Gartmore European Investment Trust p.l.c.

Report and Accounts for the year to 30 September 2006

Contents

	Page No.
The Company	2
Highlights	3
The Board of Directors	4
The Managers	5
Chairman's Statement	6
Managers' Review	8
Financial Statistics	10
Dividend Calendar	10
Analysis of Net Assets	11
Geographical Breakdown of Investments	11
Principal Listed Investments	12
Portfolio Weightings	13
Market and Currency Exposure	14
Ten-Year Performance Record	15
Report of the Directors	16
Statement of Directors' Responsibilities	23
Corporate Governance Statement	24
Directors' Remuneration Report	30
Report of the Independent Auditors	32
Income Statement	34
Reconciliation of Movements in Shareholders' Funds	36
Balance Sheet	37
Cash Flow Statement	38
Notes to the Accounts	39
Notice of Annual General Meeting	52
Useful Information for Shareholders	56
Investing in Gartmore Investment Trusts	58
Annual General Meeting	60
How to Find Us	60
Glossary of Terms	inside back cover

The Company

Investment Objective

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

Investment Policy

The Company will focus on stock selection, primarily larger companies with strong balance sheets and above-average growth prospects. Less emphasis will be given to adding value through country allocation, although the portfolio will maintain a broad geographic diversification. Up to 5% of gross assets may be invested in companies, which, although not listed in Continental Europe, derive the greater part of their earnings from its markets. The Company's investment policy has been in place since November 1986.

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

Benchmark Index

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

Total Assets (before deducting bank loan)

£337,012,000 at 30 September 2006.

Net Assets and Shareholders' Funds

£322,093,000 at 30 September 2006.

Market Capitalisation

£311,988,000 at 30 September 2006.

Capital Structure

The Company is an investment trust with an indefinite life, whose share capital at 30 September 2006 comprised 57,990,389 Ordinary shares of 50p each in issue and 1,450,000 Ordinary shares in Treasury.

Voting Rights

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

Management Company

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

Management and Performance-related Fees

Management fees are calculated monthly at 0.0625% (0.75% per annum) of Total Assets, plus value-added tax.

A performance-related fee, calculated on 0.5% of Total Assets, plus value-added tax, is payable for the year ended 30 September 2006. Details are given on pages 18 and 19.

ISA Status

Maximum £7,000 in 2006/07 tax year and subsequent years.

PEP Status

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

AIC

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

Registered Office

Gartmore House, 8 Fenchurch Place, London EC3M 4PB

Registered Number

427958, England and Wales

Highlights

- Net Asset Value per Ordinary share, in capital terms, increased by 19.2% over the year to 30 September 2006, compared with an increase of 16.0% in the Company's benchmark, the FTSE World Index – Europe (ex UK) in sterling terms.

- Excluding the Net Asset Value enhancing effects of the share buy-backs undertaken in the year, the Net Asset Value, in capital terms, increased by 19.1%, outperforming the benchmark index by 3.1%.

- Middle-market price per Ordinary share increased by 27.8% to 538.0p.

- Total dividends paid and proposed for the year of 8.0p per Ordinary share, compared with 6.0p paid in respect of last year.

- Net revenue after taxation rose from £4.4 million to £5.2 million.

The Board of Directors

The Board consists of five non-executive Directors and is accountable to shareholders for the governance of the Company's affairs. All the Directors are independent of the Company's Manager.

Rodney Dennis *Chairman*
Age: 54
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.
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared directorships with any other Trust Directors: None
Beneficial Shareholding in Company: None

Jean Claude Banon *(French)*
Age: 58
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.
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared directorships with any other Trust Directors: None
Beneficial Shareholding in Company: None

Alexander Comba *Chairman of the Audit Committee*
Age: 53
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 obtained extensive business experience through a number of appointments within Hanson PLC
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared directorships with any other Trust Directors: None
Beneficial Shareholding in Company: None

Dr Manfred Piehl *(German)*
Age: 68
Length of Service: Appointed a director on 9 April 1992
Experience: He was formerly head of the investment division of Provinzial Rheinland Versicherung AG and Provinzial Rheinland Lebensversicherung AG, general and life insurers in Dusseldorf, and is now retired.
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared directorships with any other Trust Directors: None
Beneficial Shareholding in Company: 2,500 Ordinary shares

All Directors are members of the Audit Committee. (See "Committees of the Board" on page 27).

The Board of Directors

Michael Firth
Age: 64
Length of Service: Appointed a director on 17 November 2006
Experience: He is currently a non-executive Director of Network Rail Limited and Communisis plc. He was a non-executive Director of Somerfield plc and First Technology PLC. Prior to that, he was head of Corporate and Institutional Banking at HSBC.
Employment by the Manager: None
Other connections with Trust or Manager: None
Shared directorships with any other Trust Directors: None
Beneficial Shareholding in Company: None

All Directors are members of the Audit Committee. (See 'Committees of the Board' on page 27).

The Managers

Gartmore Investment Limited acts as Investment Managers and Corporate Secretaries to the Company.

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

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

Roger has over 15 years experience in investment management. Before joining Gartmore, Roger worked for Eagle Star as an investment manager with responsibility for European unit trust funds. He joined Gartmore as an investment manager in the European Equity Team in 1993. He has a specific responsibility for high-performance funds and also runs the Alphagen Capella Hedge Fund. Roger won the European Fund Manager of the Year Award in both 1998 and 1999. He was also Highly Commended in several other years.

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

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

Chairman's Statement

Rodney Dennis

I have pleasure in presenting the Annual Report and Accounts of Gartmore European Investment Trust p.l.c. for the year to 30 September 2006.

Board Changes

As part of the Company's ongoing Corporate Governance review, your Board agreed that its structure should be realigned. Accordingly, on 14 September 2006, John von Spreckelsen stepped down as Chairman of the Board and, together with Bruno Merki, resigned as a Director on 30 September 2006.

Both have given loyal service over many years and, on behalf of the Board, I would like to thank both John and Bruno for their guidance of the Company and support given to their fellow Directors.

Following his appointment on 17 November 2006, I welcome Michael Firth to the Board. Michael's experience and expertise will be of great benefit to the Company.

Corporate activities

Due to the uncertainty surrounding the future of Gartmore and having received a number of unsolicited approaches, the Board and its advisers undertook a detailed review of the Company's situation. This review included a thorough consultation with all major shareholders. During the course of the review, the ownership of Gartmore was resolved and Roger Guy and his team continue to be directly involved in the management of the Company's portfolio.

As a result of this exercise, it became clear that shareholders wished to continue with the Company's existing mandate, but were concerned at the level of discount volatility in the share price. Consequently, the Board confirmed Gartmore's continuation as investment manager to the Company and will maintain the policy of investing mainly in large cap shares. Additionally, the Company introduced a more proactive discount management policy, by using the current authority to buy-back its shares at a specific discount to Net Asset Value. Prior to instigating the discount protection, the Board decided to pay to shareholders a special dividend representing the earnings of the Company in the year to that date.

Reflecting the effect of the Board's buy-back policy, the Company's share price discount to Net Asset Value fell from 9% at the start of the year to 3% at the end of the year. The shares bought-back since July 2006 are being held in Treasury and represent 2.5% of the shares in issue. Further buy-backs may be undertaken at the Board's discretion and renewal of shareholders' authority will be sought at the Annual General Meeting.

Due to the work undertaken by the Board and the Company's advisers on the review of the Company additional fees and costs were incurred. To safeguard shareholders' funds, Gartmore Investment Limited have underwritten these costs, together with commissions payable on the recent buying-back of shares.

Performance

European equities again recorded gains throughout the year to 30 September 2006. We are pleased to report that your Company also delivered strong performance over the year.

The Net Asset Value (NAV) per Ordinary share, in capital terms, excluding the NAV-enhancing effects of the share buy-backs, rose by 19.1% over the year, beating the performance of the Company's benchmark, the FTSE World Index - Europe (ex-UK) in sterling terms, which rose by 16.0%.

Chairman's Statement

Revenue and Dividends

Gross revenue for the year to 30 September 2006 increased by 23% to £9.1 million. Net revenue, after taxation, increased by 17% to £5.2 million.

On 31 July 2006, a special dividend of 6.0p per Ordinary share was paid to holders on the register on 14 July 2006. The Board is also recommending a final dividend of 2.00p per Ordinary share, to be paid on 31 January 2007. In aggregate, 8.0p per share will be paid in respect of the year ended 30 September 2006, an increase of 33% over the dividends paid for last year.

Share Buy-Back Powers

At the Annual General Meeting, the Directors will again seek to renew the authorities previously granted to allot and to buy-back shares for cancellation or to be held in Treasury. The passing of these resolutions will continue to give the Board the flexibility to add shareholder value by buying-back shares, or issuing shares from Treasury, should the opportunity arise. I hope you will give these resolutions your support.

Rodney Dennis
Chairman

12 December 2006

Managers' Review

Roger Guy

The Net Asset Value (NAV) per Ordinary share rose by 19.2% over the year to 30 September 2006, on a capital only basis. Excluding the NAV enhancing effects of the share buy-backs undertaken in the period, the NAV rose by 19.1%, outperforming the Company's benchmark index, the FTSE World Index - Europe (ex UK) in sterling terms, by 3.1% over the year.

Investment Background

European equities delivered strong returns, gaining steadily through the period. Evidence of improving economic conditions continued to emerge, with the influential German Ifo Business Climate Index reaching a 15-year high in March. Higher inflation expectations persuaded the European Central Bank to raise interest four times over the year, bringing the main lending rate to 2.5%.

Three key themes dominated the first half of the year under review. First, corporate activity continued to influence day to day individual stock movements. Second, European stocks considerably outperformed their US peers, as earning expectations between the two regions began to differ. Third, with low corporate debt financing costs, under-leveraged balance sheets and attractive valuations, the market witnessed even more mergers and acquisitions (M&A) activity at the management level.

Electricity was one of the best performing sectors, owing to M&A activity surrounding German utility company E.On's offer for Spanish rival Endesa, which topped Gas Natural's hostile bid. This sparked a wave of speculation and activity across the European utilities sector. European markets performed well mid-period supported by the depreciation in the US Dollar. Oil & Gas and Mining were among the best performing sectors, benefiting from oil and gas prices which touched record highs in April. However, world equity markets suffered a downturn in May and European equities were no exception. Adverse inflation data in the US triggered the declines and a global sell off ensued. An air of calm returned to equity markets in June, where much of the second half was dominated by the looming US interest rate decision, which many believed was one of the main causes for the lower trading volumes.

Towards the end of the year under review, geopolitical issues in Israel and Lebanon caused markets to sell off and oil prices to spike. In response to this, higher-risk premiums began to price themselves in and markets began to step down in performance. The year ended with European markets trading well into September. Benign US inflation data helped to moderate the market's fears about inflation, however, the US housing market remained under pressure. Oil prices continued to fall on the back of demand risk in the US, the pricing out of some of the Middle East geo-political risk premium, and no significant hurricane activity in September, undermining the oil sector.

Portfolio Activity

Over the year, we continued to favour the banking sector, which we believe is still ripe for consolidation, given its fragmented nature and lack of deals compared to the US. In light of this, we added to our position in Italian bank **SanPaolo** and **BBVA**. SanPaolo trades on a 2007 P/E multiple of 9.9x (a near 10% discount to EU banks), offers solid volume growth, unrivalled asset quality in Italy and discipline on costs. Recent first quarter 2006 results also highlighted the strength of SanPaolo's wealth-management business, Eurizon, which is due to be separately listed later this year. In our view, BBVA shares offer very attractive fundamentals and attractive growth prospects. Within the same sector, we took some profits in Italian bank Unicredito, after the shares outperformed on a relative basis, ahead of an investor day at the beginning of July.

On the sell side, we reduced our position in car manufacturer **Renault**, after concerns that falling consumer confidence would hurt sales in the European market. Our fears were realised in November, when shares in the company tumbled after Renault cut its 2005 profit forecast amid slumping sales. Profits were taken in utility company **RWE**, which advanced after the price of crude oil rose on concerns of supply disruptions.

