the year to 30 June 2007, approximately 3.3% of the Ordinary share capital as at 30 June 2006 was repurchased and cancelled.

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. Accordingly, a Special Resolution is proposed to authorise the Company to make market purchases for cancellation of up to 14.99% of the Company's issued Ordinary share capital at the date of the Annual General Meeting (equivalent to approximately 3,123,403 Ordinary shares if there is no change in the issued share capital between the date of this report and the Annual General Meeting to be held on 28 September 2007).

Recommendation

The Directors consider that the passing of the Resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and accordingly recommend that all shareholders vote in favour of the Resolutions.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretary
28 August 2007



Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulations

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

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

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

The accounts are published on www.gartmore.co.uk, which is the website maintained by the Company's Manager. 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 Board is accountable to shareholders for the governance of the Company's affairs

The Company is committed to maintaining high standards of corporate governance and to the principles of good governance as set out in the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the Combined Code) and the revised and updated AIC Code of Corporate Governance issued in February 2007 (the AIC Code)

Pursuant to the Listing Rules of the Financial Services Authority, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in Section 1 of the Combined Code have been applied and whether the Company has complied with the provisions of the Combined Code

The Board has established corporate governance arrangements that it believes are appropriate to the business of the Company as an investment trust company

Statement of Compliance

In February 2007, the Financial Reporting Council (the FRC), the UK's independent regulator for corporate reporting and governance responsible for the Combined Code, endorsed the revised AIC Code. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies are meeting their obligations under the Combined Code and related disclosure requirements of the Listing Rules

The Board believes that the Company has complied with the provisions of the Combined Code throughout the financial year ended 30 June 2007

The following statement describes how the Principles of Good Corporate Governance have been applied and the Combined Code and the AIC Code have been followed

Independence of Directors

The Board consists of five non-executive Directors, all of whom are considered to be independent of the Company and the Manager

The Board subscribes to the AIC Code principle that long-serving Directors should not be prevented from forming part of an independent majority and does not believe that a director's length of tenure reduces his ability to act independently. Nevertheless, the Combined Code requires that directors who have served for more than nine years should be re-appointed by shareholders annually. Accordingly, Mr J G West, Mr J R Kerr-Muir and Mr Hancox will retire as Directors at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board, through the Nomination Committee, has carefully reviewed the independent status of each Director and of the Board as a whole, with individual Directors abstaining from discussion concerning their own status. The Board has determined that Mr West, Mr Kerr-Muir and Mr Hancox have demonstrated that they are independent in character and judgement and that their broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders

Senior Independent Director

The Senior Independent Director is Mr J P D Hancox, who provides a channel for referral of any shareholder concerns and takes the lead in the annual evaluation of the Chairman

Appointment and Re-appointment of Directors

The appointment of new Directors is considered by a Nomination Committee, which comprises the whole Board. New Directors are offered access to external training facilities to assist the process of induction, and relevant information is provided in a Letter of Appointment. Ongoing training requirements are dealt with on an ad hoc basis. No Director has a contract of service with the Company. Directors appointed by the Board are subject to appointment by shareholders at the first Annual General Meeting following their appointment

Corporate Governance Statement

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, in accordance with the Combined Code, each Director is required to retire and, if desired, be submitted for re-appointment at least every three years.

Performance of the Board

The Board has conducted a review of its own performance, together with that of the Chairman and of each individual Director, through questionnaires and discussion, and has concluded that in each case this has been satisfactory. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and that Directors seeking re-appointment at the Company's forthcoming Annual General Meeting merit re-appointment by shareholders.

The Directors seek to ensure that the Board has an appropriate balance of skills, experience, ages and length of service. The biographies of the Directors shown on pages 4 and 5 of this Annual Report demonstrate the wide range of investment, commercial and professional experience that they contribute to the Board's deliberations. The size and composition of the Board is considered adequate for the effective governance of the Company.

Responsibilities of the Board

The Board has contracted the management of the investment portfolio, custodian and registrar services, and the day-to-day accounting and company secretarial services to external providers under contracts 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 Manager is required to implement investment policy. At each Board Meeting, the Directors follow a formal agenda, which includes review of the Company's net asset value, share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions, and any other relevant business matters to ensure that control is maintained over the affairs of the Company. Further reports on the quality and effectiveness of investment controls, accounting records and management information maintained on behalf of the Company, and other relevant matters that should be brought to the Board's attention, are reviewed periodically. The Board regularly reviews investment strategy.

The Board meets formally at least five times a year. The Directors have regular contact with the Manager and Secretary in the periods between formal meetings. Additional Board meetings and Committee meetings are arranged as and when required.

The number of meetings of the Board and its Committees held during the year to 30 June 2007 and the attendance of individual Directors are shown in the table below.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Number of Meetings	6	3	1	1	1
Jimmy West *	6	3	1	1	1
John Hancox	5	2	1	1	1
James Kerr-Muir	6	3	1	1	1
Peter Dicks	6	3	1	1	1
Nigel Whittaker	4	1	1	1	1

* Mr West is not a member of the Audit Committee but attends by invitation.

Corporate Governance Statement

Exercise of Voting Rights in Investee Companies

The Company has delegated the responsibility for voting on its behalf at investee company meetings to the Manager, 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 Manager should take account of social, environmental and ethical factors in using the voting powers conferred by such investments. Resolutions of particular importance or contention are referred to the Board prior to exercise of a vote.

