

# Gartmore European Investment Trust p.l.c.

Report and Accounts for the year to 30 September 2009

Gartmore European Investment Trust p.l.c. 2009

[www.gartmoreeuropeaninvtrust.co.uk](http://www.gartmoreeuropeaninvtrust.co.uk)

  
**Gartmore**

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## Investment Objective

Gartmore European Investment Trust p.l.c. (the Company) seeks capital growth over the longer term from investment in Continental Europe.

## Investment Policy

### *Asset Allocation:*

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

### *Risk Diversification:*

Portfolio risk is mitigated by investing in a diversified spread of investments, with holdings in any one company representing, on investment, no more than 10% by market value of the total assets of the Company. However, this limitation does not apply to gilts or investment company holdings. The Company will not invest more than 15% of its gross assets in other listed investment companies (including investment trusts). All of the Company's investments are listed on recognised exchanges and are realisable within a short period.

### *Gearing:*

The Company has the power to borrow money (gearing) and does so when the Manager is confident that market conditions and opportunities exist to enhance investment returns. The Manager has discretion to borrow within limits set by the Board from time to time.

## Benchmark Index

Performance is measured, in capital terms, against the FTSE World Index – Europe (ex UK) in sterling terms. The Company sources index and price data from Thomson Reuters Datastream.

## Total Assets and Equity Shareholders' Funds

£176,766,000 at 30 September 2009

## Market Capitalisation of Ordinary Shares

£164,932,000 at 30 September 2009

## Management Company

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

## Capital Structure & Voting Rights

The Company is an investment trust whose share capital at 30 September 2009 comprised 29,704,149 Ordinary shares of 50p, of which 26,905,662 were in issue, with full voting rights, and 2,798,487 were held in treasury. Ordinary shareholders are entitled on a poll at a general meeting to one vote in respect of each share held. Shares held in treasury do not carry voting rights.

## Management Fee

The management fee, which is payable monthly in arrear, is calculated at a rate of 0.75% per annum on the value of the Company's Total Assets (before deducting bank loan). The investment management agreement provides for an additional performance-related fee.

## ISA Status

For the current tax year, the maximum permitted investment through an ISA is £7,200. From 6 October 2009, the maximum permitted investment increased to £10,200, initially for investors aged 50 or over and for all other ISA investors from 6 April 2010.

## Registered Office

Gartmore House, 8 Fenchurch Place, London EC3M 4PB

## Overview

of the year to  
30 September 2009

- Net Asset Value per Ordinary share increased by 19.2%, compared with a rise of 11.8% in the FTSE World Index – Europe (ex UK) in sterling terms.
- The middle-market price per Ordinary share rose by 21.3% to 613.0 pence over the year.
- The Ordinary shares traded at an average discount of 4.4% to the Net Asset Value, excluding current year revenue, compared with the AIC Europe sector average of 9.9%.
- During the year, 2,433,500 Ordinary shares were repurchased, to be held in treasury, at a cost of £11.8 million. 2,500,000 Ordinary shares were cancelled from treasury.
- An interim dividend, in lieu of a final dividend, of 14 pence per Ordinary share has been declared payable in respect of the year ended 30 September 2009.

## The Board of Directors

The Board comprises four non-executive Directors, all of whom are independent of the Company and the Manager.

### **Rodney Dennis** *Chairman*

**Age:** 57

**Length of Service:** Appointed a director on 11 November 2003 and Chairman on 14 September 2006.

**Experience:** He runs an investment and pensions consulting business. He was formerly Deputy Chief Executive of the Prince's Trust, prior to which he held a number of senior positions at Prudential Portfolio Managers Limited.

**Other connections with Trust or Manager:** None

**Shareholding in Company:** Nil

### **Jean Claude Banon**

**Age:** 61

**Length of Service:** Appointed a director on 18 March 1991

**Experience:** He is the Executive Representative of Veolia Environment SA with the EU Institutions, based in Brussels. Prior to that, he was, for 16 years, CEO of some of the VE Group operations in the UK.

**Other connections with Trust or Manager:** None

**Shareholding in Company:** Nil

### **Alexander Comba** *Chairman of the Audit Committee*

**Age:** 56

**Length of Service:** Appointed a director on 11 November 2003

**Experience:** He is a chartered accountant and is currently Group Finance Director of Vinci PLC. Prior to joining Vinci PLC, he gained extensive experience through a number of appointments at Hanson PLC.

**Other connections with Trust or Manager:** None

**Shareholding in Company:** 5,000 Ordinary shares

### **Michael Firth**

**Age:** 67

**Length of Service:** Appointed a director on 17 November 2006

**Experience:** He is currently a non-executive director of Network Rail Limited and Communis plc. He was a non-executive director of Somerfield plc and First Technology PLC having previously been Head of Corporate Banking at HSBC Bank plc.

**Other connections with Trust or Manager:** None

**Shareholding in Company:** Nil

All Directors are members of the Audit Committee (see Committees of the Board on page 30).

## Chairman's Statement



Rodney Dennis

I am pleased to present the Annual Report and Accounts of Gartmore European Investment Trust p.l.c. for the year to 30 September 2009.

The first six months of the Company's financial year were dominated by the impact of the financial crisis, with its likely effect on the real economy weighing heavily on investor sentiment. Since the half-year, European equity markets have recovered strongly, more than compensating for the severe market falls of the preceding six-month period, with the FTSE World Index – Europe (ex UK) in sterling terms ending the year some 60% higher than its low point in early March.

### Performance

Despite difficult and, at times, highly volatile equity markets, the Company has delivered a creditable performance, with the net asset value per Ordinary share rising by 19.2% over the year, from 551.3 pence to 657.0 pence. This compares with the Company's benchmark, the FTSE World Index – Europe (ex UK) in sterling terms which ended the year 11.8% higher. It is perhaps worth noting that, in local currency terms, the benchmark index actually declined by 3.9% over the year. The Company's performance is largely attributable to our fund manager's cautious stance and defensive positioning of the portfolio, which mitigated some of the effects of declines in equity values during the first six months of the year, and good stock selection. This is the sixth consecutive year that the Company has outperformed its benchmark index in capital terms. Over that time, net asset value performance has outpaced the benchmark index by 42.8%, equivalent to an average outperformance of 6.1% per annum. Over the year, the middle-market price of the Company's Ordinary shares increased by 21.3%, to 613.0 pence.

### Discount Control

The Board regularly monitors the discount at which the Ordinary shares trade to the underlying net asset value and has a policy of buying in shares on an ongoing basis with the aim of establishing a long-term level of share price discount of 3.5%.

During the year to 30 September 2009, the Company repurchased 2,433,500 Ordinary shares (8.3% of shares in issue at the beginning of the period, with full voting rights), to be held in treasury, at a cost of £11.8 million. The prices paid represented an average discount to net asset value of around 4.7%. Since the end of the reporting period, a further 441,000 Ordinary shares have been bought back, to be held in treasury. Over the reporting period, the Ordinary shares traded at an average discount of 4.4% which, in light of the extremely difficult financial markets, is considered satisfactory, particularly when compared with the sector average of 9.9%.

Following a change to the regulations on 1 October 2009, a company may now hold more than 10% of its issued share capital in treasury. However, the Board does not propose to relax the Company's policy to hold no more than 10% of the Ordinary shares in treasury.

### VAT Repayment

As reported at the half-year, the Company has received a total of £3.33 million in respect of VAT on past management fees and related interest. Of this amount, £2.30 million of recoverable VAT was accrued in last year's accounts. This, together with the balance of £0.57 million recognised this year has been allocated between revenue and capital in the same proportions as it was originally charged, with the interest receipt of £0.46 million being credited entirely to revenue. Any further recovery is subject to various legal cases, the outcome and timing of which remain uncertain at this stage.

### Revenue and Dividends

The revenue return for the year to 30 September 2009 was 15.63 pence per Ordinary share, compared with 15.12 pence for the previous year.

The Board has declared an interim dividend, in lieu of a final, of 14.0 pence per Ordinary share, unchanged from the previous year. The dividend will be paid on 29 January 2010 to shareholders on the register on 8 January 2010.

### Special Business of the Annual General Meeting

At the Annual General Meeting, the Directors will again be seeking to renew the authorities previously granted to allot and to buy-back shares for cancellation or to be held in treasury. The passing of these resolutions will continue to provide your Board with flexibility to add shareholder value should the opportunity arise. Shareholders are also being asked to approve changes to the Company's Articles of Association following implementation of the final phase of the Companies Act 2006, which came into force on 1 October 2009, and to approve short notice for the calling of general meetings. Further details are provided in the Report of the Directors on pages 23 and 24. I hope you will give these resolutions your full consideration and support.

### Outlook

The economic and financial background in the eurozone has improved significantly over the past twelve months, with recent data showing that the region's economy has returned to growth. However, France and Germany, the two largest economies, grew by less than expected and Spain remains in recession, perhaps an indication of the fragility of the recovery, which is still heavily dependent on government stimulus measures. High unemployment in the region is also a major concern.

With governments across Europe having borrowed on an unprecedented scale to shore up the financial system and to keep economies afloat, difficult decisions will need to be made in order to put public finances back on a sound footing. Fiscal tightening is therefore likely to put some brakes on any recovery.

Nevertheless, the Manager is cautiously optimistic and this is reflected in modest use of the Company's borrowing facilities towards the year-end. In the short term, our Manager's investment emphasis on high quality companies should enable the best to be achieved from equity markets. In the long term, we believe that profitable investment opportunities will emerge as we return to a stronger, more sustainable and balanced economic growth cycle.

Rodney Dennis

Chairman

14 December 2009

## The Manager



Roger Guy

Gartmore Investment Limited, a subsidiary of Gartmore Investment Management Limited, acts as the Investment Manager and Company Secretary to the Company.

Gartmore is an independent fund manager that has been managing clients' investments for 40 years. It offers a wide range of investment products and services, tailored to meet the varying needs of its clients.

Gartmore's investment specialists are concentrated in small, dedicated teams. Within these specialised units investment professionals have wide discretion, within an overarching risk framework, to follow their own views, implement decisions that best suit their particular areas of expertise and to add value through their own flair and individual skill.

Gartmore Investment Management Limited is owned by Gartmore's senior fund managers and executives, together with Hellman & Friedman LLC, one of the world's leading private equity firms.

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

Roger Guy heads Gartmore's European team, one of the leading teams of European focused investment managers in the industry. He joined Gartmore in 1993 and has more than 17 years' investment experience in this sector. As well as managing the Company's portfolio, Roger also runs the Gartmore European Selected Opportunities Fund and its SICAV clone and the Alphagen Capella and Alphagen Tucana hedge funds.

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.

## Performance Attribution

Over the year to 30 September 2009, the Net Asset Value per Ordinary share increased by 19.2%, compared with an increase of 11.8% in the FTSE World Index - Europe (ex UK) in sterling terms, an outperformance of 7.4%. The following table summarises the contributing factors to the Company's relative performance.

### Portfolio Performance

Performance of investment portfolio	+17.4%
Performance of FTSE World Index – Europe (ex UK) in sterling terms	+11.8%
Investment portfolio outperformance	+5.6%

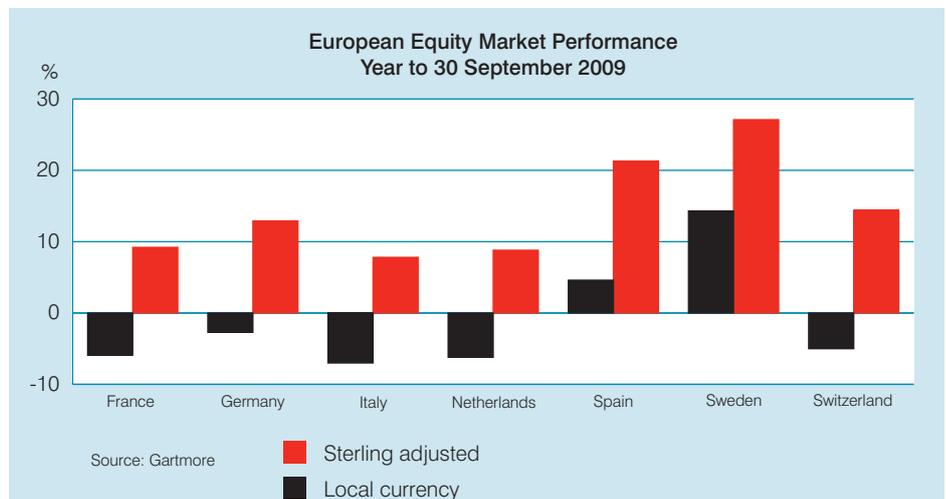
### Other Factors

Revenue return (excluding VAT recovery and related interest)	+2.5%
Share buybacks	+1.0%
Exchange gain on currency transactions	+0.9%
VAT recovery and related interest	+0.7%
Management fee, performance fee and finance costs allocated to capital	-0.8%
Dividend paid	-2.5%
	+1.8%
Net Asset Value outperformance of benchmark index	+7.4%

## Economic and Market Background

Fears associated with financial system counterparty risk and monetary transmission mechanisms and their impact on the real economy were reflected in extremely weak equity markets during the final quarter of 2008. At the turn of the year, further worries emerged concerning Eastern Europe's fragile economy and the solvency of both banks and insurance groups across the globe. A sharp decline in US GDP for the final quarter of 2008 was the catalyst for indiscriminate selling of equities across the board and by the first week of March, the FTSE World Index – Europe (ex UK) in sterling terms had declined by more than 30% from the start of the Company's financial year. Thereafter, what initially began as just another bear market rally, with an extreme outperformance of high beta shares (shares which are considered to be riskier, but provide a potential for higher returns), became a lot more significant. Economic and corporate news flow stopped deteriorating, corporates began to repair their balance sheets, credit spreads tightened and investor appetite for risk returned. Clearly, intervention from the leading monetary and fiscal authorities, including the use of unconventional measures such as quantitative easing, had assuaged fears of a systemic financial crisis. Subsequently, the summer months saw further evidence that conditions had stabilised. In the credit markets – at the heart of the recent crisis – interbank lending rates have fallen, with LIBOR and TED spreads back to the level seen before the collapse of Lehman Brothers. On the corporate front, the results season for the second quarter of 2009 was one of the best on record for positive earnings surprises, followed by a sharp rise in the revision ratio of upgrades to downgrades during August.

In terms of performance, having hit a low point in early March, European equity markets have rebounded strongly. However, there has been a marked divergence in performance, although sterling-based investors have benefited from sterling's depreciation against the main European currencies. This is illustrated in the table below which shows changes in the major European markets over the year in local currency and sterling terms.



## Investment Strategy

Our objective over the course of the final quarter of 2008 was to protect the portfolio from increasing market volatility as the global economic crisis continued to take casualties. Industrial companies such as steel manufacturer ArcelorMittal and chemicals producer BASF were cut from the portfolio during this period as we lowered our exposure to cyclical stocks. This strategy continued in January, as the downturn in global growth and challenging economic conditions prompted a complete disposal of construction and material-related stocks such as Holcim and a partial disposal of commercial vehicles manufacturer MAN. Cash levels were raised significantly and by the end of February cash represented around 17% of the portfolio. However, as a precautionary measure in the event of a market rally we retained the portfolio's exposure to European equity markets without increasing stock-specific risk, by investing in an index future covering a broad range of

## Manager's Review

equities. Market exposure through the use of this derivative represented around 10% of the portfolio. Effective cash levels, taking the index future into consideration, were therefore around 7%. We continued to favour selected stocks in the telecommunications sector, including Deutsche Telekom, Telefónica and France Télécom, and maintained the portfolio's overweight position relative to the benchmark. Key sector attractions include a high dividend yield, strong cash flow and known future revenue streams and we are confident that our stock selections can capitalise efficiently on previously implemented cost cutting initiatives.

In March, we took advantage of the market rally and gradually shifted the portfolio towards a less defensive stance, repositioning the portfolio in preparation for a broader market recovery. As equity markets rallied over the following months we focused on neutralising the defensive bias of the portfolio and lowered cash levels over this period. The index future was sold and we reduced the number of defensive stocks in the portfolio such as Anheuser-Busch Inbev, Deutsche Telekom, Heineken, Nestlé, Novartis and Reed Elsevier, with the proceeds being reinvested in cyclical stocks Accor, BMW, Saint-Gobain, BBVA, Daimler and CRH. We selected these stocks based on their high quality and valuation measures. We also added stocks such as Philips Electronics which is expected to benefit from emerging market growth. The overall balance of the portfolio remained relatively neutral to the benchmark index with a slight bias towards defensive stocks.