New ideas included French-listed hotel group **Accor**, which we expect to outperform, given continued expansion in the current high-return European economy and exposure to the US hotel market where a strong increase in demand is expected. We are also encouraged by the proposed change to the management structure that would see the management and supervisory boards merge into one board of directors. We established a new position in Swedish fashion retailer **Hennes & Mauritz**, given its strong growth profile. After 3 years of value-outperforming growth, we believe that investors will search for genuine growth stocks in 2006. H&M recently reported that it aims to boost its store count by between 10% and 15% a year.

M&A activity led us to introduce into the portfolio the German healthcare firm **Bayer**, which we concluded would benefit from the acquisition of rival Schering. Both businesses are complementary and the purchase should almost double Bayer's drug sales, easing concerns that the pharmaceutical unit is too small to compete in the world market. Profits were taken in French steel firm **Arcelor**, after Mittal steel won its takeover battle for the company, creating the world's largest steel company pouring 10% of the world's steel.

As oil prices soared, we established a new holding in oil-rig and drilling firm **Seadrill**, after the company successfully secured full control of drilling and oil services firm Smedvig, providing much needed cash flow to the new enlarged group. In our view, Seadrill is likely to benefit from the strength of drilling-rig lease rates as rising oil and gas prices prompt companies, such as BP, to step up the search for new deposits. We also boosted our position in oil company **Neste Oil** after supply concerns sent the price of crude oil higher.

Efforts to protect the portfolio from uncertain political unknowns involved disposing of **Electricite de France (EDF)**, the state controlled energy company whose reactors produce most of the country's power. With the French elections due in April 2007, we view this stock as too risky to hold. EDF's Chief Executive Officer, Pierre Gadonneix, has already stated that the "transition tariff" proposed in a French draft energy law may cut the company's operating profit in 2007 and 2008 by several hundred million euros.

Market Outlook

European equities continue to provide attractive valuations, upgrades are still coming through, and mergers and acquisitions remain strong features. Corporate managers have worked hard to increase shareholder value through restructuring efforts, share buybacks and improving corporate governance, a theme we expect to continue as 2006 draws to a close.

We view Germany as on a path to recovery, buoyed by export demand from high growth areas such as China and the Emerging markets. Despite the weakening of the US housing market, we expect the US economy to avoid recession, helped by increased exports and business spending. This should further support the European market, which we expect to recover from previous months' fears over inflation and higher interest rates.

GARTMORE INVESTMENT LIMITED
Managers

12 December 2006

Financial Statistics

Shareholders' funds	At 30 September 2006	At 30 September 2005 (restated)	Change %
Net Assets (£'000)	**322,093**	279,605	+15.2
Net Asset Value (NAV)	**555.42p**	470.40p	+18.1

Ordinary shares			
Market Capitalisation	**311,988**	250,244	+24.7
Middle-market Price	**538.00p**	421.00p	+27.8
Discount to NAV	**3%**	9%	

Capital performance			
Net Asset Value (excluding NAV enhancing effects of share buy backs)	**553.02p**	464.40p	+19.1
FTSE World Index – Europe (ex UK) (in sterling terms)	**368.37**	317.59	+16.0

Revenue	Year to 30 September 2006	Year to 30 September 2005
Net Revenue after taxation (£'000)	**5,191**	4,436
Revenue Return per Ordinary share	**8.78p**	7.46p
Dividend per Ordinary share	**8.00p**	6.00p
Total Expense Ratio	**1.8%**	1.9%*

Total Return per Ordinary share		
Revenue	**8.78p**	7.46p
Capital	**87.57p**	110.77p*
Total Return	**96.35p**	118.23p*

*Restated in line with UK GAAP (see Note 25 to the Accounts)

Dividend Calendar

Year ended	Rate	Announced	XD Date	Record Date	Pay Date
30 September 2006					
Special Dividend	**6.00p**	6.07.06	12.07.06	14.07.06	31.07.06
Final Dividend	**2.00p**	8.12.06	20.12.06	22.12.06	31.01.07

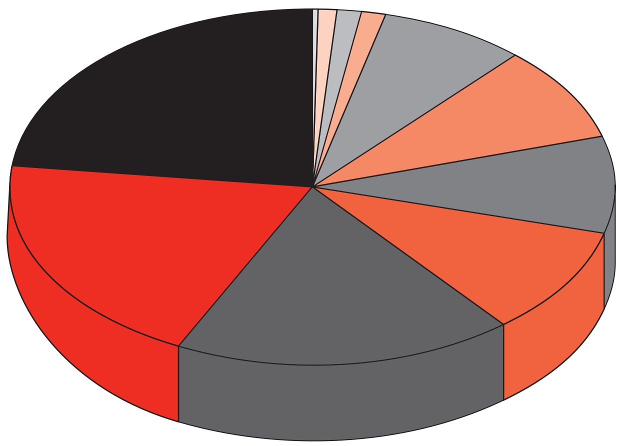
Analysis of Net Assets

	Valuation at 30.9.05 (restated)* £'000	%	Net Transactions £'000	Appreciation/ (Depreciation) £'000	**Valuation at 30.9.06 £'000**	%
Investment in Equities						
France	88,631	31.7	(24,994)	14,600	**78,237**	**24.3**
Germany	46,303	16.6	19,849	312	**66,464**	**20.6**
Switzerland	40,028	14.3	13,447	8,052	**61,527**	**19.1**
Netherlands	23,270	8.3	2,223	8,038	**33,531**	**10.4**
Spain	39,016	14.0	(13,229)	3,822	**29,609**	**9.2**
Italy	25,264	9.0	(10,117)	14,337	**29,484**	**9.2**
Scandinavia	23,309	8.4	(1,634)	4,752	**26,427**	**8.2**
Austria	6,902	2.5	(1,797)	(686)	**4,419**	**1.4**
Greece	2,462	0.9	1,128	708	**4,298**	**1.3**
Luxembourg	4,060	1.5	(1,738)	1,155	**3,477**	**1.1**
Cyprus	–	–	910	161	**1,071**	**0.3**
Portugal	4,627	1.7	(5,188)	561	**–**	**–**
Hungary	2,902	1.0	(2,378)	(524)	**–**	**–**
Turkey	2,068	0.7	(2,724)	656	**–**	**–**
Total Equities	308,842	110.6	(26,242)	55,944	**338,544**	**105.1**
Investment in Subsidiaries	364	0.1	–	–	**364**	**0.1**
Total Investments	309,206	110.7	(26,242)	55,944	**338,908**	**105.2**
Net Current Assets/(Liabilities)	(29,601)	(10.7)	12,786	–	**(16,815)**	**(5.2)**
Net Assets	279,605	100.0	(13,456)	55,944	**322,093**	**100.0**

*Restated on a bid value basis (see Note 25 to the Accounts)

Geographical Breakdown of Investments at 30.9.06

France	23.1%
Germany	19.6%
Switzerland	18.0%
Netherlands	9.9%
Spain	8.8%
Italy	8.8%
Scandinavia	7.9%
Austria	1.3%
Greece	1.3%
Luxembourg	1.0%
Cyprus	0.3%

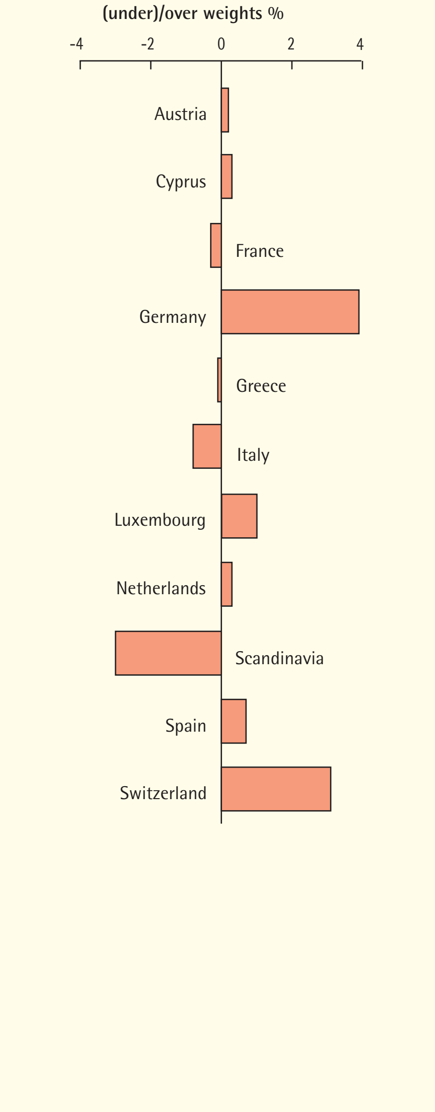


Principal Listed Investments

Company	Sector Classification	Geographical Area	Valuation at 30.9.2006 £'000	Percentage of Listed Investments 2006	2005
Nestlé	Food Producers	Switzerland	10,113	3.0	2.0
Novartis	Pharmaceuticals & Biotech.	Switzerland	8,893	2.6	2.1
Sanofi-Aventis	Pharmaceuticals & Biotech.	France	8,801	2.6	2.5
Total SA	Oil & Gas Producers	France	8,499	2.5	4.1
Roche Holding	Pharmaceuticals & Biotech.	Switzerland	8,382	2.5	1.7
UBS	Banks	Switzerland	8,320	2.5	1.6
BSCH	Banks	Spain	7,913	2.3	3.2
Münchener Rück	Non-Life Insurance	Germany	7,637	2.3	0.5
Deutsche Bank	Banks	Germany	7,554	2.2	1.9
Unicredito Italiano	Banks	Italy	7,311	2.2	0.7
Ten Largest Investments			83,423	24.7	20.3
Credit Suisse	Banks	Switzerland	6,880	2.0	1.4
BNP Paribas	Banks	France	6,804	2.0	1.8
Telefonica	Fixed Line Telecommunications	Spain	6,135	1.8	3.5
Ericsson	Technology Hardware & Equip.	Sweden	6,106	1.8	1.3
DaimlerChrysler	Automobiles & Parts	Germany	5,951	1.8	1.5
Siemens	Electronic & Electrical Equip.	Germany	5,929	1.8	1.2
BBV Argentaria	Banks	Spain	5,761	1.7	2.8
Atlas Copco	Industrial Engineering	Sweden	5,693	1.7	1.3
Akzo Nobel	Chemicals	Netherlands	5,526	1.6	1.1
E.On	Gas Water & Multiutilities	Germany	5,487	1.6	1.3
Twenty Largest Investments			143,695	42.5	37.5
ING Groep	Life Insurance	Netherlands	5,467	1.6	1.1
ENI	Oil & Gas Producers	Italy	5,402	1.6	2.0
Philips Electronics	Leisure Goods	Netherlands	5,281	1.6	0.7
Vivendi Universal	Media	France	5,210	1.5	2.4
ABN Amro Holding	Banks	Netherlands	5,052	1.5	1.1
Christian Dior	Personal Goods	France	4,992	1.5	1.5
Nokia	Technology Hardware & Equip.	Finland	4,980	1.5	1.2
Alstom	Industrial Engineering	France	4,785	1.4	0.0
Bouygues	Construction & Materials	France	4,735	1.4	1.0
Zurich Financial Services	Non-Life Insurance	Switzerland	4,723	1.4	0.0
Thirty Largest Investments			194,322	57.5	48.5
Other 57 Investments (2005: 58)			144,222	42.5	51.5
Total Listed Equity Investments at fair value			338,544	100.0	100.0