Relationship with the Manager

The day-to-day management of the Company's portfolio has been delegated under contract to the Manager, Gartmore Investment Limited. A representative of the Manager attends each Board meeting to report on portfolio transactions and performance during the period since the last Board meeting. Under the terms of the Investment Management Agreement, the Manager is required to follow specific investment objectives and restrictions. The Board reviews annually the controls in place to ensure compliance with the Company's investment objectives and restrictions and the Manager's policy statements on voting and corporate governance observance.

The Manager maintains regular communications with the Directors in the periods between Board meetings and contacts the Board for guidance on specific issues as required.

Relationship with Shareholders

The Board recognises the importance of maintaining and improving communication between the Company and its shareholders, who are encouraged to attend and vote at the Company's Annual General Meeting. The Board supports the principle that the Annual General Meeting should in part be used to communicate with private investors. The Annual General Meeting provides private shareholders with a valuable opportunity to meet the Directors and the portfolio manager, to convey their views on the Company's performance and to discuss issues affecting their investment. Shareholder concerns should be addressed to the Board by writing to the Company at its Registered Office, as shown on page 54, or by telephoning the Manager, who reports such communications to the Board on a regular basis.

The Manager meets with institutional shareholders on a regular basis and reports to the Board on matters raised at such meetings.

The Directors will be available at the Annual General Meeting to answer any questions raised by shareholders. At Annual General Meetings, each substantial issue is dealt with in a separate Resolution, and, where a vote is decided on a show of hands, the Chairman will subsequently report on the number of proxy votes lodged, including any votes withheld. The Notice of Annual General Meeting is contained in the Company's Annual Report that is sent to shareholders at least 20 working days before the Meeting.

Detailed lists of shareholders are regularly reviewed by the Board, and the Directors receive reports from the Manager's shareholder relations officer who is in regular direct contact with investors.

The Company's Interim and Annual Reports are designed to provide a full and readily understandable review of performance. Copies are despatched to shareholders by mail and are also available for downloading from Gartmore's website, www.gartmore.co.uk. The Company's Net Asset Value is released daily to the Regulatory Information Service and can be viewed on the London Stock Exchange website, www.londonstockexchange.com. The Board is directly responsible for all statements regarding corporate activity involving the Company.

Company Secretary

The Directors have direct access to the advice and services of the corporate Company Secretary, Gartmore Investment Limited, who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

Corporate Governance Statement

Independent Professional Advice

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

Committees of the Board

The Board has established an Audit Committee with clearly defined written terms of reference and duties. The Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. The Audit Committee comprises all the Directors of the Company, except the Chairman of the Board, and is chaired by Mr J R Kerr-Muir. The Audit Committee meets at least twice a year, once with the external Auditors present and once with a member of the Manager's compliance and corporate risk team in attendance. There are formal arrangements for considering accounting policies, financial statements, the Annual Report and Accounts, the Interim Report and internal controls, which are detailed below. The Audit Committee also reviews the terms of appointment and remuneration of the Company's Auditors, the effectiveness of the audit process and the maintenance of an appropriate relationship with them to ensure independence and objectivity. The provision of non-audit services by the Company's Auditors is considered and approved by the Audit Committee on a case-by-case basis. The Audit Committee is satisfied that Ernst & Young LLP is independent of the Company.

The Combined Code recognises that investment companies may find some of its standard provisions inappropriate in their particular circumstances. In this regard, the whole of the Company's Board of Directors continues to fulfil the responsibilities of the undermentioned committees, each of which meets once a year and on such additional occasions as are considered necessary. Each committee has defined duties and responsibilities and, with the exception of the Remuneration Committee, which is chaired by Mr J P D Hancox, is chaired by the Chairman of the Board.

- the Management Engagement Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders, and also for reviewing the performance and cost effectiveness of the Company's other service providers,
- the Nomination Committee is responsible for reviewing the performance of individual Directors and the Board as a whole, for Board succession planning and for the nomination of new Directors through an established formal procedure, and
- the Remuneration Committee is responsible for monitoring the remuneration of the Directors. The level of Directors' fees is reviewed by reference to the work involved, the level of responsibility and the fees paid by comparable investment trust companies.

Copies of the terms of reference for each Committee of the Board can be found on Gartmore's website www.gartmore.co.uk or may be obtained from the Company Secretary.

Internal Control

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

The Combined Code requires the Directors to review on at least an annual basis the effectiveness of the Company's systems of internal control, covering all controls, including business, operational, compliance and financial risk.

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 the internal controls for an investment trust company requires directors to consider information from a number of independent sources, rather than from a consolidated single source covering a typical listed company's systems of internal control.

Under the terms of the Investment Management Agreement and the Company Secretarial and Administration Agreement, referred to on page 22, Gartmore Investment Limited provides investment management, accounting and company secretarial services. Accordingly, employees of the Gartmore Group (Gartmore) maintain all the financial

Corporate Governance Statement

arrangements associated with the day-to-day management of the Company, except in respect of bookkeeping, valuation and trade processing services, which are provided to Gartmore by HSBC Securities Services (UK) Limited. The Bank of New York provides custodian services under a separate Custody Agreement. A clearly-defined investment strategy is set for the Manager and monitored by the Board, which regularly reviews the Company's investments, liquid assets and liabilities, investment transactions, and revenue and expenditure. The Manager is responsible for day-to-day monitoring of the Company's investments and for exercising voting rights effectively and responsibly, but overridingly in the best economic interests of the Company and its shareholders.

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 concerning those aspects of Gartmore's systems relevant to the provision of services to the Company.

On behalf of the Board of Directors, the Audit Committee reviews internal control reports, prepared to the standard set out in the technical release FRAG 21/94, from Gartmore Investment Management plc, the Manager's immediate parent company, and from The Bank of New York.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function. Instead, the Audit Committee relies on FRAG and other internal control reports received from its principal service providers, particularly the Manager, to satisfy itself as to the controls in place.