August was a typically quiet month in terms of portfolio activity. After the strong rally which began in March and with the reporting season over, we considered that September would be a month of consolidation by investors and that defensive stocks would have some scope to perform better than cyclicals. We crystallised gains in high beta names which had performed well and invested the proceeds in companies such as Ericsson, GDF, L'Oréal and Munich Re. The most significant purchase during September was a new holding in HeidelbergCement, Germany's biggest cement maker. We believe that previous balance sheet concerns have been resolved with a rights issue and the placing of stock with new institutional shareholders. We consider that the stock was placed at a significant discount to its peers and we invested quite heavily in the company's refinancing efforts. By the end of the reporting period, net gearing was around 6%, with the portfolio slightly skewed towards cyclical stocks reflecting our more positive outlook of the market.

### Prospects

With the economic recovery gathering momentum in Europe, we are maintaining our positive outlook for European equities over the next three to six months. We believe that the fourth and first quarter earnings season will be generally positive with momentum being driven by GDP and earnings upgrades as well as further asset allocation switches into equities.

Over the longer term, our outlook scenario is less positive when we consider the underlying and more serious issue around rising inflation and interest rates. However, this is slightly diminished and somewhat replaced by the recent increasing threat of sovereign countries being downgraded or defaulting. In the current market environment we are searching for high-yielding, quality defensive stocks, as well as those positioned to benefit from the economic recovery. We continue to look for new ideas in which to invest at attractive valuations and believe that there is still plenty of upside in many European stocks, particularly those with favourable earnings revisions, growth, value and price momentum metrics.

GARTMORE INVESTMENT LIMITED

Manager

14 December 2009

	At 30 September 2009	At 30 September 2008	Change %
<b>Shareholders' Funds</b>			
Net Assets (£'000)	<b>176,766</b>	161,739	+9.3*
Net Asset Value	<b>657.0p</b>	551.3p	+19.2

\*The Company's assets were reduced during the year by £11,757,000 utilised in the repurchase of 2,433,500 Ordinary shares to be held in treasury. In broad terms, this reduction mainly reflects the the difference between the increase of 9.3% in Net Assets and the increase of 19.2% in Net Asset Value per Ordinary share for the year to 30 September 2009.

## Share Price

Market Capitalisation of Ordinary shares in issue, with full voting rights (£'000)	<b>164,932</b>	148,309	+11.2
Middle-Market Price	<b>613.0p</b>	505.5p	+21.3
Average Discount to NAV over the year	<b>4.4%</b>	3.9%	

## Benchmark Index

FTSE World Index – Europe (ex UK) in sterling terms	<b>373.0</b>	333.6	+11.8
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## Gearing

Actual Gearing	<b>6.5%</b>	–	
Maximum Gearing (as authorised by the Board)	<b>15.0%</b>	15.0%	

	Year to 30 September 2009	Year to 30 September 2008
<b>Revenue and Dividends</b>		
Net Revenue after taxation (£'000)	<b>4,346</b>	4,743
Revenue return per Ordinary share †	<b>15.63p</b>	15.12p
Dividend per Ordinary share	<b>14.00p</b>	14.00p
Total Expense Ratio (including performance-related fees)	<b>1.7%</b>	1.0%
Total Expense Ratio (excluding performance-related fees)	<b>1.2%</b>	1.0%

## Total Return to Equity Shareholders (£'000)

Revenue return after taxation	<b>4,346</b>	4,743
Capital return/(loss) after taxation	<b>26,384</b>	(38,858)
Total return	<b>30,730</b>	(34,115)

## Total Return per Ordinary share†

Revenue	<b>15.63p</b>	15.12p
Capital	<b>94.92p</b>	(123.85p)
Total	<b>110.55p</b>	(108.73p)

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

## Highs and Lows

	High	Low
Net Asset Value per Ordinary share‡	<b>650.4p</b>	423.2p
Middle-Market Price per Ordinary share	<b>617.0p</b>	408.0p

‡Excluding current year revenue

## Analysis of Net Assets and Shareholders' Funds

Investment in Equities	Valuation at 30 September 2008		Net Transactions £'000	Appreciation/ (Depreciation) £'000	Valuation at 30 September 2009	
	£'000	%			£'000	%
Austria	1,251	0.8	(760)	(17)	474	0.3
Belgium	1,558	1.0	(449)	2,211	3,320	1.9
France	29,582	18.3	4,987	5,748	40,317	22.8
Germany	29,202	18.1	11,454	5,826	46,482	26.3
Greece	359	0.2	(220)	(139)	–	–
Ireland	–	–	707	185	892	0.5
Italy	5,847	3.6	314	1,264	7,425	4.2
Luxembourg	3,468	2.1	547	(873)	3,142	1.8
Netherlands	12,721	7.9	(1,555)	3,402	14,568	8.2
Portugal	1,810	1.1	(556)	(199)	1,054	0.6
Scandinavia	7,343	4.5	938	1,556	9,837	5.6
Spain	17,873	11.1	2,595	3,777	24,245	13.7
Switzerland	29,279	18.1	1,526	3,145	33,950	19.2
<b>Total Equities</b>	<b>140,293</b>	<b>86.8</b>	<b>19,527</b>	<b>25,886</b>	<b>185,706</b>	<b>105.1</b>
Investment in subsidiary	30	–	–	–	30	–
<b>Total Investments</b>	<b>140,323</b>	<b>86.8</b>	<b>19,527</b>	<b>25,886</b>	<b>185,736</b>	<b>105.1</b>
Net Current Assets/(Liabilities)	21,416	13.2	(30,386)	–	(8,970)	(5.1)
<b>Net Assets</b>	<b>161,739</b>	<b>100.0</b>	<b>(10,859)</b>	<b>25,886</b>	<b>176,766</b>	<b>100.0</b>
<b>Attributable to Equity Shareholders' Funds</b>	<b>161,739</b>	<b>100.0</b>	<b>(11,757)<sup>1</sup></b>	<b>26,784<sup>2</sup></b>	<b>176,766</b>	<b>100.0</b>

<sup>1</sup>Represents the cost of 2,433,500 Ordinary shares repurchased during the year.

<sup>2</sup>Comprises the total return, less dividends paid during the year.

## Market and Currency Exposure

Sector	Euros	Swiss	Swedish	Norwegian	Danish	US	Net Assets at 30 September 2009	
	£'000	Francs £'000	Kronor £'000	Kroner £'000	Kroner £'000	Dollars £'000	£'000	%
Oil & Gas	10,962	–	–	1,029	–	–	11,991	6.8
Basic Materials	13,367	993	–	–	–	–	14,360	8.1
Industrials	20,564	3,821	1,231	–	–	–	25,616	14.5
Consumer Goods	22,448	6,613	867	–	1,781	–	31,709	18.0
Health Care	3,881	9,240	–	–	–	–	13,121	7.4
Consumer Services	6,164	–	793	–	–	–	6,957	3.9
Telecommunications	11,887	–	–	–	–	–	11,887	6.7
Utilities	13,770	–	–	–	–	–	13,770	7.8
Financials	37,355	13,283	–	460	–	–	51,098	28.9
Technology	4,134	–	1,063	–	–	–	5,197	3.0
<b>Total Equities</b>	<b>144,532</b>	<b>33,950</b>	<b>3,954</b>	<b>1,489</b>	<b>1,781</b>	<b>–</b>	<b>185,706</b>	<b>105.1</b>
Net Other Assets/ (Liabilities)	(10,365)*	1,420	–	–	–	5	(8,940)	(5.1)
<b>Net Assets</b>	<b>134,167</b>	<b>35,370</b>	<b>3,954</b>	<b>1,489</b>	<b>1,781</b>	<b>5</b>	<b>176,766</b>	<b>100.0</b>

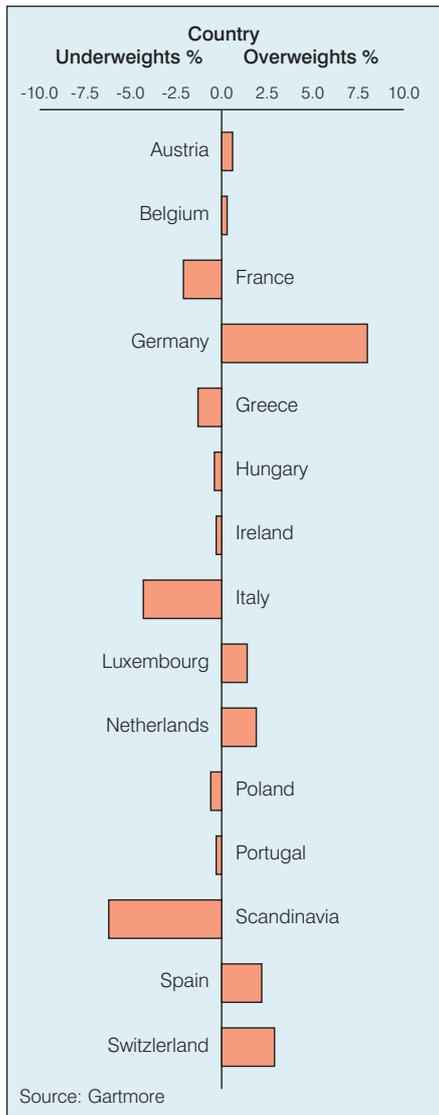
\*Includes other net liabilities in sterling of £1,329,000.

## Principal Listed Investments

Company	Sector	Country of Listing	Valuation £'000	Percentage of Listed Investments %		
Nestlé	Food Producers	Switzerland	6,613	(6,962)	3.5	(5.0)
Telefónica	Fixed Line Telecommunications	Spain	6,398	(4,176)	3.4	(3.0)
Total	Oil & Gas Producers	France	5,889	(5,504)	3.2	(3.9)
BSCH	Banks	Spain	5,856	(2,215)	3.2	(1.6)
Credit Suisse	Banks	Switzerland	5,757	(2,674)	3.1	(1.9)
Deutsche Bank	Banks	Germany	5,689	(2,042)	3.0	(1.5)
Bayer	Chemicals	Germany	4,949	(2,462)	2.7	(1.8)
Roche	Pharmaceuticals & Biotechnology	Switzerland	4,811	(5,615)	2.6	(4.0)
Novartis	Pharmaceuticals & Biotechnology	Switzerland	4,429	(4,676)	2.4	(3.3)
Siemens	Electronic & Electrical Equipment	Germany	4,102	(2,415)	2.2	(1.7)
<b>Top Ten Investments</b>			<b>54,493</b>		<b>29.3</b>	
Sanofi-Aventis	Pharmaceuticals & Biotechnology	France	3,881	(2,263)	2.1	(1.6)
Daimler	Automobiles & Parts	Germany	3,686	(1,696)	2.0	(1.2)
E.ON	Gas, Water & Multiutilities	Germany	3,631	(4,923)	2.0	(3.5)
BNP Paribas	Banks	France	3,388	(3,245)	1.8	(2.3)
Société Générale	Banks	France	3,221	(1,980)	1.7	(1.4)
ArcelorMittal	Industrial Metals	Luxembourg	3,142	(3,360)	1.7	(2.4)
Allianz	Non-Life Insurance	Germany	3,134	(2,038)	1.7	(1.5)
BBV Argentaria	Banks	Spain	3,044	(1,672)	1.6	(1.2)
UBS	Banks	Switzerland	2,978	(1,175)	1.6	(0.8)
Philips	Leisure Goods	Netherlands	2,964	(–)	1.6	(–)
<b>Top Twenty Investments</b>			<b>87,562</b>		<b>47.1</b>	
Zurich Financial	Non-Life Insurance	Switzerland	2,922	(990)	1.6	(0.7)
Iberdrola	Electricity	Spain	2,908	(2,567)	1.6	(1.8)
Christian Dior	Personal Goods	France	2,870	(1,484)	1.5	(1.1)
HeidelbergCement	Construction & Materials	Germany	2,864	(–)	1.5	(–)
ING Groep	Life Insurance	Netherlands	2,836	(–)	1.5	(–)
SAP	Software & Computer Services	Germany	2,534	(1,312)	1.4	(0.9)
Crédit Agricole	Banks	France	2,415	(1,023)	1.3	(0.7)
Munich Re	Non-Life Insurance	Germany	2,404	(1,159)	1.3	(0.8)
Vinci	Construction & Materials	France	2,380	(–)	1.3	(–)
ThyssenKrupp	General Industrials	Germany	2,349	(1,823)	1.3	(1.3)
<b>Top Thirty Investments</b>			<b>114,044</b>		<b>61.4</b>	
Royal Dutch Shell	Oil & Gas Producers	United Kingdom	2,315	(2,813)	1.2	(2.0)
France Télécom	Fixed Line Telecommunications	France	2,263	(2,394)	1.2	(1.7)
BASF	Chemicals	Germany	2,235	(1,214)	1.2	(0.9)
Vivendi Universal	Media	France	2,218	(1,017)	1.2	(0.7)
Groupe Danone	Food Producers	France	2,198	(786)	1.2	(0.6)
Fiat	Automobiles & Parts	Italy	2,074	(–)	1.1	(–)
ABB	Industrial Engineering	Switzerland	2,018	(–)	1.1	(–)
Enel	Electricity	Italy	2,012	(–)	1.1	(–)
Schneider Electric	Electronic & Electrical Equipment	France	1,984	(–)	1.1	(–)
MAN	Industrial Engineering	Germany	1,920	(308)	1.0	(0.2)
<b>Top Forty Investments</b>			<b>135,281</b>		<b>72.8</b>	
Other listed investments (46 stocks – 2008: 41 stocks)			50,425		27.2	
<b>Total Listed Equity Investments at Fair Value</b>			<b>185,706</b>		<b>100.0</b>	

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

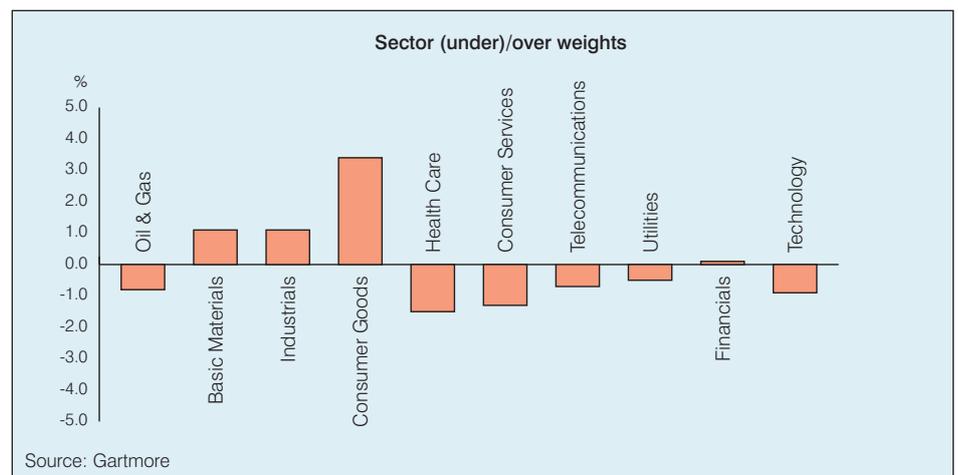
# Portfolio Weightings



At 30 September 2009  
Portfolio Benchmark

Country	Oil & Gas %	Basic Materials %	Industrials %	Consumer Goods %	Healthcare %	Consumer Services %	Telecoms %	Utilities %	Financials %	Technology %	Investments %	Index %
Austria	-	0.3	-	-	-	-	-	-	-	-	0.3	0.8
Belgium	-	-	-	0.7	-	-	-	-	1.1	-	1.8	2.0
France	3.2	-	3.3	4.4	2.1	1.7	1.2	0.9	4.8	-	21.6	23.8
Germany	-	3.9	6.4	3.1	-	-	0.7	2.8	6.7	1.4	25.0	17.0
Greece	-	-	-	-	-	-	-	-	-	-	-	1.3
Hungary	-	-	-	-	-	-	-	-	-	-	-	0.4
Ireland	-	-	0.5	-	-	-	-	-	-	-	0.5	0.8
Italy	0.9	-	-	1.1	-	-	-	1.1	0.9	-	4.0	8.3
Luxembourg	-	1.7	-	-	-	-	-	-	-	-	1.7	0.3
Netherlands	1.2	0.8	-	2.6	-	0.4	1.0	-	1.7	-	7.7	5.9
Poland	-	-	-	-	-	-	-	-	-	-	-	0.6
Portugal	0.6	-	-	-	-	-	-	-	-	-	0.6	0.9
Scandinavia	0.6	0.5	0.7	1.5	-	0.4	-	-	0.2	1.5	5.4	11.5
Spain	-	-	0.9	-	-	1.2	3.4	2.7	4.8	-	13.0	10.9
Switzerland	-	0.5	2.1	3.6	5.0	-	-	-	7.2	-	18.4	15.5
<b>Total</b>	<b>6.5</b>	<b>7.7</b>	<b>13.9</b>	<b>17.0</b>	<b>7.1</b>	<b>3.7</b>	<b>6.3</b>	<b>7.5</b>	<b>27.4</b>	<b>2.9</b>	<b>100.0</b>	
<b>Benchmark Index*</b>	<b>7.2</b>	<b>6.7</b>	<b>12.7</b>	<b>13.7</b>	<b>8.5</b>	<b>5.0</b>	<b>7.1</b>	<b>8.0</b>	<b>27.4</b>	<b>3.7</b>	<b>100.0</b>	