All securities are equity investments

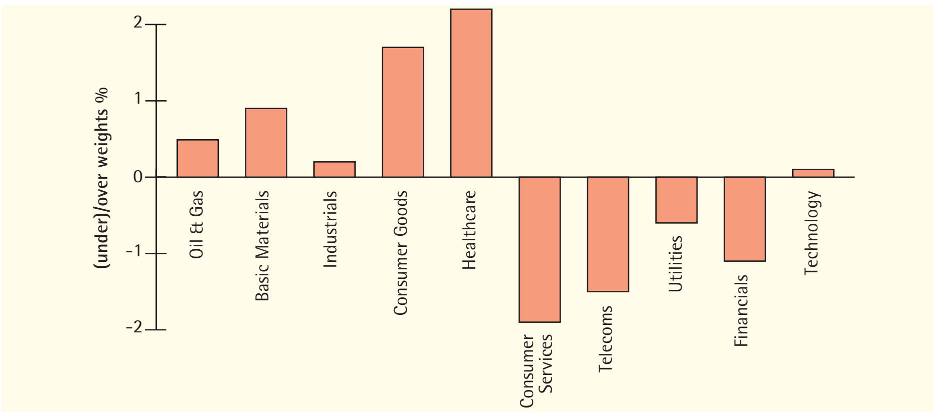
Portfolio Weightings



Source: Gartmore

Country Assets	Oil & Gas %	Basic Materials %	Industrials %	Consumer Goods %	Healthcare %	Consumer Services %	Telecoms %	Utilities %	Financials %	Technology %	**2006 Total Investments %**	2006 Index %
Austria	0.8	–	–	–	–	–	–	0.5	–	–	1.3	1.1
Cyprus	–	–	–	–	–	–	–	–	0.3	–	0.3	–
France	2.5	–	4.6	2.9	3.3	2.7	0.7	2.0	4.4	–	23.1	23.4
Germany	–	1.1	1.7	2.8	0.9	–	0.9	3.0	8.3	0.9	19.6	15.7
Greece	–	–	–	–	–	–	0.4	–	0.9	–	1.3	1.4
Italy	1.6	–	0.6	0.7	–	–	0.8	0.7	4.4	–	8.8	9.6
Luxembourg	–	0.3	–	–	–	–	–	–	0.7	–	1.0	–
Netherlands	–	3.4	–	3.2	–	–	–	–	3.1	0.2	9.9	9.6
Scandinavia	1.3	–	1.7	–	0.8	0.8	–	–	–	3.3	7.9	10.9
Spain	–	–	1.3	1.2	–	–	1.8	0.4	4.1	–	8.8	8.1
Switzerland	–	1.0	1.2	3.5	5.1	–	–	–	7.2	–	18.0	14.9
Other*	–	–	–	–	–	–	–	–	–	–	–	5.3
Total	6.2	5.8	11.1	14.3	10.1	3.5	4.6	6.6	33.4	4.4	100.0	
Index**	6.2	4.9	10.9	12.6	7.9	5.4	6.1	7.2	34.5	4.3		100.0

* Other comprises: Belgium (2.7%); Ireland (1.7%); Portugal (0.8%); Luxembourg (0.1%)
**FTSE World Index – Europe (ex UK) in sterling terms



Source: Gartmore

See "Investment Policy" on page 16 for the Company's basis of stock selection.

Market and Currency Exposure

Countries:	Equity Investments £'000	Other Assets/ (Liabilities) £'000	Net Currency Exposure at 30.9.06 £'000	%
France	78,237	–	78,237	24.3
Germany	66,464	–	66,464	20.6
Switzerland	61,527	(720)	60,807	18.9
Netherlands	33,531	–	33,531	10.4
Spain	29,609	–	29,609	9.2
Italy	29,484	–	29,484	9.2
Scandinavia	26,427	322	26,749	8.3
Austria	4,419	–	4,419	1.4
Greece	4,298	–	4,298	1.3
Luxembourg	3,477	–	3,477	1.1
Cyprus	1,071	–	1,071	0.3
Euro	–	(15,137)	(15,137)	(4.7)
Net currency exposure	338,544	(15,535)	323,009	100.3
UK	364	(1,280)	(916)	(0.3)
Total	338,908	(16,815)	322,093	
Percentage	105.2	(5.2)		100.0

Currencies:				
Euros	255,570	(15,137)	240,433	74.6
Swiss francs	61,527	(720)	60,807	18.9
Swedish krona	14,458	322	14,780	4.6
Norwegian krone	4,421	–	4,421	1.4
Danish krone	2,568	–	2,568	0.8
Net currency exposure	338,544	(15,535)	323,009	100.3
Sterling	364	(1,280)	(916)	(0.3)
Total	338,908	(16,815)	322,093	100.0

Ten-Year Performance Record

Year ended 30 September	Net Assets (£'000)	Net Asset Values attributable to Ordinary shares per share (basic) p	per share (diluted) p	Mid-Market Price per Ordinary share p	Ordinary shares of 50p Dividend per share p	Earnings* per share p	Total Return per share p
1997 (a)	100,108	259.14	252.67	250.50	1.50	1.58	68.63
1998	112,105	290.20	278.60	267.00	1.50	1.73	32.56
1999 (b)	186,496	358.35	340.63	341.00	2.00	3.11	67.84
2000 (c)	280,066	510.43	476.76	511.00	2.00	2.7	154.00
2001 (d)	195,007	347.53	333.39	300.00	3.00	4.01	(159.14)
2002 (e)	147,930	263.54	258.73	227.50	3.00	3.11	(80.96)
2003 (f)	180,482	321.45	310.25	259.75	3.00	3.45	60.93
2004 (g)	210,877	352.03	–	312.00	4.35	4.79	45.45
2005 (h)	279,605	470.40	–	421.00	6.00	7.46	118.23
2006 (i)	**322,093**	**555.42**	**–**	**538.00**	**8.00**	**8.78**	**96.35**

* Equivalent to Revenue per share.

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

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

(c) Ordinary shares in issue increased by 2,825,228. (450,228 on the exercise of warrants and a further 2,3750,000 shares issued under the powers taken at the AGM on 20 December 1999).

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

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

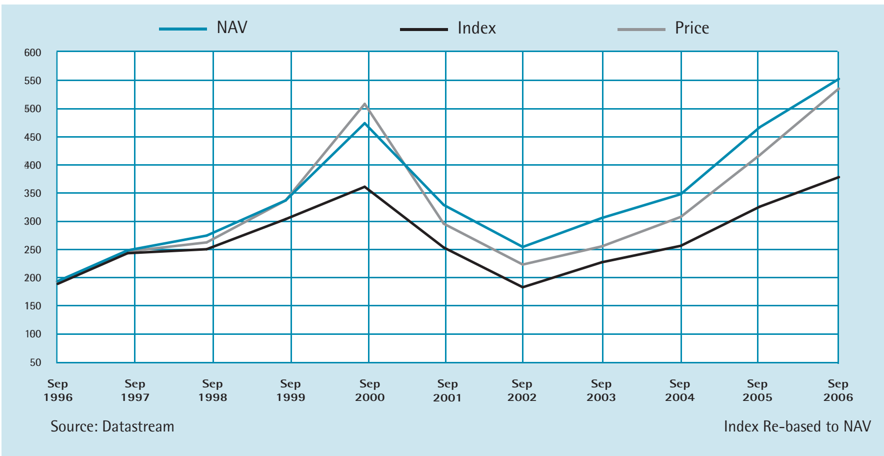
(f) Ordinary shares in issue by 14,243 on the exercise of warrants.

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

(h) Ordinary shares in issue decreased by 462,675 (shares were repurchased for cancellation under the powers taken at the AGM on 24 January 2005). All numbers, except price, dividend and earnings have been restated in line with UK GAAP.

(i) Ordinary shares in issue decreased by 1,450,000 (shares were repurchased to be held in treasury under the powers taken at the AGM on 23 January 2006).

The graph below shows the Net Asset Value per Ordinary share and its middle-market price over the ten years to 30 September 2006, compared with the movement in the FTSE World Index - Europe (ex UK) in sterling terms rebased to the Net Asset value at 30 September 1996.



Report of the Directors

The Directors submit their Report and the Accounts for the year ended 30 September 2006.

Business Review

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 and is an investment company as defined by Section 266 of the Companies Act 1985. The Company's shares are listed on the London Stock Exchange. The Company has an indefinite life.

The Company was last approved by HM Revenue & Customs as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 30 September 2005. 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 2005, the Company has directed its affairs so as to be able to continue to qualify for approval by HM Revenue & Customs as an investment trust for tax purposes.

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

Investment Objective

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

Investment Policy

The Company will focus on stock selection, primarily larger companies with strong balance sheets and above-average growth prospects. Less emphasis will be given to adding value through country allocation, although the portfolio will maintain a broad geographic diversification. Up to 5% of gross assets may be invested in companies, which, although not listed in Continental Europe, derive the greater part of their earnings from its markets. The Company's investment policy has been in place since November 1986.

The portfolio comprises only equity investments, but other forms of equity-related securities may also be held. Cash and derivative investments (such as futures and options) may also be used for efficient portfolio management and as part of investment strategy. Portfolio risk is minimised by investing in a diversified spread of investments.

Gearing

The Company uses gearing selectively through the use of flexible borrowing facilities when the Manager is confident that market conditions and opportunities exist to enhance shareholder returns.

Under an agreement with The Bank of New York, the Company has an uncommitted multi-currency loan facility in the sum of £50 million (2005: £40 million). At 30 September 2006, the Company had borrowings equivalent to £15 million (2005: £33 million).

The Company also has an overdraft facility of £5 million with The Royal Bank of Scotland. At 30 September 2006, the Company had borrowings under this facility of £152,000 (2005: Nil).

Performance

As the Company's primary investment objective is capital growth over the longer term from investment in Continental Europe, the Directors consider that the principal measure of the Company's performance is the movement of the Net Asset Value per Ordinary share compared with the movement of the FTSE World Index - Europe (ex UK) in sterling terms (the 'Index'). This is reflected by the terms of the investment management agreement which provides a performance fee to the Manager based on the degree to which Net Asset Value performance exceeds that of the Index. For the purpose of calculating the performance fee the capital return Index is used, as it is considered to be the appropriate comparative because the Company does not particularly look to generate revenue returns.

The Net Asset Value per Ordinary share, in capital only terms and excluding the NAV-enhancing effects of the share buy-backs, rose by 19.1% in the year under review (2005: 32.0%) compared with an increase in the Index of 16.0% (2005: 26.3%). This outperformance reflects the effective stock selection by the investment managers and increased use of gearing during the year. Over the same period, the middle-market price of the Company's Ordinary shares had increased by 27.8% (2005: 34.9%).

As investment in an investment trust company is generally considered to be for longer-term returns it is also relevant to consider performance over a longer period. In the five and ten-year periods to 30 September 2006, the Net Asset Value per Ordinary share had increased by 59.8% and 164.4% respectively, compared with increases in the Index of 48.3% and 97.5%. The middle-market price of the Company's Ordinary shares had increased by 79.3% and 175.9% over the same periods.

Our key performance indicators can be further evidenced within the 'Portfolio Activity' section of the Managers' Review.

Principal Risks and Uncertainties

Since the Company is an investment company, performance will always be dependent on the performance of the companies and stock markets in which it invests and will also be affected by the strength of the currencies in the regions it invests in relation to sterling. The principal risks and the Company's policies for managing these risks, are summarised in Note 24 to the accounts on pages 47 to 49.

As mentioned above, the Manager is able to "gear" the portfolio by borrowing. Gearing will magnify portfolio returns per share, be they positive or negative. The potential for this to have a negative impact is limited by the short-term revolving (usually weekly) nature of drawings on the loan facility combined with the liquidity of the investments in the portfolio. Although the Board monitors the Managers' performance, including the level of gearing, on a regular basis, it is dependent on the Managers to manage the portfolio to minimise the negative effects of movements in the markets in which the Company invests.

Like most other investment trust companies, the Company has no employees other than the non-executive Directors. The Company, therefore, relies on services provided by third parties, including, in particular, the Manager, Gartmore Investment Limited. On 3 October 2006, it was announced that Nationwide Mutual Insurance Company had completed the sale of Gartmore Investment Management Plc to Hellman & Friedman and members of Gartmore's senior fund management and executive team. The Board will continue to monitor the situation, but believes that management of the Company's assets will not be adversely affected by the change of ownership.