Twice a year, the Board formally considers the effectiveness of the system of internal control. The Board takes account of any risk management problems, or compliance breaches identified previously, and receives reports from the Manager's compliance and operational risk officer. At the conclusion of that formal review, the Board decides whether any changes to the systems of internal control are required.

The review covers the key business, operational, compliance and financial risks facing the Company in seeking to achieve its objectives. In arriving at its judgement of what constitutes a sound system of internal control, the Board considered the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective,
- the threat of such risks becoming a reality,
- the Company's ability to reduce the incidence of risk and impact on its performance, and
- the costs and benefits to the Company, or third parties, of operating the relevant controls.

Against this background, the Board has split the review of risk and associated controls into five sections reflecting the nature of the risks being addressed as follows:

- corporate strategy,
- published information, and compliance with laws and regulations,
- relationships with service providers,
- investment and business activities, and
- fraud and misappropriation.

In assessing internal controls, the Board considered the following elements based on reports provided by third party suppliers:

- control environment,
- identification and evaluation of risks and control objectives,
- information and communication, and
- control procedures.

The Directors have reviewed the information provided to them. Whilst acknowledging their reliance in some respects on third parties, the Directors have reviewed the effectiveness of internal controls and are able to confirm that the internal controls in operation during the period from 1 July 2006 up to the date of this Annual Report continue to be appropriate to the Company's business activities and methods of

Corporate Governance Statement

operation, and that they operate effectively

As described above, the ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of approval of the Annual Report. Systems are in operation to safeguard the Company's assets and 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 manage rather than eliminate risk and the system of internal control provides reasonable, but not absolute, assurance against material misstatement or loss.

The Company has complied fully throughout the year ended 30 June 2007, and up to the date of approval of the Annual Report and Accounts, with the provisions set out in the Turnbull Guidance on Internal Control published by the Financial Reporting Council.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretary
28 August 2007

A handwritten signature in black ink, appearing to be 'N. J.', is written over the text of the Secretary's name and date.

Directors' Remuneration Report

This report has been prepared 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 shareholders at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 34 and 35.

Remuneration Committee

The Remuneration Committee comprises all members of the Board and is chaired by Mr J P D Hancox.

Policy on Directors' Fees

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £125,000 per annum or such higher amount as may, from time to time, be determined by an Ordinary Resolution of the Company. Subject to this overall limit, the Board's policy is that remuneration of non-executive Directors should be comparable to that of other investment trusts of a similar size which have a similar capital structure and similar investment objectives and should be set at a level sufficient to attract and retain directors of the calibre required to direct the Company. It is intended that this policy will continue for the year to 30 June 2008 and for subsequent years.

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, in accordance with the requirements of the Code. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

The table below shows the original date of appointment of the present Directors and the expected Annual General Meeting at which they must offer themselves for re-appointment.

	Original date of Appointment	Annual General Meeting
Nigel Whittaker	28 August 1998	2007
John Hancox	3 August 1998	2007
Jimmy West	24 November 1994	2007
James Kerr-Muir	25 November 1994	2007
Peter Dicks	30 November 1999	2009

Performance Graphs

The Company's capital performance is measured against the FTSE Fledgling Index (ex Investment Companies) as its benchmark index.

The following graph compares the Net Asset Value of the Company's Ordinary shares (excluding revenue) over the five years to 30 June 2007 with the FTSE Fledgling Index (ex Investment Companies) over the same period and on the same basis.

Directors' Remuneration Report

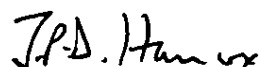
The graph below compares the total return on the mid-market share price of the Company's Ordinary shares (with dividends reinvested) over the five years to 30 June 2007 with the total return on the FTSE Fledgling Index (ex Investment Companies) and on the FTSE All-Share Index over the same period and on the same basis

Directors' Emoluments for the Year (Audited)

The Directors who served during the year ended 30 June 2007 received the following emoluments in the form of fees

	2007 £	2006 £
Jimmy West (Chairman of the Board)	24,000	24,000
Peter Dicks	16,000	16,000
John Hancox (Senior Independent Director)	16,000	16,000
James Kerr-Muir (Chairman of the Audit Committee)	18,000	18,000
Nigel Whittaker	16,000	16,000
	90,000	90,000

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



John Hancox
Chairman of the Remuneration Committee

Approved by the Board
on 28 August 2007

Independent Auditors' Report

To the Members of Gartmore Fledgling Trust plc

We have audited the accounts of Gartmore Fledgling Trust plc for the year ended 30 June 2007 which comprise the Income Statements to 30 June 2007 and 30 June 2006, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 22. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 auditors' 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 Auditors

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

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view, the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and the information given in the Report of the Directors is consistent with the accounts.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only The Company, Overview, The Board of Directors, Chairman's Statement, The Manager, Manager's Review, Principal Investments, Sector Classification and Weightings, Financial Statistics, Analysis of Total Assets and Shareholders' Funds, Dividend Calendar, Historical Record, Report of the Directors, Statement of Directors' Responsibilities, Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting, Shareholder Information, Corporate Information, 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 accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of

Independent Auditors' Report

the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

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

Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and of its net return for the year then ended,
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the accounts