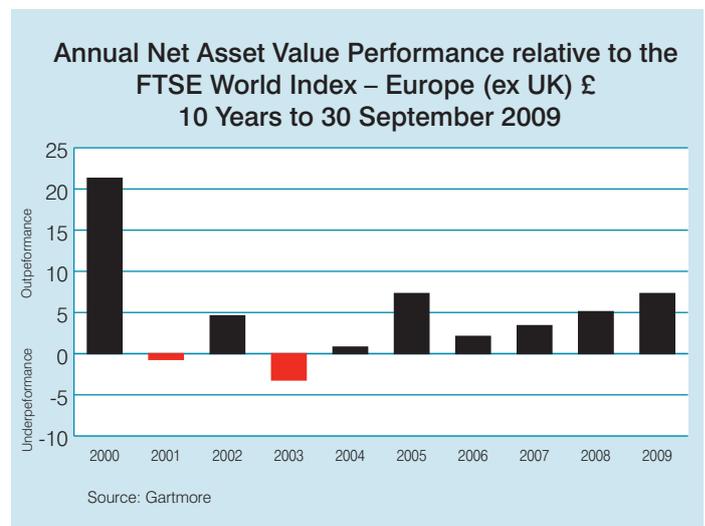
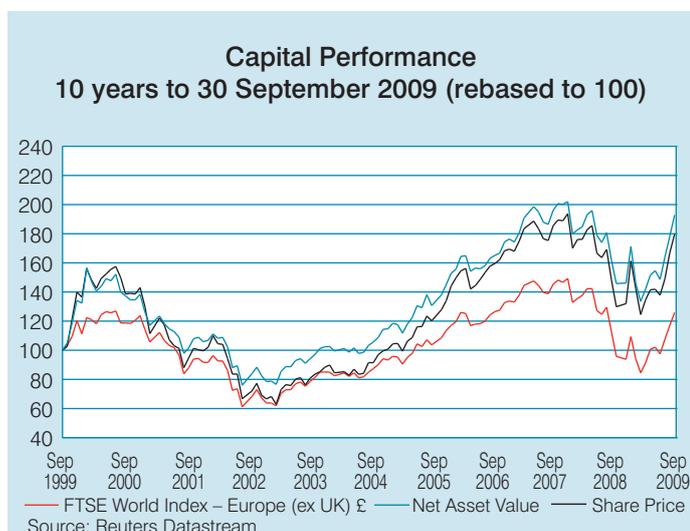
\*FTSE World Index – Europe (ex UK) in sterling terms



# Ten-Year Financial Record

Year ended 30 September	Net Assets £'000	Net Asset Value per share (basic) p	Net Asset Value per share (diluted) p	Mid-Market price per Ordinary share p	Dividend per share p	Revenue return per share p	Total return per share p
1999	186,496	358.4	340.6	341.00	2.00	3.11	67.84
2000 (a)	280,066	510.4	476.8	511.00	2.00	2.70	154.00
2001 (b)	195,007	347.5	333.4	300.00	3.00	4.01	(159.14)
2002 (c)	147,930	263.5	258.7	227.50	3.00	3.11	(80.96)
2003 (d)	180,482	321.5	310.3	259.75	3.00	3.45	60.93
2004 (e)	210,877	352.0	352.0	312.00	4.35	4.79	45.45
2005 (f)	279,605	470.4	470.4	421.00	6.00	7.46	118.23
2006 (g)	322,093	555.4	555.4	538.00	12.00	8.78	96.35
2007 (h)	219,515	667.8	667.8	632.50	8.00	7.12	124.53
2008 (i)	161,739	551.3	551.3	505.50	14.00	15.12	(108.73)
<b>2009 (j)</b>	<b>176,766</b>	<b>657.0</b>	<b>657.0</b>	<b>613.00</b>	<b>14.00</b>	<b>15.63</b>	<b>110.55</b>

- (a) Ordinary shares in issue increased by 2,825,228 (450,228 on the exercise of warrants and a further 2,375,000 shares issued under powers taken at the AGM on 20 December 1999).
- (b) Ordinary shares in issue increased by 1,243,356 (193,356 on the exercise of warrants and a further 1,050,000 shares issued under powers taken at the AGM on 3 November 2000).
- (c) Ordinary shares in issue increased by 19,743 on the exercise of warrants.
- (d) Ordinary shares in issue increased by 14,243 on the exercise of warrants.
- (e) Ordinary shares in issue increased by 3,757,297 (6,967,242 shares were issued on the exercise of warrants and Ordinary shares in issue increased by 3,757,297 (6,967,242 shares issued on the exercise of warrants, less 3,209,945 repurchased for cancellation under powers taken at the AGM on 26 January 2004).
- (f) Net Assets and Net Asset Value restated to include investments at bid prices.
- (g) Ordinary shares in issue decreased by 1,450,000 shares repurchased to be held in treasury under powers taken at the AGM on 23 January 2006).
- (h) Ordinary shares in issue decreased by 25,118,727 (1,996,987 shares repurchased to be held in treasury and 916,649 shares repurchased for cancellation under powers taken at the AGM on 28 February 2007. A further 22,205,091 shares were repurchased for cancellation under the Tender Offer proposal issued on 27 April 2007).
- (i) Revenue return includes 1.45p per Ordinary share in respect of VAT recovery on past management fees. Ordinary shares in issue decreased by 3,532,500 (2,118,000 repurchased to be held in treasury and 1,414,500 repurchased for cancellation under powers taken at the AGM on 1 February 2008).
- (j) Ordinary shares in issue decreased by 2,433,500 shares repurchased to be held in treasury under powers taken at the AGM on 30 January 2009.



The Directors present their report and the audited accounts for the year ended 30 September 2009. The Corporate Governance Statement on pages 26 to 33 forms part of the Report of the Directors.

### **Business Review**

The Business Review has been prepared in accordance with the Companies Act 2006. Please refer to the Chairman's Statement on pages 5 and 6, the Manager's Review on pages 8 and 9 and the portfolio analyses on pages 10 to 14 for additional information.

### **Nature and Status**

The Company is an investment trust company and a member of The Association of Investment Companies. It is registered as a public limited company (Registration number 427958 England and Wales) and is an investment company as defined by section 833 of the Companies Act 2006. The Company's shares are listed on the London Stock Exchange.

The Company was last approved by HM Revenue & Customs (HMRC) as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 30 September 2008. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has been approved as an Investment Trust for all previous years. Since 30 September 2008, the Company has directed its affairs so as to be able to continue to qualify for approval by HMRC 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 capital growth over the longer term from investment in Continental Europe.

### **Investment Policy**

#### **Asset Allocation:**

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

#### **Risk Diversification:**

Portfolio risk is mitigated by investing in a diversified spread of investments, with holdings in any one company representing, on investment, no more than 10% by market value of the total assets of the Company. However, this limitation does not apply to gilts or investment company holdings. The Company will not invest more than 15% of its gross assets in other listed investment companies (including investment trusts). All of the Company's investments are listed on recognised exchanges and are realisable within a short period.

#### **Gearing:**

The Company has the power to borrow money ('gearing') and does so when the Manager is confident that market conditions and opportunities exist to enhance investment returns. The Manager has discretion to borrow within limits set by the Board from time to time.

### **Benchmark Index**

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

### Performance

Please refer to the Manager's Review on pages 8 and 9 for an overview of the Company's investment activities during the year and to the portfolio analyses on pages 10 to 14. These together with this Business Review demonstrate how the Company's assets have been invested with a view to spreading investment risk in accordance with the Company's published investment policy.

The Directors consider that the Company's key performance indicator is the movement of the net asset value per Ordinary share (NAV) compared with the movement of the Benchmark Index, as the Company's primary investment objective is capital growth over the longer term from investment in Continental Europe. This is reflected by the terms of the investment management agreement, which provides for a performance-related fee to be paid to the Manager based on the degree to which net asset value performance exceeds that of the Benchmark Index. The capital return of the Benchmark Index is used for calculating the performance fee and is considered to be the appropriate comparator because the Company does not particularly look to generate revenue returns.

Over the year to 30 September 2009, the NAV increased by 19.2%, compared with a rise of 11.8% in the Benchmark Index. The Company's performance reflects the investment manager's effective stock selection and management of cash and gearing levels over the year. Performance also benefited from the Manager's cautious stance and defensive positioning of the portfolio, which mitigated some of the effects of difficult equity markets, particularly in the first six months of the Company's financial year.

The Board also monitors the performance of the Company's Ordinary shares and, in particular, the level of discount at which the Ordinary shares trade relative to the NAV. Over the year to 30 September 2009, the mid-market price of the Company's Ordinary shares increased by 21.3% to 613.0 pence. An active share buy-back policy is in place which seeks to address imbalances between supply and demand of the Company's shares with the aim of establishing a long-term level of discount to NAV of no wider than 3.5%. During the year to 30 September 2009, the Ordinary shares traded at an average discount of 4.4%.

Additionally, the Board regularly reviews the costs of running the Company. For the year to 30 September 2009, the Company's total expense ratio (TER), which is an expression of the Company's management fee and administration expenses as a percentage of average shareholders' funds, was 1.7% (including performance-related fee), compared with 1.0% for the previous year.

### Financial Position and Total Return

At 30 September 2009, Net Assets amounted to £176,766,000, compared with £161,739,000 at 30 September 2008. All of the Company's investments are listed on recognised exchanges and would normally be realisable within a relatively short timeframe.

The total return for the year was £30,730,000, compared with a total loss of £34,115,000 for the previous year. The Company made a net revenue surplus in the year, after expenses and taxation, of £4,346,000, compared with £4,743,000 for the previous year.

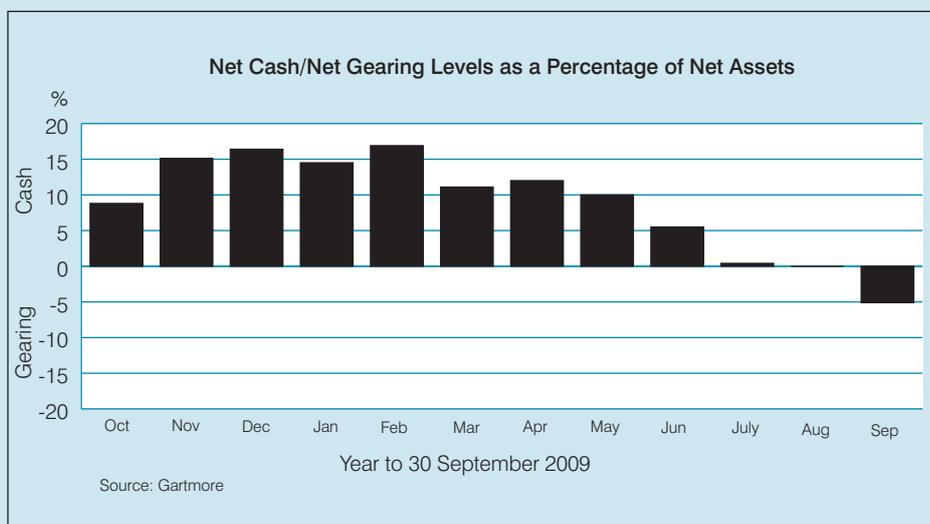
The Directors have declared an interim dividend, in lieu of a final dividend, of 14.0 pence (2008: 14.0 pence) per Ordinary share, payable on 29 January 2010 to shareholders on the register on 8 January 2010.

### Gearing

The Manager has been authorised by the Board to borrow money, up to a maximum of 15% of the Company's Net Assets, to make additional investments on top of shareholders' funds and flexible borrowing facilities are available for that purpose, details of which are provided in note 13 to the accounts. Should the Manager wish to exceed the 15% limit, he must first consult the Chairman.

Gartmore European Investment Trust p.l.c.

During the year, the Manager adopted a cautious stance, with portfolio liquidity ranging between 5.5% and 16.9% of net assets. Towards the end of the financial year, the portfolio moved to a modestly geared position. At 30 September 2009, drawings on The Bank of New York Mellon loan facility represented 6.5% of net assets. Borrowing levels are limited by financial covenants and aggregate borrowings must not exceed 25% of net assets.



### Socially Responsible Investment

The Company has delegated responsibility for making and holding investments 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.

### Future Trends

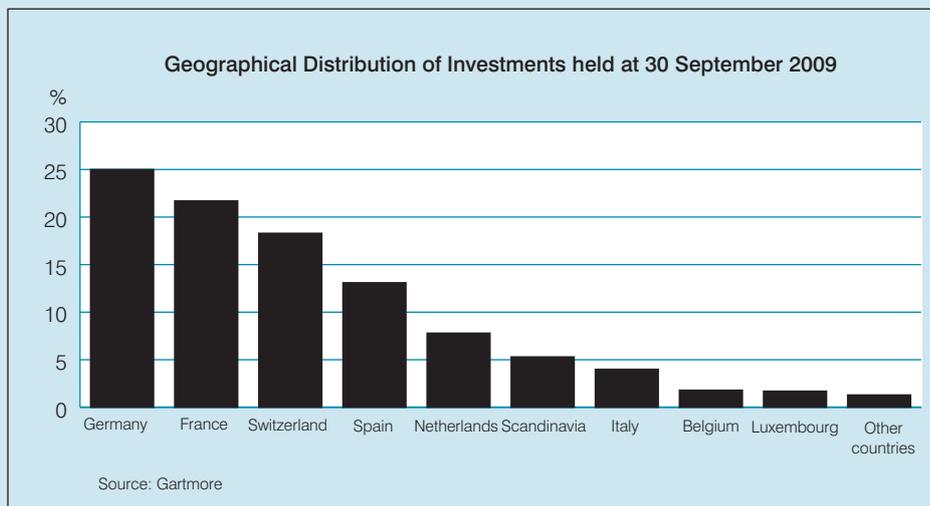
The economic and financial background in the eurozone has improved significantly over the past twelve months, with recent data showing that the region's economy has returned to growth. Nevertheless, governments across Europe have borrowed on an unprecedented scale in order to shore up the financial system and to keep economies afloat. Fiscal tightening is therefore likely in the short term with the aim of returning public finances to health and this may put some brakes on any recovery. In the long term, we believe that profitable investment opportunities will emerge as the region returns to a stronger, more sustainable and balanced economic growth cycle.

### Principal Risks and Uncertainties

The Board's policy on risk management has not changed from last year. The Directors have put in place processes to identify and manage significant risks to the Company, including internal controls to minimise operational risks. The Board in conjunction with the Audit Committee regularly reviews the system of internal controls. These include controls to safeguard the Company's assets and shareholders' investment. A summary of the Company's approach to internal controls and risk can be found in the Corporate Governance section of this Report, on pages 31 to 33.

### Market Risk

Since the Company is an investment company its performance is dependent on the performance of the companies and securities markets in which it invests and will also be affected by the strength of currencies in the regions in which it invests, relative to sterling. Investment risk is spread by holding a diversified portfolio of larger companies with strong balance sheets and above average growth prospects. A significant proportion of the holdings in the Company's portfolio may not be represented in the benchmark index.



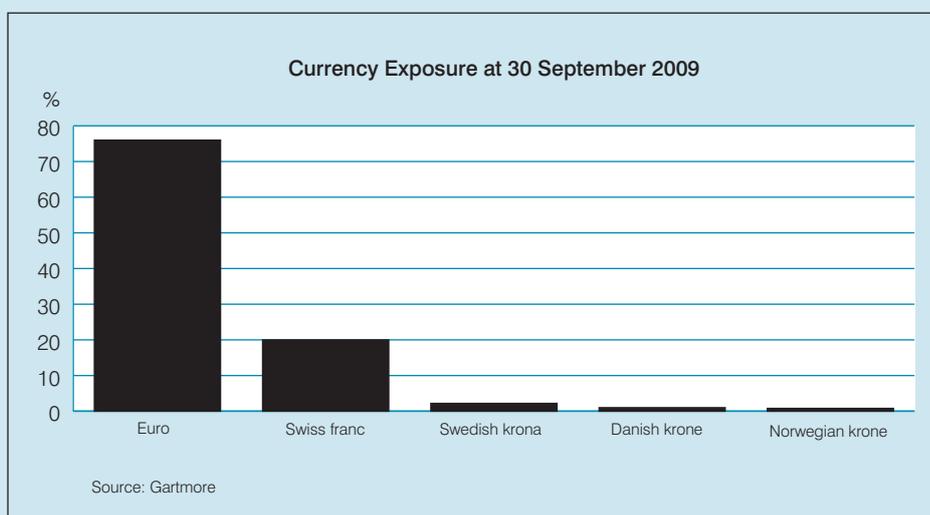
## Gearing

The Manager has authority to use gearing up to a maximum of 15% of the Company's net assets. In the event of a significant or prolonged fall in equity markets gearing would exacerbate the effect of the falling market on the Company's net asset value and, consequently, its share price.