Discount Control Mechanism

On 6 July 2006, the Directors announced that the Company would use its existing share buy-back authority to purchase shares at a 3.5% discount to NAV. During the year, 1,450,000 Ordinary shares were repurchased at an aggregate cost to the Company of £7,400,000 and the shares, equivalent to 2.5% of the remaining shares in issue, are being held in Treasury.

The Company will seek to renew its share buy-back authority at the forthcoming Annual General meeting and intends to use those powers on an ongoing basis with the aim of establishing a long-term level of discount at no wider than 4%.

At 30 September 2006, the discount of the middle-market share price to Net Asset Value was 3% (2005: 9%).

UK Generally Accepted Accounting Practice ('UK GAAP')

The Company's accounts have been prepared in accordance with UK GAAP. The introduction of new Financial Reporting Standards as part of the programme to converge UK GAAP with International Financial Reporting Standards has brought both accounting changes as well as changes in the presentation of the financial information. Details of the changes to the Company's accounting policies and their effects are provided in Note 1 to the accounts.

Financial Position and Total Return

At 30 September 2006, Net Assets amounted to £322,093,000, compared with £279,605,000 (as restated) at 30 September 2005. All of the Company's investments are listed on recognised exchanges and are normally realisable within a short period. The total return to equity shareholders for the year was £56,958,000, compared with a restated figure of £70,345,000 for the previous year.

Net revenue for the year, after expenses, finance costs and taxation, amounted to £5,191,000, compared with £4,436,000 for the previous year. The Directors recommend a final dividend of 2.0p (2005: 6.0p) per Ordinary share, which, subject to shareholders' approval, will be paid on 31 January 2007 to shareholders on the register on 22 December 2006. This dividend, together with the special dividend of 6.0p (2005: Nil) per Ordinary share paid on 31 July 2006, makes a total for the year of 8.0p (2005: 6.0p).

Issued Share Capital

At 30 September 2006, the Company's issued share capital comprised 57,990,389 (2005: 59,440,389) Ordinary shares of 50p each. During the year, 1,450,000 Ordinary shares were repurchased at an aggregate cost to the Company of £7,400,000 and the shares, equivalent to 2.5% of the remaining shares in issue, are being held in Treasury.

At 30 September 2006, the Company had authority to repurchase a further 7,460,114 Ordinary shares, such authority to expire at the conclusion of the forthcoming Annual General Meeting.

Management and Administration

The Company's investments are managed by Gartmore Investment Limited under an Investment Management Agreement, which provides for six month's notice of termination to be given by either side. The management fee is calculated at 0.75% per annum, plus value-added tax, on the value of Total Assets, less Current Liabilities, and is payable by the Company at the end of each calendar month. No management fee is payable on any Gartmore managed investments within the portfolio.

A performance related incentive fee is also in place. The calculation of this additional fee is based on the Company's performance relative to its benchmark index and is capped at 0.5% of the year-end audited Total Assets. Details are given on pages 18 and 19.

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. No separate fee is charged for these services.

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

Continuing Appointment of the Managers

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

Following this review and in the light of the recent sale of the Managers' parent company, the Directors remain 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 Managers on the agreed terms is in the interests of the Company's shareholders.

Performance Fee

In the event of outperformance, the performance 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 calculation is in respect of the Company's financial year and the calculations are based on the relevant figures as audited and published in these Accounts.

A performance fee totalling £1,980,000 (2005: £1,816,000) will be paid to the Managers in respect of the year ended 30 September 2006.

Directors

The current Directors of the Company, are shown on pages 4 and 5. All the Directors, with the exception of Mr M Firth who was appointed on 17 November 2006, served throughout the year ended 30 September 2006. All the Directors are non-executive and independent of the Managers. All Directors are members of the Audit Committee.

On 14 September 2006, Mr J von Spreckelsen stepped down as Chairman of the Board and Mr R Dennis was appointed to the post.

As part of the Company's ongoing review of the structure of the Board, Mr J Von Spreckelsen and Mr B Merki resigned as Directors on 30 September 2006. The Board are looking to appoint a new Director in due course.

Mr A Comba and Mr R Dennis were last appointed as Directors of the Company at the Annual General Meeting held in January 2004 and, accordingly, will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

In accordance with the requirements of the Combined Code, Mr J C Banon and Dr M Piehl, both of whom have served as Directors for more than nine years, also retire and, being eligible, offer themselves for re-appointment.

Mr M Firth, who was appointed by the Board on 17 November 2006, will retire, and, being eligible, offer himself for appointment by shareholders at the forthcoming Annual General Meeting in accordance with the Articles of Association.

The Directors held the following beneficial interests in the Ordinary share capital of the Company as at 1 October 2005 and 30 September 2006. There have been no changes since 30 September 2006.

	1 October 2005	30 September 2006
R Dennis	–	–
JC Banon	–	–
A Comba	–	–
M Firth	–	–
M Piehl	2,500	2,500

Of the Directors who resigned on 30 September 2006, Mr B Merki held 2,500 shares and Mr J von Spreckelsen held no shares over the year to their resignation.

No Directors hold non-beneficial interests.

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

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

Under Article 140 of the Company's existing Articles of Association, the Company provides the directors and officers of the Company, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in or about the execution of their office or otherwise in relation thereto. From 6 April 2005, UK company law was changed so as to allow companies to indemnify their directors against liability, including costs and damages awarded, in civil proceedings brought by third parties (described in the relevant legislation as "qualifying third party indemnities') and to fund in advance defence costs. The Company has been advised that with effect from 6 April 2005, Article 140 provided the benefit of a qualifying third party indemnity to each of its directors.

Proposals to update the Company's Memorandum and Articles of Association, summarised on page 22, will be put to shareholders at the forthcoming Annual General Meeting.

Substantial Shareholders

At 30 November 2006, the Company had been notified of the following interests of 3% or more in the Company's issued share capital having unrestricted voting rights:

	Number	Percent
Carrousel Capital Limited	16,256,158	28.03
Rensburg Sheppards Plc	5,790,499	9.99
Barclays PLC	2,173,476	3.75

The Board has been notified that Carrousel Capital Limited ("Carrousel") has an interest in shares in the Company carrying 28.03% of the voting rights of the Company. Further purchases of its own shares by the Company could result in the interest of Carrousel increasing beyond 30% of the voting rights of the Company. Carrousel would not be put into the situation of having to make a mandatory cash offer for the shares in the Company it does not already own (under the provisions of Rule 9 of the City Code on Takeovers and Mergers) as a result of share buybacks. Following completion of any such buybacks, Carrousel may be interested in shares carrying 30% or more of the Company's voting share capital, but will not hold shares carrying 50% or more of voting rights. Any other increase in Carrousel's interest in shares (in excess of 30%) will be subject to the provisions of Rule 9.

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.

Going Concern

The Directors believe that it is appropriate 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.

Personal Equity Plans

The Directors intend to ensure that the Company's shares continue to qualify for retention in Personal Equity Plans in existence at 5 April 1999.

Socially Responsible Investment

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

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

Auditors
RSM Robson Rhodes LLP have expressed their willingness to continue in office as Auditors to the Company. Resolutions proposing their re-appointment and authorising the Audit Committee to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Electronic Copies of the Accounts
The accounts are published on www.gartmore.com, which is a website maintained by the Company's Managers. The work undertaken by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

Special Business of the Annual General Meeting
The Notice of the Annual General Meeting of the Company to be held on Friday, 19 January 2007 is on pages 52 to 55. In addition to the ordinary business of the AGM, there are four items of special business which will be proposed. The first will be proposed as an Ordinary Resolution, while the second, third and fourth will be proposed as Special Resolutions.

Resolution 11 - Directors' Authority to Allot Shares
First, for the purposes of Section 80 of the Companies Act 1985, to allot relevant securities up to an aggregate nominal value of £9,665,064 of the Company's issued share capital, being one-third of the issued Ordinary share capital of the Company as at the date of this Report.

Resolution 12 - Authority to Disapply Pre-emption Rights
Second, to disapply the pre-emption provisions of Section 89 of the Companies Act 1985 in respect of equity securities of an aggregate nominal amount up to £2,899,519 equal to just under 10% of the Company's issued Ordinary share capital as at the date of this Report, in addition to any equity securities which may be allotted in connection with rights issues. Following the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, this authority will also cover, within the aggregate limit, the sale of treasury shares for cash.

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

Resolution 13 - Authority to Purchase Own Shares
Third, a special resolution is to be proposed to renew the Company's general authority to purchase its own shares in the market 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. The Board is therefore seeking to renew its power to make market purchases of Ordinary shares which it has the option either to cancel the shares or to hold them in Treasury.

Accordingly, a Special Resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary share capital at the date of the Annual General Meeting is proposed. The authority will be limited to 8,692,759 Ordinary shares representing 14.99% of the Company's issued Ordinary share capital at the date of this Report.

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

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

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.

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

Resolution 14 - Memorandum and Articles of Association of the Company

Until April 2005, indemnification was only permitted once judgment was given in favour of a director or a director was acquitted. The Companies (Audit, Investigations and Community Enterprise Act) 2004 came into force in April 2005 and expands the circumstances in which a director can be indemnified.

Under the new legislation, the Company will now be able to provide the directors with funds to cover costs as incurred by a director in defending legal proceedings. The Company will also be able to indemnify a director in respect of any proceedings brought by third parties, covering both legal and financial costs of an adverse judgment. However, a director will not be indemnified for legal costs of an unsuccessful defence in criminal proceedings, penalties imposed by regulatory bodies or legal costs of an unsuccessful defence in proceedings that are brought by the Company itself. In such cases, where indemnification has been made to the director during the course of the director's defence, the Company would seek reimbursement of such costs.

The Board believes that providing Directors with funds to cover costs as incurred in defending legal proceedings is reasonable and also important to ensure that the Company continues to attract and retain directors of the highest calibre.

Resolution 14 contains proposed amendments to the Company's Memorandum and Articles of Association to reflect the new legislation regarding indemnification of directors and funding of directors' defence costs.

Recommendation

The Directors consider that the above authorities and changes are in the best interests of the Company and shareholders as a whole and recommend that all shareholders vote in favour of the Resolutions.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
12 December 2006

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return of the Company for the year then ended.

In preparing those accounts, the Directors are required to:

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

The Directors are responsible for ensuring that the Directors' Remuneration Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The Directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Company, and for maintaining adequate systems of internal control, which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance Statement

Introduction

The Board is accountable to shareholders for the governance of the Company's affairs.

The Company is committed to maintaining high standards of corporate governance and to the principles of good governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the Combined Code) and the revised and updated Association of Investment Companies Code of Corporate Governance issued in February 2006 (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 2006, The Financial Reporting Council (the FRC), the UK's independent regulator for corporate reporting and governance responsible for the Combined Code, endorsed the revised AIC Code. The terms of the FRC's endorsement means that AIC members who report against the AIC Code and who follow the AIC Corporate Governance Guide for Investment Companies are meeting their obligations under the Combined Code and related disclosure requirements of the Listing Rules.

The Board believes that the Company has complied with the provisions of the Combined Code throughout the year ended 30 September 2006.

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 currently consists of five non-executive Directors, all of whom are independent of the Company's Managers.

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

Chairman and Senior Independent Director

On 14 September 2006, Mr J von Spreckelsen stepped down as Chairman of the Board and Mr R Dennis was appointed to the post.

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 independent Directors will make themselves available to such a 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. Newly appointed Directors are subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board.

In accordance with the Articles of Association of the Company, each Director shall retire and, if so desired, be submitted for re-appointment at least every three years.

In accordance with the Articles of Association of the Company, no person may be appointed a director if, at the time of appointment, he has attained the age of seventy and a director shall vacate his office at the conclusion of the Annual General Meeting commencing next after having attained the age of seventy. None of the Directors is over the age of seventy.