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
28 August 2007

Income Statement to 30 June 2007

	Notes	Revenue £'000	Year to 30 June 2007 Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	–	26,118	26,118
Income from investments	3	1,955	–	1,955
Other income	3	57	–	57
Return before Expenses, Finance Costs and Taxation		2,012	26,118	28,130
Expenses				
Management fees	4	(877)	–	(877)
Other fees and expenses	4	(286)	(330)	(616)
Return before Finance Costs and Taxation		849	25,788	26,637
Finance Costs				
Interest Payable	5	(11)	–	(11)
Return on Ordinary Activities before Taxation		838	25,788	26,626
Taxation	6	(1)	–	(1)
Return to Equity Shareholders after Taxation		837	25,788	26,625
Total Return per Ordinary share	8	3 90p	120 16p	124 06p

The total column above represents the Profit and Loss Account of the Company

The revenue and capital items derive from continuing activities

A Statement of Total Recognised Gains and Losses has not been presented as all gains and losses are recognised in the Income Statement

No operations were acquired or discontinued during the year

The notes on pages 41 to 49 form part of these accounts

**Income Statement
to 30 June 2007
(Comparative)**

	Notes	Revenue £'000	Year to 30 June 2006 Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	–	5,419	5,419
Income from investments	3	1,900	–	1,900
Other income	3	19	–	19
Return before Expenses, Finance Costs and Taxation		1,919	5,419	7,338
Expenses				
Management fees	4	(811)	–	(811)
Other fees and expenses	4	(301)	(237)	(538)
Return before Finance Costs and Taxation		807	5,182	5,989
Finance Costs				
Interest Payable	5	(15)	–	(15)
Return on Ordinary Activities before Taxation		792	5,182	5,974
Taxation	6	–	–	–
Return to Equity Shareholders after Taxation		792	5,182	5,974
Total Return per Ordinary share	8	3 57p	23 35p	26 92p

The total column above represents the Profit and Loss Account of the Company

The revenue and capital items derive from continuing activities

A Statement of Total Recognised Gains and Losses has not been presented as all gains and losses are recognised in the Income Statement

No operations were acquired or discontinued during the year

The notes on pages 41 to 49 form part of these accounts

**Reconciliation of Movements
in Shareholders' Funds**
for the year to 30 June 2007

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
At 30 June 2006		5,420	4,878	78,172	673	721	89,864
Net capital return from ordinary activities		-	-	15,523	10,265	-	25,788
Net revenue return from ordinary activities		-	-	-	-	837	837
Equity dividends appropriated	7	-	-	-	-	(840)	(840)
Repurchase and cancellation of Ordinary shares		(180)	180	(3,187)	-	-	(3,187)
At 30 June 2007		5,240	5,058	90,508	10,938	718	112,462
At 30 June 2005		5,693	4,605	73,739	4,004	741	88,782
Net capital return from ordinary activities		-	-	8,513	(3,331)	-	5,182
Net revenue return from ordinary activities		-	-	-	-	792	792
Equity dividends appropriated	7	-	-	-	-	(812)	(812)
Repurchase and cancellation of Ordinary shares		(273)	273	(4,080)	-	-	(4,080)
At 30 June 2006		5,420	4,878	78,172	673	721	89,864

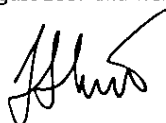
*The revenue reserve represents the amount of the Company's reserves distributable by way of dividend

The notes on pages 41 to 49 form part of these accounts

Balance Sheet at 30 June 2007

	Notes	At 30 June 2007 £'000	At 30 June 2006 £'000
Non-current Assets			
Listed investments held at fair value through profit or loss	9	109,180	89,614
Current Assets			
Debtors amounts receivable within one year	11	4,792	307
Cash at bank		87	176
		4,879	483
Current Liabilities			
Creditors amounts payable within one year	12	(1,597)	(233)
Net Current Assets		3,282	250
Net Assets		112,462	89,864
Capital and Reserves			
Called-up share capital	13	5,240	5,420
Capital redemption reserve	14	5,058	4,878
Capital reserve realised	15	90,508	78,172
Capital reserve unrealised	16	10,938	673
Revenue reserve	17	718	721
Equity Shareholders' Funds		112,462	89,864
Net Asset Value per Ordinary Share	18	536 5p	414 5p

The accounts were approved and authorised for issue by the Board of Directors on 28 August 2007 and were signed on its behalf by



Jimmy West
Chairman

The notes on pages 41 to 49 form part of these accounts

Cash Flow Statement to 30 June 2007

	Notes	Year to 30 June 2007 £'000	Year to 30 June 2006 £'000
Operating Activities			
Dividends and interest received from investments		1,950	1,888
Interest received on deposits		57	21
Other income		-	1
Expenses paid		(1,142)	(1,113)
Net Cash Inflow from Operating Activities	19	865	797
Servicing of Finance			
Bank overdraft interest paid		(5)	(15)
		(5)	(15)
Investment Activities			
Acquisitions of investments		(47,321)	(35,243)
Disposals of investments		49,752	37,261
		2,431	2,018
Equity Dividends Paid			
Ordinary shares		(840)	(812)
		(840)	(812)
Financing			
Cost of Ordinary shares repurchased		(3,183)	(4,078)
		(3,183)	(4,078)
Net Cash Outflow		(732)	(2,090)
Reconciliation of Net Cash Outflow to Movement in Net Cash/(Debt)			
Net cash brought forward		154	2,244
Net cash outflow		(732)	(2,090)
Net (debt)/cash at 30 June	20	(578)	154

The notes on pages 41 to 49 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 June 2007 and are set out below

Basis of preparation

The accounts have been prepared on a going concern basis in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies" issued by the Association of Investment Companies in January 2003 (revised December 2005). They have also been prepared on the historical cost basis, modified to include fixed asset investments at fair value.