## Other Financial Risks

The Company minimises the risk of a counterparty failing to deliver securities or cash by dealing through organisations that have undergone rigorous due diligence by the Manager.

The Company holds its liquid funds, which are mostly denominated in euro, almost entirely in UK interest bearing bank accounts or on short-term deposit. This, together with the portfolio which comprises mainly investments in large and medium-sized companies listed on major equity markets, mitigates the Company's exposure to liquidity risk.



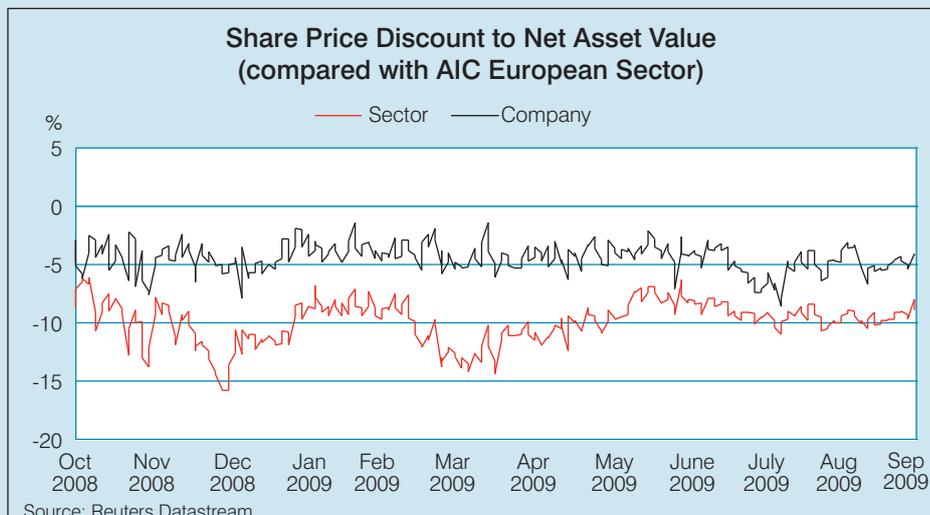
The Company is an investment trust and as such, must comply with the requirements of Section 842 of the Income and Corporation Taxes Act 1988. A breach of these requirements may result in the Company losing its investment trust status and, as a consequence, becoming subject to tax on capital gains. The Board receives monthly reports from the Manager with regard to the Company's compliance with Section 842 requirements.

Other principal risks, and the Company's policies for managing these risks, are summarised in note 22 to the accounts.

## Discount Management

The Board monitors the performance of the Company's Ordinary shares and, in particular, the level of discount at which the Ordinary shares trade relative to their

net asset value. In January 2009, the Company renewed its share buy-back authority and intends to purchase shares on an ongoing basis, with the aim of establishing a long-term level of discount to net asset value of 3.5%. Over the year to 30 September 2009, the Ordinary shares traded at an average discount of 4.4%, compared with a sector average of 9.9%.



Details of shares bought-back during the year are provided in the Share Capital section on page 21. At 30 September 2009, the Company had authority to repurchase a further 3,057,924 Ordinary shares, such authority to expire at the conclusion of the forthcoming Annual General Meeting or on 30 April 2010, whichever is the earlier.

### Management and Administration

The Company's investments are managed by Gartmore Investment Limited in accordance with the terms of an Investment Management Agreement dated 1 November 2002, as subsequently amended, which provides for six months' notice of termination to be given by either party. The management fee is calculated monthly in arrear at 0.75% per annum on the value of the Company's Total Assets, less current liabilities other than borrowings for the purpose of investment. In determining the Total Assets on which the management fee is calculated, the value of any securities held by the Company in collective investment schemes managed by the Manager is excluded. An additional management fee, based on performance, of up to 0.5% per annum may be paid if the Manager meets certain targets for the year.

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

- 10% of the amount that the percentage increase in the Company's net asset value per Ordinary share exceeds the percentage increase in the Company's benchmark, the FTSE World Index – Europe (ex UK) capital only in sterling terms, in the same period, for the first 1.5% of outperformance (i.e. 0.15%); plus
- 20% of the amount that the percentage increase in the Company's net asset value per share exceeds the percentage increase in the Company's benchmark, for outperformance between 1.5% and 2.0% (i.e. 0.10%); plus
- The amount that the percentage increase in the Company's net asset value per share further exceeds the percentage increase in the Company's benchmark, for outperformance between 2.0% and 2.25% (i.e. 0.25%).

Each annual performance-related fee is in respect of the Company's financial year and the calculations are based on the relevant figures as audited and published in the relevant Annual Report. A performance-related fee of £944,000 (2008: £nil) is payable to the Manager in respect of the year ended 30 September 2009.

Gartmore Investment Limited provides the accounting, company secretarial and general administrative services required by the Company in connection with its business and operations under the terms of a Company Secretarial and Administration Agreement dated 1 November 2002. No separate fee is charged for these services.

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

### 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 Committee also reviewed the appropriateness of the terms of the Investment Management Agreement, in particular the length of notice period and the management fee structure, and of the Company Secretarial and Administration Agreement.

The Board remains satisfied with investment performance under Gartmore's management and, in particular, with the individual fund manager 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 and its shareholders.

### Directors

The Directors of the Company are shown on page 4. All the present Directors served throughout the year ended 30 September 2009. Dr Manfred Piehl retired as a Director on 30 January 2009.

Mr Michael Firth retires by rotation in accordance with the Articles of Association of the Company, and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. In accordance with the requirements of the Combined Code on Corporate Governance regarding long-serving Directors, Mr Jean Claude Banon, who has served as a Director for more than nine years, also retires and, being eligible, offers himself for re-election.

The Board confirms that, having conducted a formal performance evaluation, each of the Directors seeking re-election continues to demonstrate their commitment to the Company and to perform their roles effectively.

The Directors held the following beneficial interests in the Ordinary shares of the Company at 1 October 2008 and 30 September 2009. There have been no changes since 30 September 2009.

	At 30 September 2009	At 1 October 2008
Rodney Dennis	–	–
Jean Claude Banon	–	–
Alexander Comba	5,000	5,000
Michael Firth	–	–

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.

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 their defence of any proceedings brought against them in connection

with their positions as Directors, in which they are acquitted or judgment is given in their favour.

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.

### Share Capital

At 30 September 2008, the Company's issued share capital comprised 29,339,162 Ordinary shares of 50 pence each in issue with full voting rights and 2,864,987 Ordinary shares (8.9% of the issued share capital) held in treasury. During the year, the Company repurchased 2,433,500 Ordinary shares with nominal value of £1,216,750, to be held in treasury. This represented approximately 8.3% of the shares in issue with full voting rights at 30 September 2008. The aggregate consideration paid by the Company was £11,783,000. 2,500,000 Ordinary shares previously held in treasury were cancelled during the year. At 30 September 2009, the Company had authority to repurchase a further 3,057,924 Ordinary shares, such authority to expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 April 2010. At 30 September 2009, the Company's paid up share capital comprised 26,905,662 Ordinary shares of 50 pence each in issue with full voting rights and 2,798,487 Ordinary shares (9.4% of the issued share capital) held in treasury. Ordinary shareholders are entitled on a poll at a general meeting to one vote in respect of each share held. The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

### Substantial Shareholders

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

	Number of Ordinary shares	Percentage of votes
Rensburg Sheppard Investment Management	3,584,879	13.5
Gartmore Investment Management	1,791,075	6.8
Rathbone Investment Management	1,209,293	4.6
Legal & General Investment Management	1,132,857	4.3
Brewin Dolphin Securities	1,073,230	4.1

### Section 992 Companies Act 2006 Disclosures

The following information is disclosed in accordance with Section 992 of the Companies Act 2006:

- The Company's capital structure and voting rights are summarised on page 21.
- Details of the most substantial shareholders in the Company are listed on page 21.
- The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are considered on pages 26 and 27.
- Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid.
- There are no agreements between the Company and its directors concerning compensation for loss of office.

### Going Concern

The Directors believe that it is appropriate to continue to prepare the accounts on a 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.

### 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.

### Individual Savings Accounts

The Company's shares are eligible investments for inclusion in Individual Savings Accounts. It is the intention of the Directors to manage the affairs of the Company to ensure continuing eligibility. Details of the Manager's range of savings schemes are provided on page 68.

### Provision of Information to the Auditor

Each of the Directors confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- (b) all the steps that ought reasonably to have been taken to make the Director aware of any relevant audit information and to establish that the Company's Auditor is aware of such information were taken.

### Auditor

Grant Thornton UK LLP has expressed willingness to continue in office as Auditor to the Company. A Resolution proposing their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

### Business of the Annual General Meeting

The Notice of Annual General Meeting of the Company to be held on 4 February 2010 can be found on pages 56 to 59.

The first five resolutions to be put to shareholders are ordinary resolutions, which require a majority of not less than 50% of shareholders who vote, to vote in favour. Resolutions 6 to 10 are special resolutions, which require a majority of not less than 75% of shareholders who vote, to vote in favour.

#### *Resolution 1 – Annual Report, Accounts and Auditor's Report*

The Chairman will present the Annual Report and Accounts for the year ended 30 September 2009 to the meeting, together with the Auditor's Report relating to that period.

#### *Resolution 2 – Directors' Remuneration Report*

It is mandatory for listed companies to put their Report on Directors' Remuneration to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual director. The Report on Directors' Remuneration is set out on pages 34 and 35 of this Annual Report.

#### *Resolutions 3 and 4 – Re-appointment of Directors*

Mr Michael Firth retires by rotation in accordance with the Articles of Association of the Company and offers himself for re-election. Mr Jean Claude Banon, who has served as a Director of the Company for more than nine years, also retires in accordance with the requirements of the Combined Code on Corporate Governance and offers himself for re-election. Biographical details of the Directors seeking re-appointment are set out on page 4 of this Annual Report. The Board has confirmed that, following a performance review, each of the Directors standing for re-appointment at the forthcoming AGM continues to perform their duties effectively and to demonstrate commitment to their role.

### *Resolutions 5 – Re-appointment of the Auditor*

It is necessary for shareholders to agree each year to the appointment of the Auditor and how their remuneration will be fixed. Grant Thornton UK LLP have expressed their willingness to continue and this resolution seeks agreement to their reappointment and for the Directors to fix their remuneration.

### *Resolution 6 – Directors' Authority to Allot Shares*

At the Annual General Meeting of the Company held on 30 January 2009, the Directors were given authority to allot Ordinary shares in the capital of the Company up to an aggregate nominal value of £4,700,000 representing approximately one-third of the Company's then issued Ordinary share capital. This authority expires at the conclusion of the forthcoming AGM. Accordingly, Shareholders are being asked to renew the Directors' authority to allot the Company's unissued Ordinary shares, up to an aggregate nominal value of £4,400,000, representing approximately one-third of the issued Ordinary share capital of the Company as at 9 December 2009, being the latest practicable date prior to the publication of this document. This authority shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next Annual General Meeting. The resolution has been updated to reflect that the authority is being given under Section 551 of the Companies Act 2006 (rather than Section 80 of the Companies Act 1985) and to reflect a change in the language used in the Companies Act 2006. The allotment limit proposed for the current year follows the guidelines of the Association of British Insurers. The Directors have no present intention of exercising this authority but the resolution will allow the Directors flexibility to act in the best interests of the Company and its shareholders.

### *Resolution 7 – Authority to Disapply Pre-emption Rights*

This resolution proposes to renew the Directors' authority to allot Ordinary shares in the capital of the Company for cash pursuant to Resolution 6 above, up to an aggregate nominal value of £1,300,000 (equal to just under 10% of the Company's issued Ordinary share capital as at 9 December 2009, being the latest practical date prior to the publication of this document), without first having to offer these shares to existing shareholders. As with Resolution 6, the terms of Resolution 7 are broadly the same as last year's resolution. However, the resolution has been updated to reflect that it is being proposed pursuant to Sections 570 and 573 of the Companies Act 2006 rather than Section 95 of the Companies Act 1985.

### *Resolution 8 – Authority to Purchase 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.

The current authority, which permits the Company to purchase up to 14.99% of the Ordinary shares, expires at the conclusion of the forthcoming Annual General Meeting. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary shares for cancellation or to be held in treasury. If Resolution 8 is passed at the Annual General Meeting, it is the Company's current intention that any buybacks will initially be held in treasury, although they may subsequently be cancelled. The Board does not intend for the Company to hold more than 10% of its issued share capital in treasury, even though it is now permitted to do so following recent changes to UK Company law.

Accordingly, a special resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary share capital at the date of the Annual General Meeting is proposed. This is equivalent to

3,965,000 Ordinary shares at 9 December 2009, being the latest practical date prior to the publication of this document.

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

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

### *Resolution 9 – New Articles of Association*

The Company proposes to adopt new Articles of Association to reflect the final provisions of the Companies Act 2006 which came into effect on 1 October 2009. The principal changes are summarised in the Appendix to the Annual General Meeting on pages 60 to 64.

The proposed new Articles showing all the changes to the current Articles are available for inspection at Gartmore House, 8 Fenchurch Place, London EC3M 4PB until the close of the Annual General Meeting.

### *Resolution 10 – Notice Period for General Meetings*

Regulations implementing the EU Shareholder Rights Directive in the UK came into force on 3 August 2009 and amend the provisions on company meetings in the Companies Act 2006. One of the amendments extends the minimum notice period for general meetings of listed companies to 21 days. The period can be reduced to 14 days (other than for annual general meetings) if two conditions are met. First, the company must allow shareholders to vote “by electronic means accessible to all shareholders”. This includes a facility available to all shareholders to appoint a proxy via a website. Secondly, shareholders must pass a special resolution every year approving the shortening of the notice period. The Board is therefore proposing Resolution 10 as a Special Resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company’s next Annual General Meeting, when it is intended for the approval to be renewed.

## **Recommendation**

The Board considers that Resolutions 1 to 10 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole and recommends that all shareholders vote in favour of each of the resolutions.

By Order of the Board  
GARTMORE INVESTMENT LIMITED  
Secretary  
14 December 2009

## 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). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which they believe are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including Business Review and Corporate Governance Statement), and a Directors' Remuneration Report that comply with that law and those regulations.

The accounts are published on [www.gartmoreeuropeaninvtrust.co.uk](http://www.gartmoreeuropeaninvtrust.co.uk) and are also accessible through [www.gartmore.com](http://www.gartmore.com), which is a website maintained by the Company's Manager. The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts 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 their own jurisdiction.

### Statement under DTR 4.1.12

The Directors of the Company, whose names are shown on page 4 of this Report, each confirm to the best of their knowledge that:

- the accounts, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Rodney Dennis  
Chairman  
14 December 2009

The Corporate Governance Statement on pages 26 to 33 forms part of the Report of the Directors.

### 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 Combined Code on Corporate Governance (the Combined Code) and in the AIC Code of Corporate Governance and accompanying guide (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 2009, the Financial Reporting Council (the FRC), the UK's independent regulator for corporate reporting and governance responsible for the Combined Code, re-endorsed the AIC Code. The terms of the FRC's endorsement mean that AIC Members who report against the AIC Code and who follow the AIC Corporate Governance Guide for Investment Companies meet fully 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 September 2009.

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

### Independence of Directors

The Board consists of four 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 seek re-appointment by shareholders annually. Accordingly, Mr Jean Claude Banon will retire as a Director at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. 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 Banon has demonstrated that he is independent in character and judgement and that his individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

### Chairman and Senior Independent Director

Mr Rodney Dennis was appointed Chairman of the Board on 14 September 2006. In view of the size and composition of the Board, it is not considered necessary to appoint a Senior Independent Director. Should a shareholder wish to raise issues, which they feel unable to discuss with the Chairman, any of the other Directors will make themselves available to such shareholder's request for a meeting.

### **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.

In accordance with the Articles of Association of the Company, each Director is required to retire and, if so desired, submit himself or herself for re-election at least every three years.