Performance of the Board

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

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

Responsibilities of the Board

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

The Board meets formally at least five times a year. The Directors have regular contact with the portfolio manager and company secretary in the periods between formal meetings. Additional Board meetings and Committee meetings are arranged as and when required. The following table sets out the number of meetings (including committee meetings) held during the year to 30 September 2006 and the number of meetings attended by each director.

Corporate Governance Statement

	Board Meetings	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Number of Meetings	6	2	2	3	2
J von Spreckelsen	6	2	2	3	2
J C Banon	6	2	2	3	2
A Comba	6	2	2	3	2
R Dennis	6	2	2	3	2
B Merki	6	2	2	3	2
M Piehl	6	2	2	3	2

All Directors attended the Annual General Meeting.

Exercise of Voting Rights in Investee Companies

The Company has delegated the responsibility for voting on its behalf at investee company meetings to the Managers, Gartmore Investment Limited, on the basis that, subject to an overriding requirement to pursue the best economic interests of the Company and its shareholders, the Managers should take account of social, environmental and ethical factors in using the voting powers conferred by such investments. Resolutions of particular importance or contention are referred to the Board prior to exercise of a vote.

Relationship with the Managers

The day-to-day management of the Company's portfolio has been delegated under contract to the Managers, Gartmore Investment Limited (Gartmore). One or more representatives of Gartmore 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, Gartmore 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 Gartmore's policy statements on voting and corporate governance observance.

Gartmore's portfolio manager maintains ongoing communication with the Directors between Board meetings and contacts the Board for guidance on specific issues as required.

Relationship with the 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 Directors and the portfolio manager, to convey their views on the Company's performance and to discuss issues affecting their investment. Shareholders' concerns should be addressed to the Board by writing to the Company at its Registered Office, as shown on page 2, or by telephoning the Managers, who report such communications to the Board on a regular basis.

The Managers meet with institutional shareholders on a regular basis and report to the Board on matters raised at such meetings.

The Directors will be available at the Annual General Meeting to answer any questions raised by shareholders. At 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 is taken in all circumstances where a show of hands does not represent the votes indicated by the proxies received. The Notice of the Annual General

Meeting is contained in the Company's Annual Report that is sent to shareholders at least 20 working days before the meeting.

Detailed lists of shareholders are regularly reviewed at Board meetings and the Directors receive reports from Gartmore's Investment Relations Manager who is in regular contact with investors.

The Company's Interim and Annual Reports are designed to provide a full and readily understandable review of the Company's performance. Copies are despatched to shareholders by mail and are also available for downloading from Gartmore's website. The Company's Net Asset Value is released daily to the London Stock Exchange and, in respect of the month end, to The Association of Investment Companies for posting on their own website. The Board is directly responsible for all statements regarding any corporate activity that may affect the Company.

Company Secretary

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

Independent Professional Advice

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

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance cover is provided at the expense of the Company.

Committees of the Board

The Board has established an Audit Committee with clearly defined 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 A Comba. The Chairman of the Board, Mr R Dennis, remains a member of the Committee, in conflict with the Combined Code. The Committee did not consider it appropriate for him to stand down as a member as he held no executive capacity in the Company. The Audit Committee meets at least twice a year, including once with the external auditors present. The Managers' compliance and operational risk department report to the Board at least once a year. There are formal arrangements for considering accounting policies, financial statements, the Annual Report and Accounts, the Interim Report and internal controls, which are detailed below. The Audit Committee also reviews the terms of appointment and remuneration of the Company's Auditors, the effectiveness of the audit process and the maintenance of an appropriate relationship with them to ensure independence and objectivity. The provision of non-audit services by the Company's Auditors is 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 auditors.

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 other 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 the nomination of new directors through an established formal procedure; and
- the Remuneration Committee is responsible for monitoring the remuneration of the Directors. The level of Directors' fees is reviewed by reference to the work involved, the level of responsibility and the fees paid by comparable investment trust companies.

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

Internal Control

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

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

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

Under the terms of the Investment Management Agreement and the Company Secretarial and Administration Agreement, referred to on page 18, Gartmore Investment Limited provides investment management, accounting and company secretarial services. Accordingly, employees of the Gartmore Group (Gartmore) maintain all the financial arrangements associated with the day-to-day management of the Company, except in respect of accounting, bookkeeping, valuation and trade processing services, which are provided to Gartmore by HSBC Securities Services (UK) Limited. The Bank of New York provides custodian services under a separate Custody Agreement. A clearly-defined investment strategy is set for the Managers and monitored by the Board, which regularly reviews the Company's investments, liquid assets and liabilities, investment transactions, and revenue and expenditure. The Managers are responsible for day-to-day monitoring of the Company's investments and for exercising voting rights effectively and responsibly, but overridingly in the best economic interests of the Company and its shareholders.

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

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

Since the Company's only employees are the non-executive directors and its operational functions are outsourced the Company does not have an internal audit department. Instead the Audit Committee relies on FRAG 21 and other reports received from its service providers, particularly the Managers, to satisfy itself as to the controls exercised.

Corporate Governance Statement

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

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

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

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

- corporate strategy;
- published information and compliance with the laws and regulations;
- relationships with service providers; and
- investment and business activities.

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

- 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 2005 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 the significant risks faced by the Company has been in place throughout the year under review and up to the date of approval of the Annual Report. Systems are in operation to safeguard the Company's assets and shareholders' investment, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's systems of internal control are designed to manage rather than eliminate risk and the system of internal control provides reasonable, but not absolute, assurance against material misstatement or loss.

The Company has complied fully throughout the year ended 30 September 2006, 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 in September 1999.

By Order of the Board

GARTMORE INVESTMENT LIMITED
Secretaries
12 December 2006

Directors' Remuneration Report

This Report has been prepared in accordance with the requirements of Schedule 7A to the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 32 and 33.

Remuneration Committee

The Board is comprised solely of non-executive Directors. The Board as a whole fulfils the function of the Remuneration Committee, which is chaired by Mr R 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 determined by an Ordinary Resolution of the Company. Subject to this overall limit, the Boards' policy is that remuneration of non-executive Directors should be comparable to that of other investment trusts of a similar size, which have a similar capital structure and similar investment objectives, and should be set at a level sufficient to attract and retain directors of the calibre required to direct the Company. It is intended that this policy will be continued for the year to 30 September 2007 and for subsequent years.

In the year to 30 September 2006, Directors' fees were paid at an annual rate of £20,000 for the Chairman of the Board, £16,000 for the Chairman of the Audit Committee and £15,000 for each of the other Directors. In addition, as recommended by the Company's advisers, fees totalling £50,000 were paid to Directors to cover the extra workload of the corporate review of the Company. These additional fees were reimbursed to the Company by Gartmore Investment Limited.

Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

Directors' Terms of Appointment

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

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

	Original date of appointment	Annual General Meeting for re-appointment
R Dennis	11 November 2003	2007
J C Banon	18 March 1991	2007
A Comba	11 November 2003	2007
M Piehl	9 April 1992	2007
M Firth	17 November 2006	2007

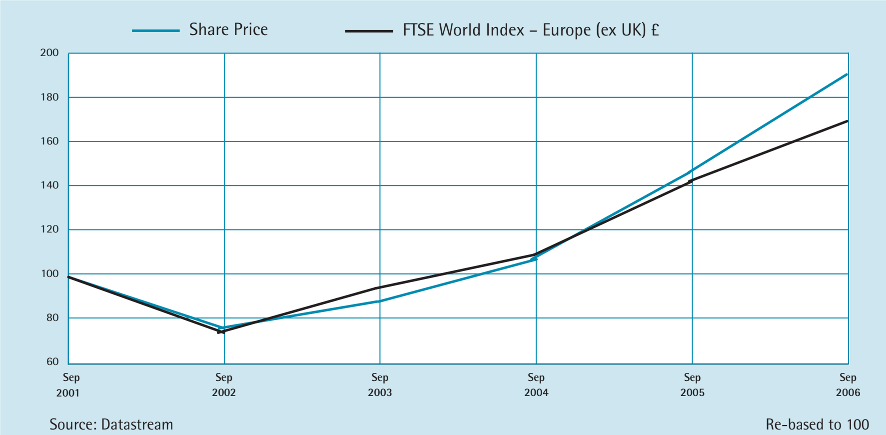
On 30 September 2006, both Mr J von Spreckelsen, who was appointed a Director on 26 March 1997, and Mr B Merki, who was appointed a Director on 26 March 1987, resigned as Directors of the Company.

Directors' Remuneration Report

Performance Graphs

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

The graph below compares the total return by reference to the mid-market share price of the Company's Ordinary shares (with dividends reinvested) over the five years to 30 September 2006 with the total return from 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 2006 received the following emoluments in the form of fees:

	Annual Fees	Additional Fees*	Total Fees **2006**	2005
John Von Spreckelsen	20	15	35	20
Rodney Dennis	15	15	30	15
Jean Claude Banon	15	4	19	15
Alec Comba	16	8	24	16
Bruno Merki	15	4	19	15
Manfred Piehl	15	4	19	15
Total Fees paid	96	50	146	96

* The additional fees were reimbursed to the Company by Gartmore.

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

Rodney Dennis
Chairman

Approved by the Board
on 12 December 2006

Report of the Independent Auditors

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

We have audited the accounts for the year ended 30 September 2006 on pages 34 to 51. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of the Directors and the Auditors

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

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Manager's Review, the Corporate Governance Statement, the Financial Statistics and Portfolio Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors'

Report of the Independent Auditors

Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 30 September 2006 and of its net return for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the accounts.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
12 December 2006

Income Statement
to 30 September 2006

		Year to 30 September 2006		
		Revenue	Capital	Total
	Notes	£'000	£'000	£'000
Income and Capital Profits				
Dividends and other income	2	9,090	331	9,421
Gains on investments through profit or loss	3	–	55,944	55,944
Return before Expenses, Finance Costs and Taxation		9,090	56,275	65,365
Expenses				
Management fee		(743)	(2,229)	(2,972)
Performance fee		–	(1,980)	(1,980)
Other fees and expenses		(547)	(497)	(1,044)
Total Expenses	4	(1,290)	(4,706)	(5,996)
Return before Finance Costs and Taxation		7,800	51,569	59,369
Finance Costs				
Interest payable	5	(244)	(688)	(932)
Exchange loss on currency transactions		–	(96)	(96)
Return on Ordinary Activities before Taxation		7,556	50,785	58,341
Taxation	6	(2,365)	982	(1,383)
Return to Equity Shareholders after Taxation		5,191	51,767	56,958
Return per Ordinary share	7	8.78p	87.57p	96.35p

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 39 to 51 form part of these accounts.

Income Statement

to 30 September 2005
(Restated)

	Notes	Year to 30 September 2005 Revenue Return £'000	Capital Return £'000	Total Return £'000
Income and Capital Profits				
Dividends and other income	2	7,412	32	7,444
Gains on investments through profit or loss	3	–	68,996	68,996
Return before Expenses, Finance Costs and Taxation		7,412	69,028	76,440
Expenses				
Management fee		(581)	(1,741)	(2,322)
Performance fee		–	(1,816)	(1,816)
Other fees and expenses		(503)	(509)	(1,012)
Total Expenses	4	(1,084)	(4,066)	(5,150)
Return before Finance Costs and Taxation		6,328	64,962	71,290
Finance Costs				
Interest payable	5	(154)	(441)	(595)
Exchange gain on currency transactions		–	523	523
Return on Ordinary Activities before Taxation		6,174	65,044	71,218
Taxation	6	(1,738)	865	(873)
Return to Equity Shareholders after Taxation		4,436	65,909	70,345
Return per Ordinary share	7	7.46p	110.77p	118.23p

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 39 to 51 form part of these accounts.