Income, Expenses and Interest Payable

Investment income includes dividends receivable from investments marked ex-dividend on or before the Balance Sheet date. Investment income is treated as revenue in the Income Statement, with the exception that dividends of a capital nature are treated as sales proceeds. Where the Company elects to receive its dividend in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Other income is accounted for on an accruals basis.

Management fees, other administrative expenses and interest payable are accounted for on an accruals basis and charged wholly to revenue.

The Board believes that any allocation of management fees to capital is inappropriate as it would distort the tracking of the Company's capital performance against the FTSE Fledgling Index. Accordingly, management fees are charged wholly to revenue.

Management fees are currently subject to value-added-tax ("VAT"). Such VAT is recognised as an expense and charged to Revenue. Following a ruling by the European Court of Justice on 28 June 2007, there are grounds to expect that VAT may cease to be chargeable on management fees and that such VAT charged in the current and certain prior financial years may become recoverable in whole or in part. No provision for such potential recoveries has been made in these accounts.

Expenses which are incidental to the acquisition of an investment are expensed through the Income Statement as a capital item. Expenses which are incidental to the disposal of an investment are deducted from the proceeds of the 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 any 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 accounts which are capable of reversal in one or more subsequent periods.

Dividends Payable

Dividends payable to shareholders are recognised in the period in which they are paid and are shown in the Reconciliation of Movements in Shareholders' Funds.

Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value on acquisition is taken to be investment cost less any expenses related to the acquisition of the investment. Fair value is assumed to be the bid price, or last traded price where no bid price is available. Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a 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.

Notes to the Accounts

2 Gains on Investments held at fair value through profit or loss	2007 £'000	2006 £'000
Realised gains on disposal of investments	15,853	8,750
Unrealised gains recognised in earlier years	(1,758)	(620)
Net realised gains based on carrying values at the previous balance sheet date	14,095	8,130
Unrealised gains/(losses) arising during the year	12,023	(2,711)
	26,118	5,419
3 Income	2007 £'000	2006 £'000
Income from UK listed investments		
Franked dividends	1,881	1,852
Unfranked dividends	74	48
	1,955	1,900
Other income		
Interest on deposits	57	18
Underwriting commission	-	1
	2,012	1,919
4 Expenses	2007 £'000	2006 £'000
Management fees	746	690
Irrecoverable value-added tax thereon	131	121
	877	811
Other fees and expenses		
Directors' fees	90	90
Auditors' remuneration – statutory audit	19	18
– interim review	-	5
Other administrative expenses	177	188
	286	301
	1,163	1,112
Capital		
Transaction costs incurred on acquisitions of investments	330	237
5 Interest Payable	2007 £'000	2006 £'000
Bank overdraft	11	15

Notes to the Accounts

6 Taxation

(a) Analysis of charge in year

	2007 £'000	2006 £'000
Overseas tax	1	-
Total current tax for the year	1	-

(b) Factors affecting current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK at 30% (2006 30%)

The differences are explained below

	2007 £'000	2006 £'000
Net revenue return before taxation	838	792
Corporation tax at 30%	251	238
Effects of		
UK dividends not subject to corporation tax	(564)	(556)
Expenses not deductible for tax purposes	5	10
Excess management expenses for which no relief taken	308	308
Overseas tax	1	-
Current revenue tax charge for the year	1	-

Investment trusts are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation

(c) Provision for deferred taxation

The Company has not recognised a deferred tax asset of £2,864,000 (2006 £2,554,000) in respect of unrelieved management expenses and non-trading loan relationship deficits. It is unlikely that these amounts will be utilised in future accounting periods unless the investment policy of the Company or the tax treatment is changed

7 Dividends on the Ordinary Shares

	2007 £'000	2006 £'000
Amounts recognised as distributions to Ordinary shareholders in the year		

Final dividend of prior year of 2.20p (2006 2.00p) per share paid on 21,591,580 (2006 22,345,505) shares	475	447
Interim dividend of 1.70p (2006 1.65p) per share paid on 21,456,580 (2006 22,105,505) shares	365	365
Total dividends of 3.90p (2006 3.65p) per share	840	812

The total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered, is set out below

Interim dividend of 1.70p (2006 1.65p) per share paid on 21,456,580 (2006 22,105,505) shares	365	365
Proposed final dividend of 2.30p (2006 2.20p) per share payable on 20,836,580 (2006 21,591,580) shares	479	475
Total dividends of 4.00p (2006 3.85p) per share	844	840
Revenue available for distribution by way of dividend	837	792

Notes to the Accounts

8 Total Return per Ordinary Share

The Total Return per Ordinary share is calculated on the return to Ordinary shareholders of £26,625,000 (2006 £5,974,000) and 21,461,648 (2006 22,188,834) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year

The Revenue Return per Ordinary share is calculated on the return of £837,000 (2006 £792,000) and 21,461,648 (2006 22,188,834) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year

The Capital Return per Ordinary share is calculated on the return of £25,788,000 (2006 £5,182,000) and 21,461,648 (2006 22,188,834) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year

9 Listed Investments	2007 £'000	2006 £'000
Book-cost brought forward	88,941	82,896
Acquisitions at cost (excluding transaction costs)	47,676	34,319
Proceeds of disposals* (net of transaction costs)	(54,228)	(37,024)
Net profit realised on disposals	15,853	8,750
Disposals at cost	(38,375)	(28,274)
Book-cost at 30 June	98,242	88,941
Unrealised appreciation of investments	10,938	673
Valuation of investments at 30 June	109,180	89,614

The investments are all equities listed in the United Kingdom and are included in the balance sheet at fair value. 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. There were no contingent liabilities in respect of the investments held at the year-end.