### **Performance of the Board**

During the year, a review of the effectiveness of the Board was undertaken by Stephenson & Co., an independent consultant, by way of interviews with individual Directors. Issues arising from the review were considered by the Chairman and discussed by the Board as part of its overall review of both collective and individual performance.

The Board also periodically conducts 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-election 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 page 4 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.

### **Role 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 access to the portfolio manager and company secretary in the periods between the 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 September 2009 and the attendance record of each Director are shown in the following table.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Number of Meetings	5	3	2	2	2
Rodney Dennis	5	3	2	2	2
Jean Claude Banon	5	3	2	2	2
Alexander Comba	5	3	2	2	2
Michael Firth	5	3	2	2	2
Manfred Piehl*	2	1	1	1	1

\* Retired on 30 January 2009

## Conflicts of Interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1 October 2008, the Companies Act 2006 has permitted directors of public companies to authorise such conflicts and potential conflicts, where appropriate, provided the Articles of Association contain a provision to this effect. The Company's Articles of Association, which were adopted by shareholders on 1 February 2008, permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company (situational conflicts). Only Directors who have no interest in the matter being considered are able to participate in the authorisation process. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors may impose limits or conditions when giving the authorisation, or subsequently, if they consider this to be appropriate. Any conflicts considered, and any authorisations given, are recorded in the relevant Board minutes.

Each of the Directors submitted a statement of existing conflicts of interest, which was approved by the Board at a meeting held on 3 October 2008. The Directors have also undertaken to declare any new potential conflicts of interest at the first Board Meeting following the date on which they become aware of the new conflict.

The Board confirms that the prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

## Exercise of Voting Rights in Investee Companies

The Company has delegated 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. The Manager reports to the Board quarterly on all votes exercised.

The Manager aims to vote at general meetings of all companies in which the Company invests, but practical difficulties may prevent this in some markets. In particular, various factors including practicality, restrictions on dealing and cost may inhibit voting in some international markets and must be taken into account. The Manager supports good practice in business and endorses the OECD Principles of Corporate Governance as part of the development of codes of best practice for individual markets.

The Manager's process involves the expertise of fund managers, research analysts and a specialist corporate governance team in applying written voting principles and guidelines. These voting principles and guidelines can be seen on the Company's web site [www.gartmoreeuropeaninvestor.co.uk](http://www.gartmoreeuropeaninvestor.co.uk), in the "Corporate governance" section under the "About the trust" tab. The Manager also retains the services of an outside independent research provider.

The Manager recognises that circumstances can occur where it faces an actual or perceived material conflict of interest in effecting its voting responsibilities. Where such conflicts arise, arrangements are made to ensure that decisions are taken in the long term interests of the Manager's clients. These arrangements may include:

- referring decisions to a senior manager unconnected with the day-to-day management of the fund concerned;
- using the advice of an outside body; and
- approaching clients directly.

In the event that the Manager also manages assets, a pension plan, or a related entity of the company on which it is voting, it has undertaken to ignore this relationship and vote in the manner it judges to be in the best interests of the investing client.

During the financial year to 30 September 2009, the Manager voted at 41 general meetings on behalf of the Company. At these meetings the Manager voted against 10 resolutions and abstained from 2.

### **Relationship with Manager**

The day-to-day management of the Company's portfolio has been delegated under contract to the Manager, Gartmore Investment Limited. One or more representatives of the Manager attend 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 ongoing communication with the Board between Board meetings and contacts the Board for specific guidance on significant issues.

### **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 65, or by telephoning the Manager, who reports such communications to the Board.

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

The Directors will be available at the Annual General Meeting to answer any questions raised by shareholders. At every Annual General Meeting, 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 abstentions. A poll will be taken in

all circumstances where the result of a show of hands is contrary to the result that would have been brought about by a poll (based on the proxy votes lodged). The Notice of Annual General Meeting is contained in the Annual Report and Accounts that is sent to shareholders at least 20 working days before the Meeting.

Detailed lists of shareholders are reviewed regularly at Board meetings and the Directors receive reports from Gartmore's Head of Investment Trusts 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 the Manager's website, [www.gartmore.co.uk](http://www.gartmore.co.uk). This information is supplemented by the bi-annual publication of the Interim Management Statement and a monthly factsheet, which can be viewed on the Manager's website, and by the daily publication of the Company's net asset value to the Regulatory Information Service, which can be viewed on the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com). The Board is directly responsible for all statements regarding any 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. The Company Secretary 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 timely delivery of information and reports and that the statutory obligations of the Company are met.

### **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 and is chaired by Mr Alexander Comba. The Audit Committee meets at least twice a year, once with the external Auditor present and once with members 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. The Audit Committee also reviews the terms of appointment and remuneration of the Company's Auditor, 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 Auditor is considered and approved by the Audit Committee on a case-by-case basis having given consideration to the cost effectiveness of the services and the potential impact on the independence and objectivity of the Auditor. The Audit Committee is satisfied that Grant Thornton UK 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 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 at [gartmoreeuropeaninvtrust.co.uk](http://gartmoreeuropeaninvtrust.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 contracted. 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.

In particular, Gartmore Investment Limited is responsible for the provision of investment management, accounting and company secretarial services, under the terms of the Investment Management Agreement and the Company Secretarial and Administration Agreement, referred to on page 19, and The Bank of New York Mellon provides custodian services under a separate Custody Agreement. 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 and which include control of delegated functions. Gartmore has delegated the provision of accounting, bookkeeping, valuation and trade processing services to HSBC Bank plc, but remains responsible to the Company for these functions.

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. 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.

On behalf of the Board of Directors, the Audit Committee reviews internal control reports, prepared to the standard set out by the American Institute of Certified Public Accountants in their auditing standard SAS70, from Gartmore Investment

Management Limited, the Manager's immediate parent company, and from The Bank of New York Mellon.

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 SAS70 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 officers. 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 considers 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 and impact of risk events; 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 October 2008 up to the date of this Annual Report continue to be appropriate to the Company's business activities and methods of 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

## Corporate Governance Statement

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 September 2009, 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  
14 December 2009

## Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. An Ordinary Resolution for the approval of this report will be put to shareholders at the Annual General Meeting on 4 February 2010.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are so indicated. The Auditor's opinion is included in their report on pages 36 and 37.

### Remuneration Committee

The Board is comprised solely of non-executive Directors. The Company has no other employees. The Board as a whole fulfils the function of the Remuneration Committee, which is chaired by Mr Rodney Dennis.

### Policy on Directors' Fees

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £150,000 per annum or such higher amount as may, from time to time, be decided by Ordinary resolution of the Company. Subject to this overall limit, the Board's policy is that remuneration of the 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 September 2010 and for subsequent years.

With effect from 1 January 2009, Directors' annual fee rates were increased from £20,000 to £25,000 for the Chairman of the Board, from £16,000 to £21,000 for the Chairman of the Audit Committee and from £15,000 to £18,000 for each of the other Directors. This represents the first increase since October 2004 and follows a review of Directors' fee rates by Stephenson & Co., an independent consultant.

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 Directors 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 after that. The terms also provide that the appointment may be terminated at any time by and at the discretion of either party upon one month's written notice. No compensation is payable to a Director on leaving office.

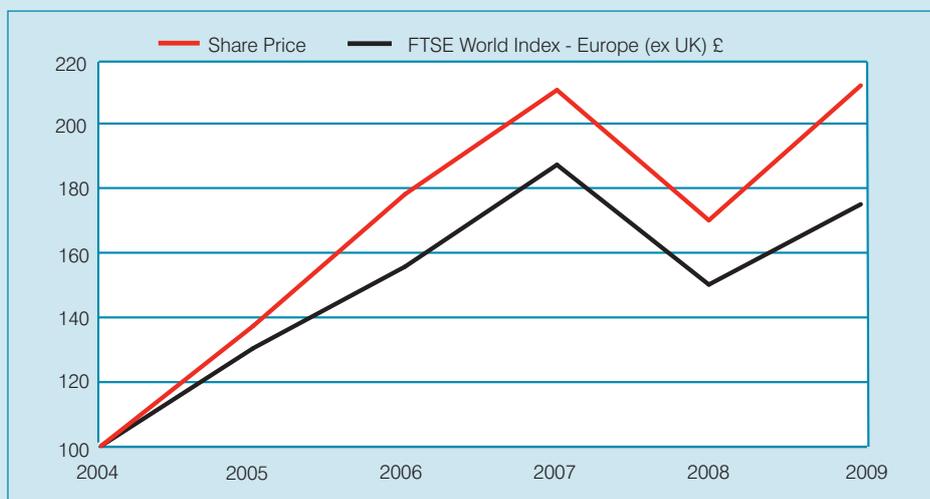
The table below shows the Directors' original date of appointment and the expected Annual General Meeting at which they must next offer themselves for re-election.

	Original Date of Appointment	Annual General Meeting for re-election
Jean Claude Banon	18 March 1991	2010
Michael Firth	17 November 2006	2010
Rodney Dennis	11 November 2003	2011
Alexander Comba	11 November 2003	2012

# Directors' Remuneration Report

## Performance Graph

The Company's performance is measured against the FTSE World Index – Europe (ex UK) in sterling terms, as this is the Company's benchmark index. The graph below compares the total return on the middle-market price of the Company's Ordinary shares over the five-year period to 30 September 2009 with the total return on the FTSE World Index – Europe (ex UK) in sterling terms over the same period.



## Directors' Emoluments for the Year (Audited)

The Directors who served during the year ended 30 September 2009 received the following emoluments in the form of fees:

	2009 £	2008 £
Rodney Dennis	<b>23,750</b>	20,000
Jean Claude Banon	<b>17,250</b>	15,000
Alexander Comba	<b>19,750</b>	16,000
Michael Firth	<b>17,250</b>	15,000
Manfred Piehl (retired 30 January 2009)	<b>5,250</b>	15,000
	<b>83,250</b>	81,000

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

Rodney Dennis  
Chairman of the Remuneration Committee

Approved by the Board on 14 December 2009

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

We have audited the financial statements of Gartmore European Investment Trust p.l.c for the year ended 30 September 2009 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Directors and Auditors**

As explained more fully in the Statement of Directors' Responsibilities on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the Audit of the Financial Statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

## **Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2009 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or

## Independent Auditor's Report

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 22, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Marcus Swales**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
14 December 2009

**Income Statement**  
for the year to  
30 September 2009

	Notes	Revenue £'000	Year to 30 September 2009 Capital £'000	Total £'000
<b>Income and Capital Profits</b>				
Gains on investments held at fair value through profit or loss	2	–	25,886	25,886
Realised gains on index futures		–	109	109
Exchange gain on currency transactions		–	1,382	1,382
Income from investments	3	5,758	–	5,758
Other income	3	731	–	731
<b>Return before Expenses, Finance Costs and Taxation</b>		<b>6,489</b>	<b>27,377</b>	<b>33,866</b>
<b>Expenses</b>				
Management fees	4	(277)	(832)	(1,109)
VAT on management fees recovered	4	151	418	569
Performance fee	4	–	(944)	(944)
Other fees and expenses	5	(577)	(181)	(758)
<b>Total Expenses</b>		<b>(703)</b>	<b>(1,539)</b>	<b>(2,242)</b>
<b>Return before Finance Costs and Taxation</b>		<b>5,786</b>	<b>25,838</b>	<b>31,624</b>
<b>Finance Costs</b>				
Interest payable	6	(8)	(24)	(32)
<b>Return on Ordinary Activities before Taxation</b>		<b>5,778</b>	<b>25,814</b>	<b>31,592</b>
<b>Taxation</b>	7	<b>(1,432)</b>	<b>570</b>	<b>(862)</b>
<b>Return to Equity Shareholders after Taxation</b>		<b>4,346</b>	<b>26,384</b>	<b>30,730</b>
<b>Return per Ordinary share</b>	8	<b>15.63p</b>	<b>94.92p</b>	<b>110.55p</b>

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 43 to 55 form part of these Accounts.

Gartmore European Investment Trust p.l.c.

**Income Statement**  
for the year to  
30 September 2008

	Notes	Revenue £'000	Year to 30 September 2008 Capital £'000	Total £'000
<b>Income and Capital Losses</b>				
Losses on investments held at fair value through profit or loss	2	–	(39,644)	(39,644)
Realised gains on index futures		–	–	–
Exchange loss on currency transactions		–	(879)	(879)
Income from investments	3	6,876	453	7,329
Other income	3	172	–	172
<b>Return before Expenses, Finance Costs and Taxation</b>		<b>7,048</b>	<b>(40,070)</b>	<b>(33,022)</b>
<b>Expenses</b>				
Management fees	4	(375)	(1,126)	(1,501)
VAT on management fees recovered	4	454	1,846	2,300
Performance fee	4	–	–	–
Other fees and expenses	5	(419)	(261)	(680)
<b>Total Expenses</b>		<b>(340)</b>	<b>459</b>	<b>119</b>
<b>Return before Finance Costs and Taxation</b>		<b>6,708</b>	<b>(39,611)</b>	<b>(32,903)</b>
<b>Finance Costs</b>				
Interest payable	6	(68)	(138)	(206)
<b>Return on Ordinary Activities before Taxation</b>		<b>6,640</b>	<b>(39,749)</b>	<b>(33,109)</b>
<b>Taxation</b>	7	<b>(1,897)</b>	<b>891</b>	<b>(1,006)</b>
<b>Return to Equity Shareholders after Taxation</b>		<b>4,743</b>	<b>(38,858)</b>	<b>(34,115)</b>
<b>Return per Ordinary share</b>	8	<b>15.12p</b>	<b>(123.85p)</b>	<b>(108.73p)</b>

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 43 to 55 form part of these Accounts.

## Reconciliation of Movement in Shareholders' Funds

for the year to  
30 September 2009

	Notes	Called-up share capital £'000	Special distributable reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained Earnings £'000	Total £'000
<b>At 30 September 2008</b>		<b>16,102</b>	<b>53,001</b>	<b>61,344</b>	<b>2,421</b>	<b>28,871</b>	<b>161,739</b>
Net return from ordinary activities		–	–	–	–	30,730	30,730
Equity dividend paid	9	–	–	–	–	(3,946)	(3,946)
Cost of Ordinary shares repurchased to be held in treasury		–	–	–	–	(11,757)	(11,757)
Cancellation of Ordinary shares from treasury		(1,250)	–	–	1,250	–	–
<b>At 30 September 2009</b>		<b>14,852</b>	<b>53,001</b>	<b>61,344</b>	<b>3,671</b>	<b>43,898</b>	<b>176,766</b>
<b>At 30 September 2007</b>		<b>18,159</b>	<b>53,001</b>	<b>61,344</b>	<b>364</b>	<b>86,647</b>	<b>219,515</b>
Net loss from ordinary activities		–	–	–	–	(34,115)	(34,115)
Equity dividend paid	9	–	–	–	–	(2,569)	(2,569)
Cost of Ordinary shares repurchased to be held in treasury		–	–	–	–	(12,281)	(12,281)
Cost of Ordinary shares repurchased for cancellation		(2,057)	–	–	2,057	(8,811)	(8,811)
<b>At 30 September 2008</b>		<b>16,102</b>	<b>53,001</b>	<b>61,344</b>	<b>2,421</b>	<b>28,871</b>	<b>161,739</b>

The Notes on pages 43 to 55 form part of these Accounts.

Gartmore European Investment Trust p.l.c.

# Balance Sheet

at 30 September 2009

	Notes	At 30 September 2009 £'000	At 30 September 2008 £'000
<b>Fixed Asset Investments</b>			
Investments at fair value through profit or loss	10	185,706	140,293
Investment in subsidiary	11	30	30
		<b>185,736</b>	140,323
<b>Current Assets</b>			
Debtors – amounts receivable within one year	12	3,073	9,685
Cash at bank and short-term deposits		1,187	18,857
		<b>4,260</b>	28,542
<b>Current Liabilities</b>			
Creditors – amounts payable within one year	13	(13,230)	(7,126)
<b>Net Current (Liabilities)/Assets</b>		<b>(8,970)</b>	21,416
<b>Net Assets</b>		<b>176,766</b>	161,739
<b>Capital and Reserves</b>			
Called-up share capital	14	14,852	16,102
Special distributable reserve	15	53,001	53,001
Merger reserve	16	61,344	61,344
Capital redemption reserve	17	3,671	2,421
Retained earnings:			
Capital reserve	18	33,618	18,991
Revenue reserve	19	10,280	9,880
<b>Equity Shareholders' Funds</b>		<b>176,766</b>	161,739
<b>Net Asset Value per Ordinary share</b>	20	<b>657.0p</b>	551.3p

The accounts were approved and authorised for issue by the Board of Directors on 14 December 2009 and were signed on its behalf by:

Rodney Dennis  
*Chairman*

The Notes on pages 43 to 55 form part of these Accounts.