Reconciliation of Movements In Shareholders' Funds

for the year to 30 September 2006

	Notes	Called-up Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve* £'000	Total £'000
At 30 September 2005 as previously reported		29,720	39,967	61,344	1,837	91,505	48,221	3,807	276,401
Restatements (see note 25)		–	–	–	–	(334)	(28)	3,566	3,204
At 30 September 2005 (restated)		29,720	39,967	61,344	1,837	91,171	48,193	7,373	279,605
Net return from ordinary activities		–	–	–	–	59,715	(7,948)	5,191	56,958
Equity dividends paid	8	–	–	–	–	–	–	(7,070)	(7,070)
Cost of Ordinary shares repurchased and held in treasury		–	–	–	–	(7,400)	–	–	(7,400)
At 30 September 2006		**29,720**	**39,967**	**61,344**	**1,837**	**143,486**	**40,245**	**5,494**	**322,093**
At 30 September 2004 as originally reported		29,952	39,967	61,344	1,605	57,886	17,200	2,923	210,877
Restatements (see note 25)		–	–	–	–	(256)	119	2,606	2,469
At 30 September 2004 (restated)		29,952	39,967	61,344	1,605	57,630	17,319	5,529	213,346
Net return from ordinary activities		–	–	–	–	35,035	30,874	4,436	70,345
Equity dividends paid	8	–	–	–	–	–	–	(2,592)	(2,592)
Cost of Ordinary shares repurchased for cancellation		(232)	–	–	232	(1,494)	–	–	(1,494)
At 30 September 2005 (restated)		29,720	39,967	61,344	1,837	91,171	48,193	7,373	279,605

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

The Notes on pages 39 to 51 form part of these accounts.

Balance Sheet
at 30 September 2006

	Notes	At 30 September 2006 £'000	At 30 September 2005 £'000 (Restated)
Fixed Asset Investments			
Listed investments held at fair value through profit or loss	9	**338,544**	308,842
Unlisted available for sale investments in subsidiaries	10	**364**	364
		338,908	309,206
Current Assets			
Debtors – amounts receivable within one year	11	**4,999**	12,973
Cash at bank and short-term deposits		**1,287**	3,022
		6,286	15,995
Current Liabilities			
Creditors – amounts payable within one year	12	**(23,101)**	(45,596)
Net Current Liabilities		**(16,815)**	(29,601)
Net Assets		**322,093**	279,605
Capital and Reserves			
Called-up share capital	13	**29,720**	29,720
Share premium	14	**39,967**	39,967
Merger reserve	15	**61,344**	61,344
Capital redemption reserve	16	**1,837**	1,837
Other reserves:			
Capital reserve – realised	17	**143,486**	91,171
Capital reserve – unrealised	18	**40,245**	48,193
		316,599	272,232
Revenue reserve	19	**5,494**	7,373
Equity Shareholders' Funds		**322,093**	279,605
Net Asset Value per Ordinary share	20	**555.42p**	470.40p

The accounts were approved and authorised for issue by the Board of Directors on 12 December 2006 and were signed on its behalf by:

Rodney Dennis
Chairman

The Notes on pages 39 to 51 form part of these accounts.

Cash Flow Statement
to 30 September 2006

	Notes	Year to 30 September 2006 £'000	Year to 30 September 2005 £'000
Revenue Activities			
Dividends and interest received from investments		**7,409**	6,056
Interest received on deposits		**94**	59
Expenses paid, allocated to revenue		**(1,245)**	(1,082)
Expenses paid, allocated to capital		**(4,057)**	(1,834)
Special dividends received, allocated to capital		**310**	–
Net cash inflow from revenue activities		**2,511**	3,199
Taxation Recovered			
Overseas Tax		**130**	143
Servicing of Finance			
Interest paid, allocated to revenue		**(244)**	(154)
Interest paid, allocated to capital		**(687)**	(441)
		(931)	(595)
Investment Activities			
Acquisitions of investments		**(571,749)**	(386,218)
Disposals of investments		**600,525**	354,672
		28,776	(31,546)
Equity Dividends Paid			
Ordinary shares		**(7,070)**	(2,592)
Finance			
Shares repurchased for cancellation		**–**	(1,494)
Shares repurchased and held in treasury		**(7,414)**	–
Loans (repaid)/drawn down		**(17,793)**	32,712
		(25,207)	31,218
Net Cash Outflow	21 and 22	**(1,791)**	(173)

The Notes on pages 39 to 51 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 30 September 2006 and are set out below.

Basis of Preparation

For the accounting period beginning on 1 October 2005 the Company had the option to prepare its accounts in accordance with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board. The Board has elected to continue to adopt UK Generally Accepted Accounting Practice ('UK GAAP'). A number of new Financial Reporting Standards have been issued as part of the programme to converge UK GAAP with IFRS.

Compliance with these has affected the current year's accounts as summarised below and in note 25 and the comparative figures for the year ended 30 September 2005 have been restated accordingly.

The accounts have been prepared on a going concern basis, in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies" issued in December 2005. The SORP has been adopted early due to the implementation of Financial Reporting Standard 26 "Financial Instruments: Measurement".

The Directors are of the opinion that the Company is engaged in a single segment of business and therefore no segmental reporting is provided.

The accounting policies used for the year ended 30 September 2005 have continued to be applied, with the following exceptions:

(a) Investments have been designated as "financial assets held at fair value through profit or loss" and valued at fair value (bid price, or last traded price where no bid price is available) rather than mid-market value. The effect of this has been to reduce the valuation of investments, and hence net assets, at 30 September 2006 by £249,000 and at 30 September 2005 by £362,000.

(b) Incidental transaction costs incurred on the purchase of investments which were previously added to the recorded cost of the investments have been recognised separately and expensed. This has no effect on net assets or total return but increases capital reserve - unrealised and reduces capital reserve - realised by £373,000 at 30 September 2006 and by £334,000 at 30 September 2005.

(c) Under Financial Reporting Standard 21: "Events after the Balance Sheet Date", dividends should only be accrued in the accounts if they are a liability at the balance sheet date. This increased net assets by £1,160,000 being the value of the final dividend that would previously have been accrued (2005: £3,566,000).

(d) The total column of the Income Statement, rather than the revenue column, represents the Profit and Loss Account of the Company.

(e) Dividends paid are now shown in the Reconciliation of Movements in Shareholders' Funds rather than on the face of the Income Statement.

Consolidation

The balance sheets of Aberdeen European Investment Trust PLC (in liquidation), The German Investment Trust plc (in liquidation) and GEIT Offer p.l.c., the Company's only subsidiaries at 30 September 2006, have not been consolidated as the control of these subsidiary companies is now exercised by the liquidators, rather than the Company.

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

Revenue, Expenses and Interest Payable

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

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

Management fee and loan interest charges 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.

1. Accounting Policies (continued)

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

Investments

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

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

Rate of Exchange

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("Sterling"), which is also the presentational currency of the Company.

Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued, which are denominated in foreign currencies, are retranslated at the closing rates of exchange.

Realised profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are included in the Income Statement and allocated to capital or revenue as appropriate.

2. Dividends and Other Income

	2006 £'000	2005 £'000
Revenue:		
Income from investments:		
Unfranked dividends	**8,958**	7,353
Franked dividends	**38**	–
	8,996	7,353
Interest on deposits	**94**	59
	9,090	7,412
Capital:		
Special dividends allocated to capital	**331**	32

3. Gains on Investments through Profit or Loss

	2006 £'000	2005 £'000
Net profit realised on disposal of investments	**63,892**	38,122
Less: Amounts recognised as unrealised in previous years	**(35,343)**	(15,526)
Net realised profit based on carrying values at the previous balance sheet date	**28,549**	22,596
Net unrealised appreciation arising during the year	**27,395**	46,400
	55,944	68,996

4. Expenses

	2006 £'000	2005 £'000
Allocated to Revenue:		
Management fee:		
Total management fee	**2,529**	1,976
Irrecoverable value-added tax thereon	**443**	346
	2,972	2,322
Allocated to capital	**(2,229)**	(1,741)
Management fees allocated to revenue	**743**	581
Other fees and expenses:		
Fees payable to the Company's auditor for the statutory audit of the accounts	**19**	15
Fees payable to the Company's auditors for other services – other services supplied pursuant to legislation	**1**	1
Directors' fees	**96**	96
General expenses	**431**	391
Other fees and expenses allocated to Revenue	**547**	503
Allocated to Capital:		
Transaction costs incurred on acquisitions of investments	**727**	509
Commission rebated	**(230)**	–
Management fees allocated to capital	**2,229**	1,741
Performance fee, including irrecoverable VAT	**1,980**	1,816
Fees and expenses allocated to capital (see Notes 1 & 17)	**4,706**	4,066
Total fees and expenses	**5,996**	5,150

Additional Directors' fees totalling £50,000 (2005: Nil) were paid to cover the extra workload of the corporate revenue of the Company. Other fees and expenses in relation to the corporate review of the Company, totalling £152,000 (2005: Nil), were also paid. These additional fees and expenses were reimbursed to the Company by Gartmore Investment Limited.

The Auditors also provided services in relation to taxation matters to the Company at a cost of £4,000 (2005: Nil) which were paid directly by Gartmore Investment Limited.

5. Interest Payable

	2006 £'000	2005 £'000
On borrowings repayable within five years:		
Bank overdraft	**15**	7
Multi-currency loan facility	**917**	588
	932	595
Interest payable allocated to capital (see Notes 1 & 17)	**(688)**	(441)
	244	154

6. Taxation

(a) Analysis of charge in period

	Revenue 2006 £'000	Capital 2006 £'000	Total 2006 £'000	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000
Tax relief to capital	**1,020**	**(1,020)**	**–**	865	(865)	–
Corporation tax	**1,149**	**–**	**1,149**	844	–	844
	2,169	**(1,020)**	**1,149**	1,709	(865)	844
Double taxation relief	**(1,149)**	**–**	**(1,149)**	(844)	–	(844)
	1,020	**(1,020)**	**–**	865	(865)	–
Foreign tax suffered	**1,345**	**38**	**1,383**	873	–	873
Total current tax for period (see note 6(b))	**2,365**	**(982)**	**1,383**	1,738	(865)	873

(b) Factors affecting current tax charge for the period

	2006 £'000	2005 £'000
Net income before taxation	**7,556**	6,174
Corporation tax at 30%	**2,267**	1,852
Effects of:		
Income not subject to corporation tax	**(16)**	–
Expenses not deductible for tax purposes	**16**	21
Allowable expenses in capital	**(1,275)**	(1,183)
Transfer to capital	**1,020**	865
Increase in unrelieved interest	**157**	154
Overseas tax	**1,345**	873
Double tax relief claim	**(1,149)**	(844)
Current revenue tax charge for the period (6(a))	**2,365**	1,738

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

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

(c) Provision for deferred taxation

There are unrecognised deferred tax assets of £799,000 (2005: £641,000) in respect of excess interest and £300,000 (2005: £164,000) in respect of eligible unrelieved foreign tax. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise either the interest or unrelieved foreign tax and, therefore, no deferred tax asset has been recognised.

7. Total Return per Ordinary Share

(i) The Total Return Per Ordinary share is calculated on the return to Ordinary shareholders of £56,958,000 (2005: £70,345,000) and 59,113,499 (2005: 59,499,714) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, excluding Ordinary shares purchased by the Company and held as treasury shares.

(ii) The Revenue Return Per Ordinary share is calculated on the return of £5,191,000 (2005: £4,436,000) and 59,113,499 (2005: 59,499,714) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, excluding Ordinary shares purchased by the Company and held as treasury shares.

(iii) The Capital Return Per Ordinary share is calculated on the return of £51,767,000 (2005: £65,909,000) and 59,113,499 (2005: 59,499,714) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, excluding Ordinary shares purchased by the Company and held as treasury shares.