*Proceeds of disposals of investments includes special dividends of £192,000 (2006 £60,000)

	2007 £'000	2006 £'000
The following transaction costs were incurred during the year		
On acquisitions	330	237
On disposals	82	74
	412	311

10 Significant Interests

At 30 June 2007 the Company held interests amounting to 3% or more of any class of capital in the following investee companies

	% of class
Fletcher King	3.9
Flying Brands	3.4
Cardiff Property	3.2
Dmatec	3.2
Renold	3.2
Vega Group	3.2
Alexandra	3.0
MTL Instruments	3.0
Parity Group	3.0
Porvair	3.0

Notes to the Accounts

11 Debtors	2007 £'000	2006 £'000
Amounts receivable within one year		
Investments sold awaiting settlement	4,512	36
Prepaid expenses	19	13
Accrued income	261	258
	4,792	307

12 Creditors	2007 £'000	2006 £'000
Amounts payable within one year		
Investments purchased awaiting settlement	685	-
Bank overdraft (see note)	665	22
Accrued expenses and interest	247	211
	1,597	233

Note

The Company has an overdraft facility of £9,000,000 (2006 £9,000,000) with The Royal Bank of Scotland plc. Interest on drawings is charged at 1% over the bank's base rate. Drawings on the facility are repayable on demand.

13 Called-up Share Capital	Authorised £'000	2007 Allotted Called-up and Fully-paid £'000	Authorised £'000	2006 Allotted Called-up and Fully-paid £'000
Ordinary shares of 25p each				
Authorised				
100,000,000 (2006 100,000,000)	25,000		25,000	
Issued				
20,961,580 (2006 21,681,580)		5,240		5,420

During the year to 30 June 2007, the Company repurchased for cancellation 720,000 (2006 1,090,925) Ordinary shares at a cost of £3,187,000 (2006 £4,080,000). This represented approximately 3.3% of the Company's issued share capital as at 30 June 2006 and reduced the number of Ordinary shares in issue from 21,681,580 to 20,961,580.

14 Capital Redemption Reserve	2007 £'000	2006 £'000
Balance brought forward	4,878	4,605
Nominal value of Ordinary shares repurchased	180	273
Balance at 30 June	5,058	4,878

15 Capital Reserve – Realised	2007 £'000	2006 £'000
Balance brought forward	78,172	73,739
Net realised gains on investments based on carrying values at the previous balance sheet date	14,095	8,130
Transfer from Capital Reserve – unrealised arising on disposal of investments	1,758	620
Transaction costs incurred on acquisitions of investments	(330)	(237)
Cost of shares repurchased – Ordinary shares	(3,187)	(4,080)
Balance at 30 June	90,508	78,172

Notes to the Accounts

16 Capital Reserve – Unrealised	2007 £'000	2006 £'000
Balance brought forward	673	4,004
Transfer to Capital reserve realised arising on disposal of investments	(1,758)	(620)
Net unrealised appreciation/(depreciation) of investments arising during the year	12,023	(2,711)
Balance at 30 June	10,938	673

17 Revenue Reserve	2007 £'000	2006 £'000
Balance brought forward	721	741
Net revenue return for the year	837	792
Dividends paid on Ordinary shares	(840)	(812)
Balance at 30 June	718	721

18 Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary share is calculated on net assets of £112,462,000 (2006 £89,864,000) and 20,961,580 (2006 21,681,580) Ordinary shares in issue at the year-end

19 Cash Flow from Operating Activities	2007 £'000	2006 £'000
Total return before finance costs and taxation	26,637	5,989
Less capital return before finance costs and taxation	(25,788)	(5,182)
Revenue return before finance costs and taxation	849	807
Increase in accrued income	(3)	(9)
(Increase)/decrease in prepaid expenses	(6)	8
Increase/(decrease) in accrued expenses	25	(9)
	865	797

20 Analysis of Changes in Net Cash/(Debt)

	At 30 June 2006 £'000	Cash flow £'000	At 30 June 2007 £'000
Cash at bank and on deposit	176	(89)	87
Bank overdraft	(22)	(643)	(665)
	154	(732)	(578)

21 Transactions with the Manager

Management fees were paid to Gartmore Investment Limited at the rate disclosed in the Report of the Directors, on page 21 Fees payable for the year amounted to £746,000 (2006 £690,000), plus value-added tax Fees outstanding at the balance sheet date were £132,000 (2006 £113,000), plus value-added tax

Notes to the Accounts

22 Risk Management, Derivatives and Financial Instruments

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

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

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.

The main risks arising from the Company's pursuit of its investment objective are market price risk, interest rate risk, credit risk and liquidity risk. The Board has reviewed and agreed policies for managing each of these risks, which are unchanged from the previous year, and which 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. Market price risk arises over the future value of the Company's investments and borrowings. The directors meet regularly with the Managers to compare performance of the portfolio with a number of indices and to review the performance of comparable investment trust companies. The Company does not generally hedge the effect of changes in the underlying prices of the investments as the Directors believe that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth. No derivative instruments were held at the year-end, but, in such an event, such instruments would have been valued at their fair value on the balance sheet date.

(ii) Interest rate risk

The Company finances its investment and dealing activities by means of realised capital profits and retained revenue profits. In addition, financing is obtained through the Company's overdraft facility arrangement, details of which are set out in note 12. No hedging of the interest rate paid on the Company's overdraft facility is undertaken.