## Cash Flow Statement

for the year to  
30 September 2009

	Year to 30 September 2009 £'000	Year to 30 September 2008 £'000
<b>Operating Activities</b>		
Dividends and interest received from investments	4,761	6,086
Interest received on deposits	274	172
Other income	458	–
Expenses paid	(1,536)	(3,184)
VAT on management fees recovered	2,869	–
Overseas tax paid	(118)	(62)
<b>Net Cash Inflow from Operating Activities</b>	<b>6,708</b>	<b>3,012</b>
<b>Taxation</b>		
Corporation tax paid	(350)	–
<b>Servicing of Finance</b>		
Interest paid	(32)	(206)
<b>Investment Activities</b>		
Acquisitions of investments	(261,656)	(318,901)
Disposals of investments	240,630	360,330
Realised gains on index futures	109	–
Liquidation proceeds	–	297
<b>Net Cash (Outflow)/Inflow from Investment Activities</b>	<b>(20,917)</b>	<b>41,726</b>
<b>Equity Dividend Paid</b>		
Ordinary shares	(3,946)	(2,569)
<b>Management of Liquid Resources</b>		
Decrease/(increase) in short-term deposits	7,898	(7,945)
<b>Financing Activities</b>		
Shares repurchased for cancellation	–	(9,314)
Shares repurchased and held in treasury	(11,939)	(12,281)
Loans drawn/(repaid)	11,424	(1,396)
<b>Net Cash Outflow from Financing Activities</b>	<b>(515)</b>	<b>(22,991)</b>
<b>Net Cash (Outflow)/Inflow</b>	<b>(11,154)</b>	<b>11,027</b>
<b>Reconciliation of Net Cash (Outflow)/Inflow to Movement in Net Cash</b>		
Net cash/(debt) brought forward	18,857	(632)
Net cash (outflow)/inflow	(11,154)	11,027
(Decrease)/increase in short-term deposits	(7,898)	7,945
(Increase)/decrease in borrowings	(11,424)	1,396
Net exchange gain/(loss) on currency transactions	1,382	(879)
Net (debt)/cash at 30 September	(10,237)	18,857
<b>Comprising:</b>		
Cash at bank	1,140	10,912
Short-term deposits	47	7,945
Bank loan	(11,424)	–
	<b>(10,237)</b>	<b>18,857</b>

The Notes on pages 43 to 55 form part of these Accounts.

Gartmore European Investment Trust p.l.c.

## 1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2009 and are set out below.

### Basis of Preparation

The accounts have been prepared on a going concern basis in accordance with the Companies Act 2006, applicable UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice ("SORP") for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in January 2009 by the Association of Investment Companies.

As a result of the new SORP, capital reserves realised and unrealised are now shown in aggregate as capital reserve within retained earnings in the reconciliation of movements in shareholders' funds and the balance sheet. At the balance sheet date all investments, with the exception of the subsidiary, held by the Company were listed on a recognised stock exchange and were considered to be readily convertible into cash.

In the opinion of the Directors, the Company is engaged in a single segment business and therefore no segmental reporting is provided.

The accounting policies applied for the year ended 30 September 2009 are unchanged from the previous year.

### Consolidation

The balance sheet of Aberdeen European Investment Trust PLC (in liquidation), the Company's only subsidiary at 30 September 2009, has not been consolidated as control over this subsidiary company is now exercised by the liquidator, not the Company.

The accounts therefore reflect the position of the parent Company, Gartmore European Investment Trust p.l.c., only and do not represent the accounts of the Group.

### Revenue, 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 capital. 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 revenue in the Income Statement. Other income, management fees, other administrative expenses and interest payable are accounted for on an accruals basis.

The annual management fee and loan interest charges are allocated 75% to capital and 25% to revenue, in line with the Board's expected long-term split of returns in the form of capital and income profits respectively. In accordance with the SORP, tax relief, if applicable, is credited in respect of such allocations between capital and revenue using the marginal method.

In accordance with the SORP, the performance-related fee (when payable) is allocated 100% to capital, together with the tax relief in respect of such allocation, as the fee is based on outperformance against the FTSE World Index – Europe (ex UK) capital only in sterling terms.

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 financial statements which are capable of reversal in one or more subsequent periods.

## 1. Accounting Policies (continued)

### Dividends Payable

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

### Investments

The Company's business is investing in financial assets, with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the Company designates the investments as 'at fair value through profit or loss'.

Investments are included initially at fair value, which is taken to be their cost at the trade date (excluding expenses incidental to the acquisition which are expensed through the Income Statement as a capital item at the time of acquisition). Subsequent to initial recognition, investments continue to be designated at fair value through profit or loss, which is deemed to be the bid price where one is available, or otherwise at fair value based on published price quotations. 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.

### Investment in Subsidiary

As the subsidiary company is in liquidation, the fair value is the net realisable value as estimated by the liquidator. Any change in fair value of this investment, save for distributions, is recognised as capital in the Income Statement.

### Rates of Exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentational currency of the Company. Transactions denominated in currencies other than sterling are recorded at the rate of exchange ruling on the transaction date. At the balance sheet date, assets and liabilities which are denominated in foreign currencies are retranslated at the closing rates of exchange, and the resulting gains or losses are treated as capital in the Income Statement.

## 2. Gains/(Losses) on Investments held at Fair Value through Profit or Loss

	2009 £'000	2008 £'000
Losses on disposal of investments	(25,559)	(1,830)
Movement in fair value of investments	51,445	(37,814)
	<b>25,886</b>	<b>(39,644)</b>

## 3. Dividends and Other Income

	2009 £'000	2008 £'000
Revenue:		
Income from listed investments:		
Overseas dividends	5,758	6,876
Other income:		
VAT reclaim interest received	458	–
Interest on short-term bank deposits	273	172
	<b>731</b>	<b>172</b>
Capital:		
Special dividends allocated to capital	–	453

## 4. Management Fees and Performance Fee

A summary of the terms of the investment management agreement and the basis of calculation of the performance fee are provided in the Report of the Directors on page 19.

Management fees are allocated 25% to revenue and 75% to capital. The performance fee (when payable) is allocated 100% to capital.

During the year to 30 September 2009, the Company recovered £2,869,000 in respect of VAT paid on management fees in prior years. Of this amount, £2,300,000 was accrued in the accounts for the year ended 30 September 2008. The VAT recovery has been allocated between revenue and capital in the same proportions as it was originally charged in the relevant periods.

<b>5. Other Fees and Expenses</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Revenue:		
Directors' fees	83	81
Auditor's remuneration – statutory audit	19	20
Other administrative expenses	475	318
	<b>577</b>	<b>419</b>
	<b>2009 £'000</b>	<b>2008 £'000</b>
Capital:		
Transaction costs incurred on acquisitions of investments	181	281
Commissions rebated	–	(20)
	<b>181</b>	<b>261</b>
	<b>758</b>	<b>680</b>

Details of Directors' fees paid during the year are provided in the Director's Remuneration Report on page 35.

Other administrative expenses include £85,000 in respect of non-audit fees payable to Grant Thornton UK LLP for the provision of services in respect of EU tax reclaims following recent European case law.

<b>6. Interest Payable</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
On borrowings repayable within five years:		
Bank overdraft	16	22
Multi-currency loan facility	16	184
	<b>32</b>	<b>206</b>

Interest payable is allocated 25% to revenue and 75% to capital.

## 7. Taxation

(a) Analysis of tax charge for the year:

	Revenue 2009 £'000	Capital 2009 £'000	Total 2009 £'000	Revenue 2008 £'000	Capital 2008 £'000	Total 2008 £'000
Tax relief to capital	570	(570)	–	959	(959)	–
Corporation tax	851	–	851	1,037	–	1,037
	<b>1,421</b>	<b>(570)</b>	<b>851</b>	1,996	(959)	1,037
Double tax relief	(686)	–	(686)	(1,037)	–	(1,037)
	<b>735</b>	<b>(570)</b>	<b>165</b>	959	(959)	–
Overseas tax suffered	708	–	708	941	68	1,009
Overseas tax credits	(11)	–	(11)	(3)	–	(3)
Total current tax charge for the year	<b>1,432</b>	<b>(570)</b>	<b>862</b>	1,897	(891)	1,006

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a medium or large company. The differences are explained below:

	2009	2008
Total return on ordinary activities before taxation	<b>31,592</b>	(33,109)
Corporation tax at 30%	–	(4,966)
Corporation tax at 28%*	<b>8,846</b>	(4,635)
Effects of:		
Capital profits not subject to corporation tax	<b>(7,279)</b>	–
Capital losses not deductible for tax purposes	–	11,497
Income not subject to corporation tax	<b>(267)</b>	(60)
Expenses not deductible for tax purposes	<b>60</b>	408
Allowable expenses allocated to capital	<b>(509)</b>	(367)
Utilisation of unrelieved interest charges brought forward	–	(772)
Overseas tax	<b>708</b>	941
Overseas tax credits	<b>(11)</b>	(3)
Double tax relief claim	<b>(686)</b>	(1,037)
Total current tax charge for the year	<b>862</b>	1,006

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

\*Under the Finance Act 2008, the rate of corporation tax was lowered to 28% from 1 April 2008.

(c) Provision for deferred taxation

There are no unrecognised deferred tax assets (2008: nil).

As a result of changes introduced in the Finance Act 2009, Eligible Unrelieved Foreign Tax (EUFT) is abolished from 1 July 2009 and as such no unrecognised deferred tax asset in relation to EUFT exists at the year end. At 30 September 2008, after offset against accrued income taxable on receipt, there was an unrecognised deferred tax asset of £58,000 in relation to EUFT. No deferred tax asset was recognised in the prior year as it was considered unlikely the Company would generate sufficient taxable profits in the future to utilise this asset.

<b>8. Total Return per Ordinary Share</b>	2009 £'000	2008 £'000
Revenue return after taxation	<b>4,346</b>	4,743
Capital return/(loss) after taxation	<b>26,384</b>	(38,858)
Total return after taxation	<b>30,730</b>	(34,115)
Weighted average number of shares in issue	<b>27,796,631</b>	31,374,975
Revenue return per Ordinary share	<b>15.63p</b>	15.12p
Capital return/(loss) per Ordinary share	<b>94.92p</b>	(123.85p)
Total return per Ordinary share	<b>110.55p</b>	(108.73p)

<b>9. Dividends on the Ordinary Shares</b>	2009 £'000	2008 £'000			
Amounts recognised in these accounts as distributions to Ordinary shareholders in the year:					
	Rate per share	No. of shares	Payment date		
2007 interim	8.00p	32,107,162	31 January 2008	–	2,569
2008 interim	14.00p	28,183,462	30 January 2009	<b>3,946</b>	–
				<b>3,946</b>	2,569

The declared interim dividend in respect of the year to 30 September 2009, which is in lieu of a final dividend, has not been included as a liability in these accounts. The 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:

	Rate per share	No. of shares	Payment date		
2008 interim	14.00p	28,183,462	30 January 2009	–	3,946
2009 interim	14.00p	26,464,644	29 January 2010	<b>3,705</b>	–
				<b>3,705</b>	3,946

Revenue available for distribution by way of dividend	<b>4,346</b>	4,743
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<b>10. Investments at Fair Value through Profit or Loss</b>	2009 £'000	2008 £'000
Book-cost brought forward	<b>154,078</b>	199,951
Acquisitions at cost (excluding transaction costs)	<b>255,244</b>	318,582
Proceeds of disposals (net of transaction costs)	<b>(235,717)</b>	(362,625)
Losses on disposals	<b>(25,559)</b>	(1,830)
Book-cost at 30 September	<b>148,046</b>	154,078
Investment holding gains/(losses)	<b>37,660</b>	(13,785)
Valuation of investments at 30 September	<b>185,706</b>	140,293

The Company's investments are registered in the name of nominees of, and held to the order of, The Bank of New York Mellon, as custodians to the Company. There were no contingent liabilities in respect of the investments held at the year-end.

	2009 £'000	2008 £'000
The following transaction costs were incurred during the year:		
On acquisitions	<b>181</b>	281
On disposals	<b>184</b>	353
	<b>365</b>	634

## 11. Investment in Subsidiary

The Company owns the whole of the issued share capital of Aberdeen European Investment Trust Plc, an unlisted company which was placed in members' voluntary liquidation on 26 February 1999. The investment is included in these accounts at its net realisable value as estimated by the liquidator. The fair value of Aberdeen European Investment Trust PLC at 30 September 2009 was as follows:

	2009 £'000	2008 £'000
Fair value brought forward	30	327
Liquidation proceeds	–	(297)
Fair value carried forward	30	30

## 12. Debtors

	2009 £'000	2008 £'000
Amounts receivable within one year:		
Investments sold awaiting settlement	1,229	6,142
Accrued income	12	3
Prepaid expenses	13	14
UK corporation tax	184	–
Overseas withholding tax recoverable	1,606	1,197
VAT recoverable	–	2,300
Other debtors	29	29
	<b>3,073</b>	<b>9,685</b>

Following recent European tax discrimination case law, the Company is able to reclaim EU withholding tax deducted from dividends received not already recovered under treaty claims. The Company is in the process of preparing claims for submission to tax authorities in several EU member states. However, it is not possible at this stage to quantify with any degree of accuracy the amount receivable or the timing of such recoveries. Consequently, no asset has been recognised in these accounts.

## 13. Creditors

	2009 £'000	2008 £'000
Amounts payable within one year:		
Investments purchased awaiting settlement	381	6,763
Currency transactions	–	7
Accrued expenses and interest	1,425	356
Bank loan	11,424	–
	<b>13,230</b>	<b>7,126</b>

The Company has an uncommitted multi-currency loan facility of £20,000,000 (2008: £40,000,000) with The Bank of New York Mellon. Interest is charged at prevailing interbank market rates, plus a margin of 1.0% per annum. Borrowings are repayable on demand.

The Company has an overdraft facility of £5,000,000 (2008: £5,000,000) with The Royal Bank of Scotland plc. Interest on drawings is charged at 1.5% above the bank's fluctuating base rate. Borrowings are repayable on demand.

<b>14. Called-up Share Capital</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Authorised:		
100,000,000 Ordinary shares of 50p each	<b>50,000</b>	50,000
Allotted, Called-up and Fully-Paid:		
26,905,662 (2008: 29,339,162) Ordinary shares of 50p each in issue, with full voting rights	<b>13,453</b>	14,670
2,798,487 (2008: 2,864,987) Ordinary shares of 50p each held in treasury	<b>1,399</b>	1,432
	<b>14,852</b>	16,102

During the year to 30 September 2009, the Company repurchased 2,433,500 (2008: 2,118,000) Ordinary shares, to be held in treasury, at a cost of £11,757,000 (2008: £12,281,000). 2,500,000 (2008: 2,700,000) Ordinary shares held in treasury were cancelled during the year. In the previous year, the Company also repurchased and cancelled 1,414,500 Ordinary shares at a cost of £8,811,000. The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

### 15. Special Distributable Reserve

The Special Distributable Reserve was created on 11 July 2007 following the cancellation of the Share Premium Account and the Capital Redemption Reserve and is available to fund market purchases and the subsequent cancellation of own shares, to fund the payment of dividends and for other distributable purposes.

### 16. Merger Reserve

The Merger Reserve represents the premium over the nominal value of Ordinary shares issued in March 1997 in connection with the acquisition of The German Investment Trust plc.

<b>17. Capital Redemption Reserve</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	<b>2,421</b>	364
Nominal value of Ordinary shares cancelled from treasury	<b>1,250</b>	1,350
Nominal value of Ordinary shares repurchased and cancelled	–	707
Balance at 30 September	<b>3,671</b>	2,421

The Capital Redemption Reserve represents the nominal value of Ordinary shares repurchased and cancelled after 11 July 2007.

<b>18. Capital Reserve</b>	2009 £'000	2008 £'000
Balance brought forward	18,991	78,941
Losses on disposal of investments	(25,559)	(1,830)
Movement in fair value of investments	51,445	(37,814)
Realised gains on index futures	109	–
Cost of shares repurchased	(11,757)	(21,092)
Exchange gain/(loss) on currency transactions	1,382	(879)
Dividends allocated to capital	–	453
Overseas tax suffered on dividends allocated to capital	–	(68)
Management fee allocated to capital	(832)	(1,126)
VAT recoverable on management fees allocated to capital	418	1,846
Performance fee allocated to capital	(944)	–
Interest payable allocated to capital	(24)	(138)
Tax relief on fees and interest payable allocated to capital	570	959
Transaction costs incurred on acquisitions of investments	(181)	(261)
Balance at 30 September	<b>33,618</b>	18,991

<b>19. Revenue Reserve</b>	2009 £'000	2008 £'000
Balance brought forward	9,880	7,706
Net revenue return for the year	4,346	4,743
Dividends paid on Ordinary shares	(3,946)	(2,569)
Balance at 30 September	<b>10,280</b>	9,880

The Revenue Reserve represents the amount of the Company's reserves which are distributable by way of dividend.