8. Dividends on Ordinary Shares	2006 £'000	2005 £'000
Amounts recognised as distributions to Ordinary shareholders in the year:		
Final dividend of prior year of 6.00p (2005: 4.35p) per share paid on 59,440,389 (2005: 59,585,389) shares	**3,566**	2,592
Special dividend of 6.00p (2005: nil) per share paid on 58,395,389 (2005: nil) shares	**3,504**	–
Total dividends of 12.00p (2005: 4.35p) per share	**7,070**	2,592
The total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered, is set out below:		
Special dividend of 6.00p (2005: nil) per share paid on 58,395,389 (2005: nil) shares	**3,504**	–
Proposed final dividend of 2.00p (2005: 6.00p) per share payable on 57,990,389 (2005: 59,440,389) shares	**1,160**	3,566
Total dividends of 8.00p (2005: 6.00p) per share	**4,664**	3,566
Revenue available for distribution by way of dividend	**5,191**	4,436

9. Listed Investments	2006 £'000	2005 £'000
Movements of investments held as fixed assets:		
Book cost brought forward	**260,649**	196,781
Acquisitions at cost	**566,021**	395,395
Proceeds of disposals	**(592,263)**	(369,649)
Net gain realised on disposals	**63,892**	38,122
Book cost at 30 September	**298,299**	260,649
Unrealised appreciation of investments	**40,245**	48,193
Valuation of investments at 30 September	**338,544**	308,842

Book-cost brought forward in each period has been restated to exclude transaction costs and the valuation of investments at 30 September 2005 has been restated. See notes 1 and 25.

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

	2006 £'000	2005 £'000
The following transaction costs were incurred during the year:		
On acquisitions	727	509
On disposals	679	425
	1,406	934

10. Unlisted Investments in Subsidiaries

The undernoted companies are wholly-owned subsidiaries of the Company. They have been classified as available for sale investments, rather than fair value through profit or loss, as, due to being in liquidation, they are not considered to be held for trading.

(a) Aberdeen European Investment Trust PLC:

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

Book value of Aberdeen European Investment Trust PLC at 30 September 2006 was as follows:

	2006 £'000	2005 £'000
Valuation at 30 September	**364**	364

(b) The German Investment Trust plc:

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

Book value of The German Investment Trust plc at 30 September 2006 was as follows:

	2006 £'000	2005 £'000
Valuation at 30 September	**–**	–

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

In May 1998 the Company established a new subsidiary, GEIT Offer p.l.c., as a necessary element of a potential corporate action. The Company owns two Ordinary shares of £1 each, fully paid, and 49,998 Ordinary shares, 25p paid.

This subsidiary has not traded and is valued at £1 (2005: £1) in the books of the Company.

11. Debtors

	2006 £'000	2005 £'000
Amounts receivable within one year:		
Investments sold	**4,129**	12,391
Currency transaction	**1**	–
Accrued income	**2**	32
Prepaid expenses	**15**	11
Taxation	**664**	539
Other debtors	**188**	–
	4,999	12,973

12. Creditors

	2006 £'000	2005 £'000
Amounts payable within one year:		
Investments purchased	**5,170**	10,300
Currency transaction	**–**	6
Accrued expenses	**2,860**	2,578
Bank overdraft	**152**	–
Bank loans	**14,919**	32,712
	23,101	45,596

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

The Company has an uncommitted multi-currency loan facility of £50,000,000 with The Bank of New York. Interest is charged at a rate of 0.5% over LIBOR. Borrowings are repayable on demand.

13. Called-up Share Capital

	2006 £'000	2005 £'000
Authorised:		
100,000,000 (100,000,000) Ordinary shares of 50p	**50,000**	50,000
Allotted, Called-up and Fully-paid:		
57,990,389 (2005: 59,440,389) Ordinary shares of 50p, in issue	**28,995**	29,720
1,450,000 (2005: nil) Ordinary shares of 50p, held in treasury	**725**	–
	29,720	29,720

During the year, 1,450,000 Ordinary shares were repurchased and held in treasury at a cost of £7,400,000. (2005: 462,675 Ordinary shares repurchased and cancelled at a cost of £1,494,000).

The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

14. Share Premium

	2006 £'000	2005 £'000
Balance at 30 September	**39,967**	39,967

15. Merger Reserve

	2006 £'000	2005 £'000
Balance at 30 September	**61,344**	61,344

16. Capital Redemption Reserve

	2006 £'000	2005 £'000
Balance brought forward	**1,837**	1,605
Nominal value of Ordinary shares repurchased and cancelled	**–**	232
Balance at 30 September	**1,837**	1,837

17. Capital Reserve – Realised

	2006 £'000	2005 £'000
Balance brought forward (restated as per note 25)	**91,171**	57,630
Net realised profit based on carrying values at the previous balance sheet date	**28,549**	22,596
Transfer from capital reserve – unrealised, arising on disposal of investments	**35,343**	15,526
Cost of shares repurchased during the year	**(7,400)**	(1,494)
Exchange (loss)/gain on currency transactions	**(96)**	523
Dividends allocated to capital	**331**	32
Management fee allocated to capital	**(2,229)**	(1,741)
Performance fee allocated to capital	**(1,980)**	(1,816)
Transaction costs incurred on acquisitions of investments	**(497)**	(509)
Interest charge allocated to capital	**(688)**	(441)
Tax relief on management fee and interest charge	**1,020**	865
Foreign tax suffered on dividends allocated to capital	**(38)**	–
Balance at 30 September	**143,486**	91,171

18. Capital Reserve – Unrealised

	2006 £'000	2005 £'000
Balance brought forward (restated as per note 25)	**48,193**	17,319
Transfer to capital reserve – realised, arising on disposal of investments	**(35,343)**	(15,526)
Unrealised appreciation during the year	**27,395**	46,400
Balance at 30 September	**40,245**	48,193

19. Revenue Reserve

	2006 £'000	2005 £'000
Balance brought forward (restated as per note 25)	**7,373**	5,529
Net revenue return for the year	**5,191**	4,436
Dividends paid on Ordinary shares	**(7,070)**	(2,592)
Balance at 30 September	**5,494**	7,373

20. Net Asset Value per Share

The Net Asset Value per Ordinary share is calculated on net assets of £322,093,000 (2005: as restated £279,605,000) and 57,990,389 (2005: 59,440,389) Ordinary shares in issue at the year-end.

Shares held in treasury are excluded from the calculation of the Net Asset Value per Ordinary share.

21. Analysis of Net Debt

	At 30 September 2005 £'000	Cash Flow £'000	**Movement in** Borrowings £'000	Exchange loss £'000	**At 30 September 2006 £'000**
Cash at bank and short-term deposits	3,022	(1,639)	–	(96)	**1,287**
Bank overdraft	–	(152)	–	–	**(152)**
Net cash at 30 September	3,022	(1,791)	–	(96)	**1,135**
Bank loans	(32,712)	–	17,793	–	**(14,919)**
Net debt at 30 September	(29,690)	(1,791)	17,793	(96)	**(13,784)**

22. Reconciliation of Net Cash Flow to Movement in Net Debt

	2006 £'000	2005 £'000
Decrease in cash	**(1,791)**	(173)
Decrease/(increase) in borrowings	**17,793**	(32,712)
Change in net balances resulting from cash flows	**16,002**	(32,885)
Net (debt)/cash balances brought forward	**(29,690)**	2,672
Exchange (loss)/gain on currency transactions	**(96)**	523
Net debt at 30 September	**(13,784)**	(29,690)

23. Related Party Transactions

The investment manager, Gartmore Investment Limited, is regarded as a related party of the Company. During the year, total management fees of £4,952,000 (2005: £4,138,000) were payable to Gartmore Investment Limited for the provision of investment management and secretarial services to the Company. The basis of management fees charged is disclosed in the Directors' Report. At the balance sheet date, management fees (including VAT) of £2,715,000 (2005: £2,462,000) had been accrued.

As described in Note 4, Gartmore Investment Limited also reimbursed the Company for the additional costs, including the fees of £50,000 paid to the Directors, for work in relation to the corporate review of the Company. Non-audit work provided by the Auditors were paid directly by Gartmore Investment Limited.

24. Risk Management, Derivatives and Other Financial Instruments

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

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

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

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

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

In order to manage this risk the Directors meet regularly with the Managers to compare the performance of the portfolio against market indices and to review the comparable investment trusts, individual shares, securities and sectors, both within and outside the portfolio. The Company does not generally hedge against the effect of changes in the underlying prices of the investments as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth. The Company had no derivative instruments at the year end, but, in the event that it had, the value of derivative instruments held at the balance sheet date would be determined by reference to their market value at that date.

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

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

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

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

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

The Company has an overdraft facility of £5,000,000 with The Royal Bank of Scotland plc. The interest rate on the bank overdraft is 1% over the bank's base rate. At 30 September 2006 the Company had an overdraft of £152,000 (2005: £nil).

The Company also has an uncommitted multi-currency loan facility of £50,000,000 with The Bank of New York. Interest on the facility is charged at 0.5% over LIBOR. To minimise exposure to interest rate movements amounts drawn are rarely fixed for terms in excess of one month. At 30 September 2006 the Company had drawings of €22 million (2005: €48 million), equivalent to £14,919,000 (2005: £32,712,000), under this facility.

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

	2006 In 1 Year or less £'000	2006 Greater than 1 year £'000	2005 In 1 Year or less £'000	2005 Greater than 1 year £'000
Cash Flow Interest Rate Risk				
Loans and Receivables				
Cash at bank and short-term deposits	**1,287**	**–**	3,022	–
Financial Liabilities				
Multi currency loan facility	**(14,919)**	**–**	(32,712)	–
Bank overdraft	**(152)**	**–**	–	–
	(13,784)	**–**	(29,690)	–

	2006 In 1 Year or less £'000	2006 Greater than 1 year £'000	2005 In 1 Year or less £'000	2005 Greater than 1 year £'000
No Interest Rate Risk				
Financial assets at fair value through profit or loss				
Fixed asset investments at fair value	**–**	**338,908**	–	309,206
Loans and receivables				
Short-term trade receivables	**4,320**	**–**	12,423	–
Financial Liabilities				
Short-term trade payables	**(5,170)**	**–**	(10,306)	–
	(850)	**338,908**	2,117	309,206

As shown by the list of investments in the portfolio at 30 September 2006 on page 12, the investments are equity based and are not therefore subject to interest rate risk.

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

Additional currency risk through gearing is minimised by borrowing in euro, the main currency of the securities held in the portfolio. There are not considered to be any significant credit risks surrounding the bank loan or overdraft as there are strict covenants in place and amounts drawn are rarely for periods longer than one month.

Both the amount and the currency split of the financial instruments are expected to fluctuate as cash flow payments and receipts are made on a regular basis in currencies other than sterling.

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

(vi) Financial Assets

The Company's financial assets comprise equity and other investments, short-term trade receivables and cash balances.

The currency cash flow profile of those financial assets was as follows:

2006	Sterling £'000	Euros £'000	Swiss Francs £'000	Swedish Kroner £'000	Norwegian Kroner £'000	US Dollars £'000	Turkish Lira £'000	Danish Kroner £'000	Total £'000
Fixed asset investments at fair value through profit or loss	364	255,570	61,527	14,458	4,421	–	–	2,568	338,908
Loans and receivables	899	2,526	1,858	322	–	2	–	–	5,607
	1,263	258,096	63,385	14,780	4,421	2	–	2,568	344,515

2005	Sterling £'000	Euros £'000	Swiss Francs £'000	Swedish Kroner £'000	Norwegian Kroner £'000	US Dollars £'000	Turkish Lira £'000	Danish Kroner £'000	Total £'000
Fixed asset investments at fair value through profit or loss	364	248,507	40,028	11,605	1,997	2,902	2,068	1,735	309,206
Loans and receivables	781	10,579	3,425	660	–	–	–	–	15,445
	1,145	259,086	43,453	12,265	1,997	2,902	2,068	1,735	324,651

(vii) Financial Liabilities

The Company's financial liabilities comprise bank loans, overdraft balances and short-term trade payables. Details of the Company's bank loans are disclosed in note 12.