The carrying amount, by the earlier of contractual re-pricing or maturity date, of the Company's financial instruments was as follows:

	2007 In one year or less £'000	2007 Greater than one year £'000	2006 in one year or less £'000	2006 Greater than one year £'000
Fair Value Interest rate risk				
Financial assets held at fair value through profit or loss	-	-	-	-

Financial assets at fair value through profit or loss consist entirely of equities and as such no interest rate risk is attached to these assets.

22 Risk Management, Derivatives and Financial Instruments – continued

	2007 In one year or less £'000	2007 Greater than one year £'000	2006 in one year or less £'000	2006 Greater than one year £'000
Cash Flow Interest rate risk				
Financial assets held at fair value through profit or loss				
Non-current investments at fair value	-	-	-	-
Loans and receivables				
Cash at bank	87	-	176	-
Financial Liabilities				
Bank overdraft	(665)	-	(22)	-
	(578)	-	154	-
	2007 In one year or less £'000	2007 Greater than one year £'000	2006 in one year or less £'000	2006 Greater than one year £'000
No Interest rate risk				
Financial assets held at fair value through profit or loss				
Non-current investments at fair value	-	109,180	-	89,614
Loans and receivables				
Short-term receivables	4,512	-	36	-
Financial Liabilities				
Short-term payables	(685)	-	-	-
	3,827	109,180	36	89,614

(iii) Credit risk

Credit risk is the possibility of failure of a counter-party to deliver securities or cash for acquisitions or disposals of investments. The Company manages credit risk by using brokers from a database of approved brokers who have undergone rigorous due diligence checks by the Managers.

(iv) Liquidity risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities. Some liquidity risk is inherent in a portfolio of smaller companies. This is minimised through a policy of investing only in listed companies and through holding a relatively large number of diverse stocks. Monies placed on deposit are rarely fixed for terms in excess of one month.

(v) Financial liabilities

The Company has an overdraft facility of £9,000,000 (2006 £9,000,000) with The Royal Bank of Scotland plc. Interest on drawings is charged at 1% over the bank's base rate. At 30 June 2007, the Company had drawings outstanding on this facility of £665,000 (2006 £22,000).

Short-term payables totalled £685,000 (2006 £Nil).

Notes to the Accounts

22 Risk Management, Derivatives and Financial Instruments – continued

(vi) Financial assets

At the year-end, the Company's financial assets comprised

	2007 £'000	2006 £'000
Shares and securities listed in the UK	109,180	89,614
Cash at bank and on deposit	87	176
Short-term trade receivables	4,512	36

(vii) Fair value

The Company's assets and liabilities are stated at their fair values at the year-end. The fair value of shares and securities is based on bid market prices.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gartmore Fledgling Trust plc will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Friday, 28 September 2007 at 11 30 a m for the following purposes

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions, which will be proposed as Ordinary Resolutions

THAT

- 1 the Report of the Directors and the Accounts for the year ended 30 June 2007, together with the Report of the Auditors be received,
- 2 a final dividend of 2 30p per Ordinary share be declared,
- 3 the Directors' Remuneration Report for the year ended 30 June 2007 be approved,
- 4 Mr N Whittaker be re-appointed as a Director,
- 5 Mr J G West be re-appointed as a Director,
- 6 Mr J R Kerr-Muir be re-appointed as a Director,
- 7 Mr J P D Hancox be re-appointed as a Director,
- 8 Ernst & Young LLP be re-appointed as Auditors, and
- 9 the Directors be authorised to fix the Auditors' remuneration

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution, which will be proposed as an Ordinary Resolution

THAT

- 10 the Company shall continue to operate as an investment trust company

To consider and, if thought fit, to pass the following resolutions, which will be proposed as Special Resolutions

THAT

- 11 the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of the Act) of Ordinary shares of 25p each in the capital of the Company provided that
 - (a) the maximum number of Ordinary shares hereby authorised to be purchased is 14 99% of the Company's issued Ordinary share capital at 28 September 2007 (equivalent to 3,123,403 Ordinary shares at 22 August 2007),
 - (b) the minimum price which may be paid for an Ordinary share shall be 25p,
 - (c) the maximum price (excluding expenses) which may be paid for an Ordinary share shall be an amount equal to the highest of (i) 105% of the average of the middle-market quotations for an Ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is purchased, or (ii) the price of the last independent trade, or (iii) the highest current independent bid,
 - (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time, and

Notice of Annual General Meeting

- (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

By Order of the Board
Gartmore Investment Limited
Secretary
30 August 2007



Notes

- (1) A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. Such proxy need not be a Member of the Company. A Form of Proxy is enclosed. To be effective, the Form of Proxy must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for the Meeting.
- (2) 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 6.00 p.m. on Wednesday 26 September 2007 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 6.00 p.m. on Wednesday, 26 September 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (3) The Register of Directors' Interests in the capital of the Company will be available for inspection at the Meeting.
- (4) No Director has a contract of service with the Company.
- (5) Members are requested to notify the Company's Registrars of any change of address. This Report is forward 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 Friday, 28 September 2007 at 11 30 a m

How to Find Us

The entrance to Gartmore House is adjacent to 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, PO Box 28448, Finance House Orchard Brae, Edinburgh EH4 1WQ

Shareholder Information

Annual General Meeting

This year's Annual General Meeting will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Friday, 28 September 2007 at 11 30 a m

Financial Calendar

The financial calendar for 2007/2008 is set out below

28 August	Annual results for 2007 announced
28 September	Annual General Meeting
October	Interim Management Statement
5 October	Final dividend payable
31 December	Company's half-year
February	Half-year results announced
March	Interim dividend payable
April	Interim Management Statement
30 June	Company's year-end