## 20. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary share and Net Assets attributable to the Ordinary shares at the year-end was as follows:

	2009	2008
Net Assets attributable to Ordinary shareholders	<b>£176,766,000</b>	£161,739,000
Ordinary shares in issue	<b>26,905,662</b>	29,339,162
Net Asset Value per Ordinary share	<b>657.0p</b>	551.3p

## 21. Transactions with the Manager

During the year, management and performance fees of £2,053,000 in aggregate (2008: £1,501,000) were payable to Gartmore Investment Limited for the provision of investment management and secretarial services to the Company. The basis of calculation is provided in the Report of the Directors on page 19.

At the Balance Sheet date, management and performance fees of £1,169,000 (2008: £209,000) were accrued.

### 22. Financial Instruments: Risk Management

The Directors manage investment risk principally through setting an investment policy (see page 2) that is approved by shareholders, by contracting management of the Company's investments to an investment manager under a contract which incorporates appropriate duties and restrictions, and by monitoring performance in relation to these. The Board's relationship with the investment manager is discussed on page 29. Internal control procedures and the Board's approach to risk is summarised on pages 31 to 33. There have been no material changes to the management or nature of the Company's risks from the previous year.

In pursuit of its investment objective (see page 2), the Company is faced with a variety of risks which could result in either a reduction in the Company's net assets or a reduction in the revenue available for distribution by way of dividend. The principal risks associated with the Company's financial instruments are market risk, liquidity risk and credit risk, the effects of which can be increased by gearing.

#### Market risk

Market risk comprises three types of risk: market price risk, currency risk and interest rate risk.

##### *Market price risk*

The Company is an investment company and as such its performance is dependent on the valuation of its investments. Consequently, market price risk is the most significant risk to which the Company is exposed. The Company's investment objective and policy require it to invest predominantly in larger continental European listed companies.

At 30 September 2009, the fair value of the Company's assets exposed to market price risk was £185,706,000 (2008: £140,293,000). The fair value of the investments in the portfolio is normally their bid-market price. The market price of investee companies' shares is subject to their performance, supply and demand for the shares and investor sentiment regarding the companies, their industry sectors and the countries in which they operate. The 32% rise in the value of assets exposed to market risk was attributable to a combination of factors including increases in the market prices of investments held, depreciation of sterling against Continental European currencies, buybacks of the Company's own shares and moving from a net cash position to a geared position.

The Company normally holds around 100 stocks which significantly spreads the risk of individual investments performing poorly. The largest individual stock at the year-end represented 3.5% of the portfolio by value.

The level of risk, relative to the benchmark, is increased by holding stocks not represented in the benchmark index and by over or underweighting industry sectors and, to a lesser extent country exposures, relative to the benchmark, which tends to concentrate risk in those over and underweighted areas. As can be seen from the chart on page 13 the largest industry sector weighting variances at the year-end were in the Health Care and Consumer Services (underweight), Consumer Goods, Industrials and Basic Materials (overweight) sectors. These weightings reflect the investment strategy outlined in the Manager's Review on pages 8 and 9.

Although the benchmark index increased by 25.9% over the 10-year period to 30 September 2009, the annual movement over that period averaged 20.4%. Whilst recognising that some of these movements relate to currency fluctuations, this nonetheless illustrates the volatility of Continental European equity markets and indicates that the portfolio valuation could move by a similar percentage in the forthcoming financial year. To illustrate the Company's sensitivity to market prices, a 20.4% change to the market value (in sterling terms) of the equity portfolio at 30 September 2009 would generate a corresponding increase or decrease in the value of net assets of 21.5% or £37.9 million and, because of the effect on the management fee, would have a converse effect on revenue return of around 0.3p per Ordinary share. The effect on capital return would be materially the same as the effect on net assets.

**22. Financial Instruments: Risk Management (continued)**

*Currency risk*

The majority of the Company's assets are denominated in currencies other than sterling, so the Company's total return and balance sheet can be significantly affected by currency fluctuations. No hedging of the currency exposure is currently undertaken. Revenue received in currencies other than sterling is converted into sterling on, or shortly after, the date of receipt. Whilst the Board and the Manager monitor geographical and currency exposure it is not a key determinant of investment decisions. At the year-end approximately 99.7% (2008: 98.3%) of the Company's total assets were denominated in currencies other than sterling, the largest proportion being euro, at 77.3% (2008: 76.9%) of total assets.

The table below shows, by currency, the split of the Company's non-sterling monetary assets and investments at the year-end.

	2009 £'000	2008 £'000
<b>Monetary Assets</b>		
Cash and short-term receivables:		
Euro	<b>2,388</b>	24,542
Swiss franc	<b>1,420</b>	1,060
Norwegian krone	–	97
US dollar	<b>5</b>	21
Danish krone	–	2
<b>Non-current asset investments held at fair value</b>		
Euro	<b>144,532</b>	105,260
Swiss franc	<b>33,950</b>	29,278
Swedish krona	<b>3,954</b>	2,659
Norwegian krone	<b>1,489</b>	2,413
Danish krone	<b>1,781</b>	683
	<b>189,519</b>	166,015

The level of assets exposed to currency risk increased by approximately 14% during the year. In common with the exposure to market price risk, this was attributable to a combination of increases in the market prices of investments held, depreciation of sterling against Continental European currencies, buybacks of the Company's own shares and moving from a net cash position to a geared position. Subject to this, the relative levels of exposure to currencies at the beginning and at the end of the year were broadly representative of levels throughout the period.

As can be seen from the table above the most significant currency exposures are to euro and Swiss franc. Over the year to 30 September 2009, sterling depreciated by 13.8% against the Euro (2008: 11.4%) and by 17.0% against the Swiss franc (2008: 16.0%). It is not possible to forecast how much exchange rates might move in the next financial year, but based on movements in the above two major currencies over the last two years, it appears reasonably possible that rates could move by 10%.

The following table illustrates the Company's sensitivity to movements in exchange rates relative to sterling. The sensitivity analysis is based on the Company's non-sterling monetary assets and investments held at the balance sheet date and assumes a 10% appreciation or depreciation of sterling against each of the currencies to which the Company is exposed, with all other variables held constant. A 10% appreciation of sterling would reduce the value of net assets by approximately 9.1% or £16.0 million (2008: 8.9% or £14.4 million). Revenue return for the forthcoming year would be reduced by £461,000 (2008: £361,000). The effect on capital return would be materially the same as the effect on net assets.

## 22. Financial Instruments: Risk Management (continued)

	2009 Net Assets £'000	2009 Revenue £'000	2008 Net Assets £'000	2008 Revenue £'000
Euro	12,191	386	11,259	309
Swiss franc	3,191	56	2,627	39
Other currencies	653	19	497	13
	<b>16,035</b>	<b>461</b>	14,383	361

It should be noted that a number of investee companies derive a proportion of their profits from markets subject to currencies other than that in which their shares are denominated, so changes in the relevant currency exchange rates relative to each other are also likely to have an indirect impact. Also, the above illustration is based on exposures at the year-end. Exposures may be subject to change during the year as a result of investment decisions.

Liabilities denominated in foreign currencies at the current year-end and the prior year relate to the bank loan and investment transactions awaiting settlement. The balance outstanding at the year-end was not material in the context of currency risk. However, when gearing is used borrowings are normally in euro, so such borrowings (€12,500,000 at the year-end) will mitigate some of the currency risk associated with the investments held (2008: nil).

*Interest rate risk*

The Company finances part of its activities through the use of an uncommitted multi-currency revolving credit facility of £20,000,000 (2008: £40,000,000) provided by The Bank of New York Mellon. Interest rates are set at the time drawings are made based on the London Inter-Bank Offered Rate (LIBOR), plus a margin of 1% per annum. Drawings are normally in Euros. During the year, the maximum amount drawn under the facility was €12,500,000 (2008: €16,000,000) and the weighted average interest rate was 1.81% (2008: 4.65%). No hedging of the interest rate is undertaken. At 30 September 2009, there were drawings outstanding of €12,500,000, equivalent to £11,424,000 (2008: nil).

The Company also has a short-term overdraft facility of £5,000,000 (2008: £5,000,000) provided by The Royal Bank of Scotland. Interest on drawings is charged at 1.5% above the bank's fluctuating base rate and no hedging of the rate is undertaken. The Manager minimises the risk of exposure to excessive interest costs by monitoring the Company's cash position on a regular basis. The facility was not used during the year.

The Company also earns interest on its cash and short-term deposits. Loan drawings and deposits are rarely fixed for periods of more than one week.

At the year-end, financial assets and liabilities exposed to floating interest rates were as follows:

	2009 £'000	2008 £'000
Financial Assets:		
Cash at bank and on deposit	1,187	18,857
Financial Liabilities:		
Bank loan	(11,424)	–

The Company has no direct exposure to fixed interest rates.

The year-end amounts are not representative of the exposure to interest rates either during the year just ended or in the year ahead, since the level of borrowings and/or cash held will be affected by the strategy being followed in response to the Board's and the Manager's perception of market prospects and the investment opportunities available at any particular time. However, to illustrate the potential sensitivity to changes in interest rates, if the revolving credit facility of £20,000,000 was fully drawn, a change of 0.5% in the rate of interest charged would, over the course of a year, amount to £100,000 (ignoring exchange rate movements), less than 0.1% of year-end net assets.

## 22. Financial Instruments: Risk Management (continued)

### Credit risk

Credit risk is the Company's exposure to financial loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company managed credit risk by using brokers from a database of approved financial institutions who have undergone rigorous due diligence tests by the Manager's Risk Management Team and by dealing through Gartmore Investment Limited with banks approved by the Financial Services Authority.

At 30 September 2009, the maximum exposure to credit risk was £2,416,000 (2008: £24,999,000), comprising:

	2009 £'000	2008 £'000
Cash at bank	1,187	18,857
Investments sold awaiting settlement	1,229	6,142

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of default is considered to be low.

### Liquidity risk

Liquidity risk is the possibility of the Company failing to realise sufficient assets to meet its financial obligations. The Company minimises this risk by investing primarily in larger listed companies, whose shares are normally more liquid than those of smaller companies, and by ensuring that it has adequate cash and credit facilities in place to meet its obligations. The Company's liquidity is mainly held in Euro, almost entirely on interest-bearing current accounts or short-term deposits in the money market. Deposits are rarely fixed for terms in excess of one week and, if amounts are substantial, are placed with different deposit takers so that, at any given time, deposits do not exceed €8,000,000 with any one deposit taker. Cash requirements are monitored on a regular basis by the Manager.

At 30 September 2009, the fair value of financial liabilities was £13,230,000 (2008: £7,126,000), comprising:

	2009 £'000	2008 £'000
Due within one month:		
Investments purchased awaiting settlement	381	6,763
Bank loan	11,424	–
Currency transactions	–	7
Accrued expenses and interest	1,425	356

### Gearing

Market risks can be amplified by gearing. As discussed above, in addition to using shareholders' funds to finance investments the Company can also invest funds available from drawings on its loan and overdraft facilities. Such gearing will exaggerate the effect on net asset value of a change in the value of the portfolio. If the Company's revolving credit facility was fully extended bank gearing would amount to 11% of net assets and in those circumstances a change of 10% in the value of the portfolio would be expected to change the net asset value by approximately 11.6%.

As noted on page 53 in the interest rate risk section, the level of borrowings and/or cash held during the year will be affected by the strategy being followed in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any particular time. At the year-end, bank gearing was 6.5% (2008: nil).

### **23. Capital Management Policies and Procedures**

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective set out on page 2.

The principal risks to the Company's investments are summarised in Note 22. Note 22 also explains that the Company is able to use gearing to amplify the effect on equity of changes in the value of the investment portfolio.

The Board can also manage the capital structure directly since it determines dividend payments and has taken the powers, which it is seeking to renew, to issue and to buy-back shares.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Section 842 Income and Corporation Taxes Act 1988 and the Companies Act, respectively, and with respect to the availability of borrowing facilities, by the covenant imposed by The Bank of New York Mellon (see page 17).

The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the previous year.

Total Equity at 30 September 2009, the composition of which is shown on the Balance Sheet on page 41, was £176,766,000 (2008: £161,739,000).

## Notice of Annual General Meeting

**THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your holding in Gartmore European Investment Trust p.l.c. please send this document, together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Gartmore European Investment Trust p.l.c. will be held at Gartmore House (see page 67), 8 Fenchurch Place, London EC3M 4PB, on Thursday, 4 February 2010 at 12.30 p.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:**

1. To receive the Report of the Directors and the Accounts for the year ended 30 September 2009, together with the Report of the Auditors;
2. To approve the Directors' Remuneration Report for the year ended 30 September 2009 be approved;
3. To re-elect Mr Michael Firth as a Director;
4. To re-elect Mr Jean Claude Banon as a Director;
5. To re-appoint Grant Thornton UK LLP as Auditor, to hold office until the next Annual General Meeting of the Company, and to authorise the Directors to fix the Auditor's remuneration.

### **SPECIAL BUSINESS**

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

THAT:

6. the Directors of the Company be and are hereby generally and unconditionally authorised, in accordance with Section 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal value of £4,400,000. This authority shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot such shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired and all unexercised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked;

## Notice of Annual General Meeting

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

THAT:

7. the Directors of the Company be and they are hereby empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (within the meaning of Section 560 of the Act) or make offers or agreements to allot equity securities for cash pursuant to the authority conferred by Resolution 6 and to sell equity securities which are held by the Company in treasury as if Section 561(1) of the Act did not apply to any such allotments provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with rights issues, open offers or other offers of securities in favour of the holders of Ordinary shares on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held by them on any such record date(s) (subject in either case to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or by virtue of shares being represented by depository receipts, or any other matters); and
  - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal value of £1,300,000.

This power shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

8. the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the Act, to make one or more market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 50p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
  - (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's issued Ordinary share capital at 30 September 2009, the date of the Annual General Meeting (equivalent to approximately 3,965,000 Ordinary shares at 9 December 2009);
  - (b) the minimum price which may be paid for one Ordinary share shall be 50p;
  - (c) the maximum price which may be paid for one Ordinary share shall be an amount equal to the higher 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 contracted to be purchased; or (ii) the price of the last independent trade; or (iii) the highest current independent bid;

## Notice of Annual General Meeting

- (d) unless previously renewed, varied or revoked by the Company in a general meeting, the authority hereby conferred shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next Annual General Meeting of the Company; and
  - (e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Ordinary shares pursuant to any such contract.
9. the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association and that the Articles of Association of the Company laid before the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the current Articles of Association, with effect from the conclusion of this Annual General Meeting.
10. the period of notice required for general meetings of the Company, other than annual general meetings, shall be not less than 14 clear days.

By Order of the Board  
GARTMORE INVESTMENT LIMITED  
Company Secretary  
14 December 2009

Registered Office:  
Gartmore House  
8 Fenchurch Place  
London EC3M 4PB  
Registered No. 427958

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# Notice of Annual General Meeting

## Notes:

1. Please refer to the Report of the Directors on pages 22 to 24 for further information on the Business of the Meeting.
2. A Form of Proxy is enclosed for use in connection with the business set out above. To be valid, 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 or any adjournment thereof.
3. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to exercise all or any of his or her rights, to attend, speak and, on a poll, vote instead of him/her, provided that each proxy is appointed to exercise rights attached to different shares. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not also be a member of the Company but must attend the Meeting to represent you. Completion and return of the Form of Proxy will not preclude a member from attending the Meeting and voting if he/she wishes to do so.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of Ordinary shares registered on the Company's Register of Members at 6.00 p.m. on 2 February 2010 shall be entitled to attend and vote at the Meeting in respect of Ordinary shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 2 February 2010 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
5. A proxy form which may be used to make this appointment and give proxy instructions has been mailed to all members who appeared on the Register of Members at 6.00 p.m. on 9 December 2009. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member by whom he/she was nominated as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
7. The statement of the rights of members in relation to the appointment of proxies in paragraph (3) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.
8. Corporate representatives have the same rights to attend and vote at the meeting as the shareholder that appointed them could have exercised if it were an individual member (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment. Corporate shareholders can also appoint one or more proxies in accordance with Note 3. However, if multiple corporate representatives purport to vote the same block of shares in different ways, they will be treated as not having voted. It is no longer necessary to nominate a designated corporate representative.
9. As at 9 December 2009 (being the last practicable date prior to the publication of this Notice), the Company's issued share capital comprises 26,464,644 Ordinary shares, with each share carrying the right to one vote. The Company holds 2,739,505 Ordinary shares in treasury and is not permitted to exercise voting rights in respect of those shares. Therefore, the total voting rights in the Company as at 9 December 2009 are 26,464,644.
10. The Register of Directors' Interests in the capital of the Company will be available for inspection at the Meeting.
11. No Director has a contract of service with the Company. A copy of the generic terms and conditions of appointment for the non-executive Directors will be available for inspection at the registered office of the Company during normal business hours on Monday to Friday (public holidays excepted) from the date of this document up to and including the date of the Meeting and on the morning of the AGM from 15 minutes prior to the Meeting until its conclusion.
12. Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
13. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
14. Under Sections 338 and 338A of the 2006 Act, Members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 22 December 2009 being the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
15. The contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights that members are entitled to exercise at the Meeting, and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: [www.gartmoreeuropeaninvesttrust.co.uk](http://www.gartmoreeuropeaninvesttrust.co.uk).
16. This Report is forwarded to the address at present registered for communications. Members are requested to notify the Company's Registrars of any change of address.

### **Summary of Principal Amendments to the Company's Articles of Association to take effect from the date of the Annual General Meeting, conditional on the passing of Resolution 9**

It is proposed in Resolution 9 to adopt new articles of association (the "new Articles") in order to update the Company's current articles of association (the "current Articles"), primarily to take account of changes in English company law brought about by the Companies Act 2006 (the "2006 Act"), which came into force on 1 October 2009, and the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations").

The principal changes introduced in the new Articles are summarised in this Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in this Appendix. The new Articles showing all the changes to the current Articles are available for inspection, as noted on page 24 of this document.

#### **The Company's objects**

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its Memorandum of Association and its Articles of Association. Under the 2006 Act, a company's memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under Section 28 of the 2006 Act, the objects clause and all other provisions in the Memorandum are treated as part of the Articles with effect from 1 October 2009, but the Company can remove these provisions by special resolution. Unless the Articles provide otherwise, the Company's objects will be unrestricted.

#### **Limited liability (Part 1, Article 1)**

Under the 2006 Act, the Memorandum of Association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1 October 2009. As noted in paragraph 1 above, a special resolution can remove from the Company's Articles the provisions of the Company's Memorandum of Association which are treated as forming part of the Company's Articles by virtue of Section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

#### **Borrowing powers (Part 1, Article 2)**

A number of presentational and descriptive amendments have been made to the borrowing powers provision.

#### **Voting rights (Part 1, Article 3 and Part 2, Article 60)**

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

### **Authorised share capital and unissued shares (deleted)**

The 2006 Act abolishes the concept of authorised share capital. Under the 2006 Act, the Memorandum of Association no longer contains a statement of a company's authorised share capital. For existing companies, this statement is deemed to be a provision of the company's articles of association setting out the maximum amount of shares that may be allotted by that company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. The Directors will still need to obtain the usual shareholder authorisation in order to allot shares, except in respect of employee share schemes.

References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

### **Redeemable shares (Part 2, Article 5)**

Under the 2006 Act, a company's articles of association need not include the terms on which redeemable shares may be redeemed. A company's directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation.

### **Transfer of shares (Part 2, Articles 34 and 35)**

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements. The Company cannot in any event refuse to transfer a fully paid share except in very limited circumstances (such as a transfer to more than four persons). The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

### **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Part 2, Article 43)**

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions; but shareholder authority is still required. Amendments have been made to the new Articles to reflect these changes.

### **Notice of General Meetings (Part 2, Articles 47 and 48)**

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act (as amended by the Shareholders' Rights Regulations). The Shareholders' Rights Regulations amended the 2006 Act to require the Company to give 21 clear days' notice of general meetings unless the Company has passed a special resolution reducing the notice period to not less than 14 days and the Company offers members an electronic voting facility.

The amendment to Article 48 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. The amendment will ensure that such failure does not invalidate proceedings at the meeting in question.

### **Participation in meetings at different places and by electronic means (Part 2, Article 52)**

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

### **Adjournments (Part 2, Article 54)**

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least seven days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

### **Voting record date (Part 2, Article 61)**

The new Articles include a new provision, which was not previously in the Company's Articles, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

### **Removal of chairman's casting vote (former Article 63)**

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

### **Validity of votes (Part 2, Article 65)**

Following implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

### **Appointing proxies and corporate representatives (Part 2, Articles 67 to 71)**

The new Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

### **Receipt of appointments of proxy and termination of proxy authority (Part 2, Article 70)**

Article 70 provides that the termination of a proxy's authority should be in writing. This is required by the Shareholders' Rights Regulations.

### **Alternate directors (Part 2, Article 81)**

Article 81.2 now clarifies that an alternate director is entitled to be paid expenses (but not directors' fees). Article 81.6 is a new provision which effectively applies the provisions of Article 79, regarding removal of directors, to alternate directors.

Article 81.3 makes it clear that an alternate is subject to the same restrictions as the Director who appointed him.

### **Permitted interests and voting (Part 2, Article 86)**

Article 86 has been amended to allow a Director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

### **Delegation (Part 2, Article 93)**

Article 93 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

### **Procedures regarding board meetings & resolution in writing (Part 2, Articles 98 & 105)**

The provisions of Article 98 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 105 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

### **Quorum (Part 2, Article 99)**

The proposed amendment to Article 99, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

### **The seal (Part 2, Article 110)**

Article 110 provides an alternative option (in the absence of specific instructions from the directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two directors or a director the secretary.

### **Notices and other communications (Articles 69, 128-137)**

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted.

Article 69.1 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

Article 133 is the Article covering service of notice in the event of a postal strike; it has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the Company also puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

## Appendix to Notice of Annual General Meeting

### **Retention of minutes (Part 2, Article 143)**

Article 143 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

### **Change of name (Part 2, Article 147)**

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the Directors to pass a resolution to change the Company's name.

## Financial Calendar

Key dates for 2009/2010 are set out below:

December 2009	Interim dividend announced
December 2009	Annual results announced
6 January 2010	XD date for interim dividend
8 January 2010	Record date for interim dividend
29 January 2010	Interim dividend payable
4 February 2010	Annual General Meeting
February 2010	Interim Management Statement
31 March 2010	Company's half-year
April 2010	Half-year results announced
July 2010	Interim Management Statement
30 September 2010	Company's year-end

## Shareholder Information

### Annual General Meeting

This year's Annual General Meeting will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Thursday, 4 February 2010 at 12.30 p.m.

### 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 0871-384 2457. Calls are charged at 8p per minute from a BT landline. Calls from other telephone networks may be higher and from mobiles will be considerably more.

### Price and Performance Information

The Company's Ordinary shares are listed on the London Stock Exchange and the closing mid-market price is published in the Financial Times under 'Investment Companies'.

Real-time share price information is available on 09058 171 690. Calls are charged at 75p per minute from a BT landline. The cost of calls from other telephone networks may be higher and from mobiles will be considerably more.

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

Investor helpline:	0800-289 336 (calls are free from a BT landline)
Internet address:	<a href="http://www.gartmoreeuropeaninvtrust.co.uk">www.gartmoreeuropeaninvtrust.co.uk</a> or <a href="http://www.gartmoreeuropeaninvtrust.com">www.gartmoreeuropeaninvtrust.com</a>
E-mail address:	<a href="mailto:helpline@gartmore.com">helpline@gartmore.com</a>

### ISIN/SEDOL Number

The International Securities Identifying Number (ISIN) of the Company's Ordinary shares is GB0005268858. The SEDOL (Stock Exchange Daily Official List) number is 0526885. The mnemonic code is GEO.

### Share Register Enquiries

The Company's Registrars, Equiniti Limited, maintain the share register. In the event of queries regarding your holding, please contact the Registrars on 0871-384 2457. Calls are charged at 8p per minute from a BT landline. Calls from other telephone networks may be higher and from mobiles will be considerably more. Alternatively, there is now a range of shareholder information available online. You can check your holding and find practical help on transferring shares or updating your details at [www.shareview.co.uk](http://www.shareview.co.uk). Changes of name or address must be notified in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

### Share Dealing

Investors wishing to purchase Ordinary shares in the Company, or sell all or part of their existing holdings, may do so through a stockbroker. Most banks also offer this service. See also page 68 for investing in Gartmore investment trusts.

## Shareholder Information

### Gartmore SAVEit and Gartmore Investment ISAit Enquiries

Details of the Gartmore Savings Plan, Gartmore SAVEit, and the tax-free Individual Savings Account, Gartmore Investment ISAit, are set out on page 68 of this Report. These offer individuals a simple and cost effective means of buying shares in the Company. Enquiries about SAVEit and ISAit should be directed to:

Investor helpline – 0800-289 336 (calls are free from a BT landline)  
Administration helpline – 0870-601 6133  
Administration fax – 0870-888 3033  
e-mail address – [helpline@gartmore.com](mailto:helpline@gartmore.com)

### Factsheets

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

### Capital Gains Tax

Under present legislation, the annual capital gains of private individuals in excess of £10,100 are subject to tax at a flat rate of 18%. Investment trust companies are able to switch investments without liability to capital gains tax subject to meeting the requirements of Section 842 of the Income and Corporation Taxes Act 1988 for the period in question.

### 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](http://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

### Administration

#### Manager and Secretary

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

#### Independent Auditor

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
30 Finsbury Square  
London  
EC4Y 8BB

#### Registrars

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA  
Tel: 0871-384 2457

#### Company Broker

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London  
EC4R 2GA

#### Registered Office

Gartmore House  
8 Fenchurch Place  
London EC3M 4PB

#### Registered No. 427958

England and Wales

## 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 predominantly in the constituents of the FTSE Fledgling (ex. Investment Companies) Index. The investment policy combines indexation with an active overlay.

### **Gartmore Global Trust PLC**

Long-term capital growth from a concentrated portfolio of international equities with a secondary objective to increase dividends over the longer term.

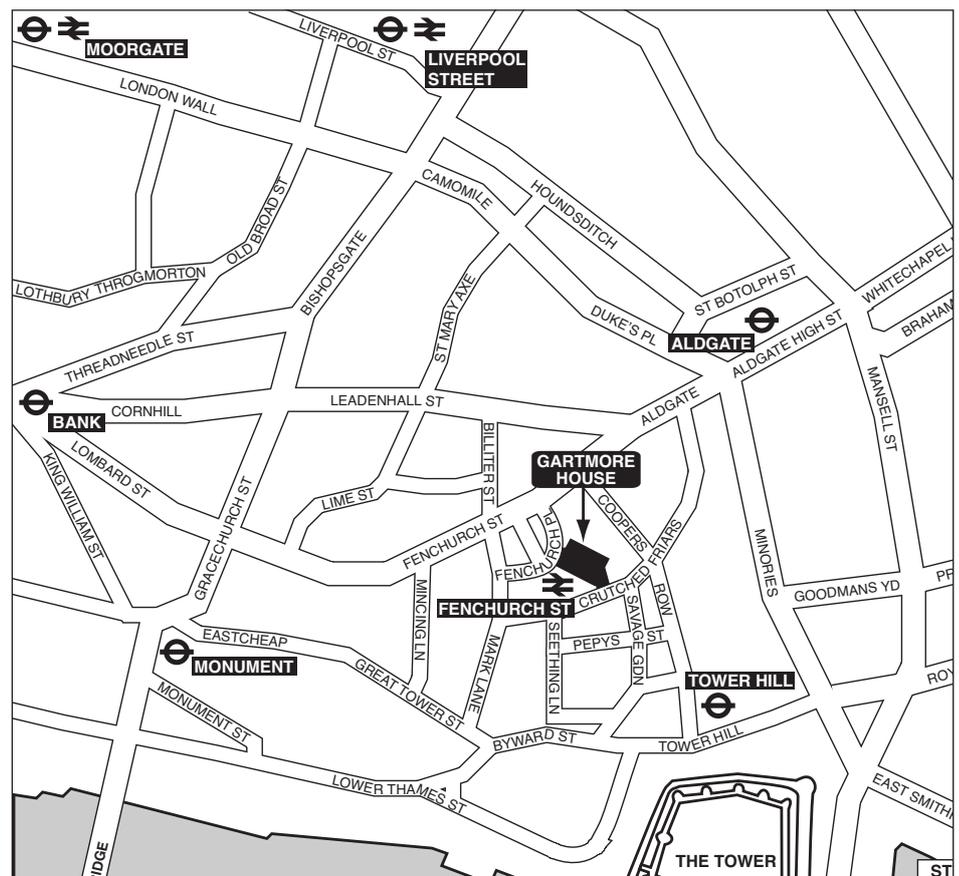
### **Gartmore Growth Opportunities plc**

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

### **Gartmore Irish Growth Fund PLC**

Long-term capital growth through investment in quoted companies, which are either incorporated in the Republic of Ireland or Northern Ireland or, if elsewhere, derive the majority of their turnover or profits from the Republic of Ireland or Northern Ireland.

## How to Find Us



The entrance to Gartmore House is adjacent to Fenchurch Street Railway Station on Fenchurch Place.

Gartmore Investment Limited offers savings schemes that provide a simple and cost effective means of buying Gartmore investment trust 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 investment trust shares through a stockbroker, the Company's registrar or indirectly via a lawyer, accountant or other independent financial adviser. A number of banks also offer this service. Before investing please read the Key Features Document, which is available on request and on the Gartmore website.

### **Gartmore SAVEit (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.

### **Gartmore Investment ISAit (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 Gartmore Investment ISAit are not subject to capital gains tax. ISAit allows you to invest, via a Stocks and Shares ISA, up to a maximum of £7,200 per person each tax year. 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.

\* Please note that in addition to any scheme charges paid by savers the investment trust companies bear their own operating costs which include investment management fees (see website).

#### **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](mailto:helpline@gartmore.com) Internet: [www.gartmore.co.uk](http://www.gartmore.co.uk)**

**Telephone calls may be recorded for monitoring and training purposes.**

#### **Important Information**

If you have any doubts as to whether these products are suitable for you and wish to obtain personal advice, please contact an Independent Financial Adviser. 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. The past performance of investment trusts is not a guide to future performance. 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 stock markets 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 impact on performance. Particular share classes may also be structurally geared by other share classes that have earlier entitlement to the investment trust's assets up to a predetermined limit. If an investment trust incorporates a large amount of gearing, its value may be subject to sudden and large falls in value and you could get back nothing at all. Where investment trust companies are involved in corporate activity, this may change the risk profile of individual shares, as well as impacting on the portfolio strategy, capital structure and duration of the overall company. Gartmore's investment trusts are permitted to use derivative instruments with the intention of improving returns or reducing the fund's volatility, although this outcome is not guaranteed. Derivatives are financial instruments which derive their value from an underlying security, such as equities or bonds. A rigorous risk management process runs alongside our use of derivatives to ensure that funds do not take undue levels of risk. 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. Investment trust shares may trade at a discount or a premium to the value of the investment trust's assets. Net Asset Value performance is not the same as share price performance and investors' returns may not equate to Net Asset Value performance. Where an investment trust 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 investment trust'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. Investment trusts which specialise by investing in a particular region or market sector are more risky than those which hold a very broad spread of investments. ISA regulations have recently been reviewed by HM Treasury. However, they are still subject to Government legislation and as such their tax benefits and investment levels may be changed in the future.

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

Gartmore European Investment Trust p.l.c.

## Glossary of Terms

### **Discount**

The amount by which the middle-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.

### **Gearing**

The term applied to the effect produced by borrowings and prior charge securities which tend to exaggerate the return attributable to shareholders. This is often expressed as a percentage indicating the extra amount by which shareholders' funds would rise or fall if the total assets, before deducting borrowings and prior charges, were to rise or fall. This is calculated by dividing total assets, before deducting borrowings and prior charges, by net assets, expressed as a percentage.

### **Liquidity**

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

### **Market Capitalisation**

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

### **Net Asset Value**

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

### **Net Asset Value per share (NAV)**

Net Asset Value divided by the number of shares in issue gives the Net Asset Value per share.

### **Premium**

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

### **Prior Charge**

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

### **Total Expense Ratio**

The total expenses (excluding interest) incurred by an investment trust expressed as a percentage of average equity shareholders' funds on a monthly basis.



**Gartmore European Investment Trust p.l.c.**

Registered Office:  
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8 Fenchurch Place  
London EC3M 4PB

Telephone: 020 7782 2000

Registered No. 427958 England and Wales

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