The biannual Interim Management Statement will be published via a regulatory information service and will be available on the Gartmore website. The Statement will not be mailed to shareholders, although a copy will be available on request from the Company Secretary

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 Registrars on 0870-601 5366

Price and Performance Information

The Company's Ordinary shares are listed on the London Stock Exchange and the price of these shares is published in the Financial Times under 'Investment Companies'

Real-time share price information is available on 0906-843 0000 (select menu item 2 and then enter company code 4763). Calls are charged at 60p per minute at all times

The Company's net asset value is calculated daily and can be viewed on the London Stock Exchange website 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

Internet

Information on the Company is available on the Gartmore website, www.gartmore.co.uk. The Company's discrete area on the site can be accessed via the "Product" menu or directly using www.gartmorefledglingtrust.co.uk or www.gartmorefledglingtrust.com. This information includes the latest annual and interim reports, fact sheets and corporate governance documents such as committee terms of reference that can be downloaded, together with access to the latest regulatory news announcements and net asset values

Share Dealing

Investors wishing to purchase shares in the Company, or sell all or part of their existing holdings, may do so through a stockbroker. The Registrars and a number of banks also offer this service. See also pages 55 and 56 for investing in Gartmore investment trusts

Share Register Enquiries

The Company's Registrars, Lloyds TSB Registrars Scotland, maintain the share registers. In the event of queries regarding your shareholding, please contact the Registrars on 0870-601 5366. Alternatively, a range of shareholder information is accessible on line. You can check your shareholding 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

Shareholder Information

SAVErt, PEPrt and ISArt Enquiries

Details of the Gartmore Savings Plan, SAVErt, and the Gartmore tax-free Individual Savings Account, ISArt, are set out on page 56 of this Report. These enable individuals to buy shares in the Company in a straightforward and accessible way, or, in the case of PEPrt, to transfer into an existing Personal Equity Plan.

Enquiries about SAVErt, ISArt and PEPrt 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 address	– helpline@gartmore.com

Capital Gains Tax

To assist shareholders who subscribed at the time of the original issue in 1994, the adjusted unindexed base costs of the Ordinary shares and Warrants for capital gains tax purposes were

Ordinary shares	92.61p
Warrants	36.95p

Under present legislation, the annual capital gains of private individuals in excess of £8,800, after any taper relief, are usually added to taxable income and charged to tax accordingly.

The Association of Investment Companies

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

Corporate Information

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.

Manager and Company Secretary

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

Cenkos Securities plc
67-8 Tokenhouse Yard
London EC2R 7AS

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

Portfolio service: www.shareview.com

Share dealing service: www.shareviewdealing.com

Registered No: 2974633

England and Wales

Investing in Gartmore Investment Trusts

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

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 principally in the constituents of the FTSE Fledgling Index (ex Investment Companies) The investment policy combines indexation with a small active overlay

Gartmore Global Trust PLC

Long-term capital growth from a concentrated portfolio of international equities
Although not a primary objective, the dividend is expected to rise over the longer term

Gartmore Growth Opportunities plc

Capital appreciation from investment primarily in the shares of UK smaller companies

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 growth through investment in smaller UK listed companies and unlisted companies quoted on the Alternative Investment Market

Investing in Gartmore Investment Trusts

Your Manager, Gartmore Investment Limited, offers a range of savings schemes that provide a simple and cost-effective means of buying shares. You can use these schemes to invest on a regular savings basis, for lump sum investments or a combination of each. Details of these products are listed below.

You can also buy Gartmore Fledgling Trust shares directly through a stockbroker or the registrar, or indirectly via a lawyer, accountant or other independent financial adviser. A number of banks also offer this service.

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 investment trusts managed by Gartmore. 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.

ISAit – a tax-efficient way to invest

Regular savings from £50 per month

Lump sum investments from £1,000

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

Investments held within ISAit are not subject to capital gains tax.

ISAit allows you to invest, via a Maxi-ISA, up to a maximum of £7,000 per person each tax year. It is also available as a 'stocks and shares' Mini-ISA, with a maximum investment of £4,000 per annum.

There is an annual fee of 0.5% (plus VAT) and no initial charge. 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 £1,000.

PEPit is the Personal Equity Plan (PEP) for 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 all plans there is an annual fee of 0.5% (plus VAT) and no initial charge.

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.co.uk.

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 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 the value of its shares 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, which is authorised and regulated by the Financial Services Authority. Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

Glossary of Terms

Benchmark

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

Beta

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

Discount

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

Dividend Yield

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

Indexation

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

Net Asset Value

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

Premium

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

Total Expense Ratio

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

Price/Book Ratio

This ratio is the ratio of the market capitalisation of a company to its net assets after deducting total debt. This is a valuation measure and indicates how far the price of a company's shares is from its 'real' asset backing. This measure is often used to help value companies in the financial sector, or where asset values are important.

Price/Earnings Ratio

This ratio is calculated by dividing the mid-market price per share by the earnings per share. This ratio is a commonly used measure of the relative cheapness of companies.

Price/Sales Ratio

This ratio is the proportion of total market capitalisation plus net debt (total debt less current assets) to total revenue. The use of total market capitalisation plus net debt is to allow for the fact that different companies have different debt structures. The ratio's numerator reflects a measure of total capital to 'buy-out' a company at the current share price and to clear all debts. This is compared to the total revenue which would have been 'bought' by doing this. This is a useful valuation measure for non-financial companies, particularly where earnings are negative or at very depressed levels.

Rebalancing

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

Tracking Error

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

Winding-up Date

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

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