The currency cash-flow profile of those financial liabilities was:

2006	Euros £'000	Swiss Francs £'000	Swedish Kroner £'000	Total £'000
Multi currency loan facility	14,919	–	–	14,919
Bank overdraft	–	152	–	152
Short-term trade payables	2,744	2,426	–	5,170
	17,663	2,578	–	20,241

2005	Euros £'000	Swiss Francs £'000	Swedish Kroner £'000	Total £'000
Multi currency loan facility	32,712	–	–	32,712
Bank overdraft	–	–	–	–
Short-term trade payables	7,322	2,324	660	10,306
	40,034	2,324	660	43,018

(viii) Fair Value

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

25. Restatement for the First Time Adoption of Revised UK GAAP

As stated in note 1, the Board has elected to continue to follow UK Generally Accepted Accounting Practice ('UK GAAP') rather than adopt International Financial Reporting Standards ('IFRS'). However, new Financial Reporting Standards have been issued as part of the programme to converge UK GAAP with IFRS and a number of figures as at 30 September 2004 and 2005 have consequently been restated. The impact of these restatements is shown below. The net effect of these changes has been to increase the net assets at 30 September 2005 by £3,204,000 and at 30 September 2004 by £2,469,000.

Under FRS 26 'Financial Instruments: Measurement', investments should be valued at their fair value, which is deemed to be bid price, or last traded price where no bid price is available. Previously, listed investments were valued at mid-market prices. The financial statements for the years to 30 September 2004 and 2005 have been restated to reflect investments at their fair value.

In addition, incidental transaction costs incurred on the purchase of investments which were previously added to the recorded cost of the investments have been recognised separately and expensed. This has no effect on net assets or total return, but increases capital reserve – unrealised and reduces capital reserve realised by £334,000 at 30 September 2005 and £256,000 at 30 September 2004.

Under FRS 21 'Events After the Balance Sheet Date', dividends should only be accrued in the accounts if they are a liability at the Balance Sheet date. Therefore, they are now recognised in the period in which they are declared, not in the period in which they are proposed. No provision has therefore been made for the final dividend on Ordinary shares for the years ended 30 September 2005 and 2006. The financial statements for the years ended 30 September 2004 and 2005 have been restated to remove the final dividends that were accrued at those dates. Dividends are no longer recognised through the Income Statement, instead these are taken to the Reconciliation of Movements in Shareholders' Funds as an appropriation of equity.

Reconciliation of Balance Sheet at 30 September 2004

	Previously reported 30 September 2004 £'000	Effect of change in policy £'000	Restated 30 September 2004 £'000
Non-current Assets			
Listed investments held at fair value through profit or loss	214,237	(137)	214,100
Unlisted investments in subsidiaries	364	–	364
	214,601	(137)	214,464
Current Assets			
Debtors – amounts receivable within one year	668	–	668
Short-term deposits	2,631	–	2,631
Cash at bank	87	–	87
	3,386	–	3,386
Current Liabilities			
Creditors – amounts payable within one year	(7,110)	2,606	(4,504)
Net Current Liabilities	(3,724)	2,606	(1,118)
Net Assets	210,877	2,469	213,346
Capital and Reserves			
Called-up share capital	29,952	–	29,952
Share premium	39,967	–	39,967
Merger reserve	61,344	–	61,344
Capital redemption reserve	1,605	–	1,605
Capital reserve – realised	57,886	(256)	57,630
Capital reserve – unrealised	17,200	119	17,319
Revenue reserve	2,923	2,606	5,529
Equity Shareholders' Funds	210,877	2,469	213,346

25. Restatement for the First Time Adoption of Revised UK GAAP (continued)

Reconciliation of Balance Sheet at 30 September 2005

	Previously reported 30 September 2005 £'000	Effect of change in policy £'000	Restated 30 September 2005 £'000
Non-current Assets			
Listed investments held at fair value through profit or loss	309,204	(362)	308,842
Unlisted investments in subsidiaries	364	–	364
	309,568	(362)	309,206
Current Assets			
Debtors – amounts receivable within one year	12,973	–	12,973
Short-term deposits	41	–	41
Cash at bank	2,981	–	2,981
	15,995	–	15,995
Current Liabilities			
Creditors – amounts payable within one year	(49,162)	3,566	(45,596)
Net Current Liabilities	(33,167)	3,566	(29,601)
Net Assets	276,401	3,204	279,605
Capital and Reserves			
Called-up share capital	29,720	–	29,720
Share premium	39,967	–	39,967
Merger reserve	61,344	–	61,344
Capital redemption reserve	1,837	–	1,837
Capital reserve – realised	91,505	(334)	91,171
Capital reserve – unrealised	48,221	(28)	48,193
Revenue reserve	3,807	3,566	7,373
Equity Shareholders' Funds	276,401	3,204	279,605

Reconciliation of the Income Statements

	Year ended 30 September 2005 £'000
Total transfer to reserves per original reported Statement of Total Return	67,004
Add 2005 dividends on Ordinary shares	3,566
Investments held at fair value changed from mid to bid basis at 30 September 2004	137
Investments held at fair value changed from mid to bid basis at 30 September 2005	(362)
Return to Equity Shareholders	70,345

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gartmore European Investment Trust p.l.c. will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Friday, 19 January 2007 at 12.30 p.m. for the following purposes:

Ordinary Business

1. to receive the Report of the Directors and the Accounts for the year ended 30 September 2006, together with the Report of the Auditors;
2. to declare a final dividend of 2.0p per Ordinary share;
3. to approve the Directors' Remuneration Report for the year ended 30 September 2006;
4. to re-appoint Mr R Dennis as a Director;
5. to re-appoint Mr A Comba as a Director;
6. to re-appoint Mr J C Banon as a Director;
7. to re-appoint Dr M Piehl as a Director;
8. to re-appoint Mr M Firth as a Director;
9. to re-appoint RSM Robson Rhodes LLP as Auditors; and
10. to authorise the Audit Committee to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions. Number 11 will be proposed as an Ordinary Resolution and numbers 12, 13 and 14 will be proposed as Special Resolutions.

11. THAT, pursuant to Section 80 of the Companies Act 1985, the Directors be and they are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £9,665,064 such authority to expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Directors may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the powers and authorities hereby granted had not expired.
12. THAT, subject to the passing of resolution number 11 set out in the notice convening the meeting at which this resolution is proposed, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act), which shall include the sale of treasury shares, wholly for cash pursuant to the authority given by the said resolution number 11 as if Section 89(1) of the Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:

    (a) to the allotment of equity securities in connection with rights issues in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and

    (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £1,449,000.

    The authority contained in this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers and authorities hereby granted had not expired.

13. THAT, the Company be and is hereby generally and unconditionally authorised, in accordance with Section 166 of the Companies Act 1985 (the "Act"), to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 50p each in the capital of the Company provided that:

(a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's issued share capital at 19 January 2007, the date of the Annual General Meeting, equivalent to approximately 8,692,759 Ordinary shares at 30 September 2006;

(b) the minimum price which may be paid for an Ordinary share shall be 50p;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the lower of (i) net asset value per share and (ii) 5% above the average of the mid-market quotations for an Ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary shares are contracted to be purchased;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution;

(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; and

(f) any Ordinary share so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and any applicable regulations of the United Kingdom Listing Authority, held as Treasury Shares.

14. THAT, the Company's Memorandum and Articles of Association be amended by:

(a) deleting the following words in clause 13:

"and to purchase and maintain any type of insurance for or for the benefit of"

"(13) To grant pensions, allowances, gratuities and bonuses to officers, ex-officers, employees or ex-employees of the Company or its predecessors in business or the dependents or connections of such persons, to establish and maintain or concur in establishing and maintaining trusts, funds or schemes (whether contributory or non-contributory) with a view to providing pensions or other benefits for any such persons as aforesaid, their dependents or connections, and to support or subscribe to any charitable funds or institutions the support of which may, in the opinion of the Directors, be calculated directly or indirectly to benefit the Company or such persons as aforesaid, and to institute and maintain any club or other establishment or profit-sharing scheme calculated to advance the interests of the Company or its officers or employees."

(b) inserting the following as new clause 13A:

"(13A) To purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees or auditors of the Company, or of any associated company, or who are or were at any time trustees of any pension fund or employees' share scheme in which any employees of the Company or of any associated company are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to the Company or associated company or pension fund or employees' share scheme; to such extent as may be permitted by law (b) otherwise to indemnify any such person against or from any such liability; and (c) (i) to provide a director with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under those provisions of the Companies Act 1985 referred to in Section 337A(2) of that Act and (ii) to do anything to enable a director to avoid incurring such expenditure."; and

(c) deleting the existing Article 140 and substituting therefor the following new Article 140:

"(140.1) Subject to the provisions of, and so far as may be permitted by and consistent with, the statutes, every director and officer of the Company shall be indemnified by the Company out of its own funds against (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company other than (i) any liability to the Company or any associated company (as defined in Section 309A(6) of the Act) and (ii) any liability of the kind referred to in Sections 309B(3) or (4) of the Act; and (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office. Where a director or officer is indemnified against any liability in accordance with this paragraph 140.1, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto.

(140.2) Without prejudice to paragraph 140.1 above, the directors shall have power to purchase and maintain insurance for or for the benefit of (i) any person who is or was at any time a director or officer of any Relevant Company (as defined in paragraph 140.3 below), or (ii) any person who is or was at any time a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by or attaching to him in respect of any act or omission in the actual or purported execution and/or discharge of his duties and/or in the exercise or purported exercise of his powers and/or otherwise in relation to his duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme (and all costs, charges, losses, expenses and liabilities incurred by him in relation thereto).

(140.3) For the purpose of paragraph 140.2 above "Relevant Company" shall mean the Company, any holding company of the Company or any other body, whether or not incorporated, in which the Company or such holding company or any of the predecessors of the Company or of such holding company has or had any interest whether direct or indirect or which is in any way allied to or associated with the Company, or any subsidiary undertaking of the Company or of such other body.

(140.4) Subject to the provisions of and so far as may be permitted by the statutes, the Company (i) may provide a director or officer with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under the provisions mentioned in Section 337A(2) of the Companies Act and (ii) may do anything to enable a director or officer to avoid incurring such expenditure, but so that the terms set out in Section 337A(4) of the Companies Act shall apply to any such provision of funds or other things done.";

(d) deleting existing article 89.6.1 and substituting therefor the following new Article 89.6.1:

"(89.6.1) any proposal concerning (i) insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors, or (ii) indemnities in favour of directors, or (iii) the funding of expenditure by one or more directors on defending proceedings against him or them, or (iv) doing anything to enable such director or directors to avoid incurring such expenditure.";

(e) the deleting of Articles 89.6.2 and 89.6.9 and the renumbering of the existing Articles 89.6.2 to 89.6.8 accordingly.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
18 December 2006

Notice of Annual General Meeting

NOTES:

(1) With regard to the proposed re-appointment of directors, Shareholders are referred to the biographical details set out on pages 4 and 5 of this document.

(2) An explanation of Resolutions 11, 12, 13 and 14 is included in the Report of the Directors on pages 21 and 22 of this document.

(3) A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. Such proxy need not be a Member of the Company. A Form of Proxy is enclosed. To be effective, the Form of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be deposited at the offices of the Company's Registrar not less than 48 hours before the time fixed for the Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) at least 48 hours before the taking of the poll at which it is to be used.

(4) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of Ordinary Shares registered on the Company's Register of Members at 12.30 p.m. on 17 January 2007, or if the Meeting is adjourned 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the Meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the Register of Members after 12.30 p.m. on 17 January 2007, or if the Meeting is adjourned 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(5) The Register of Directors' Interests in the capital of the Company will be available for inspection at the Meeting from 15 minutes before it is held until its conclusion.

(6) No Director has a contract of service with the Company.

(7) Members are requested to notify the Company's Registrar of any change of address in writing. This Report is forwarded to the address at present registered for communications.

Useful Information for Shareholders

Annual General Meeting

This year's Annual General Meeting of the Company will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Friday, 19 January 2007 at 12.30 p.m.

Financial Calendar

Key dates are set out below:

December 2006	Annual results announced
19 January 2007	Annual General Meeting
31 January 2007	Final dividend payable
31 March 2007	Company's half-year
April 2007	Half-year results announced
30 September 2007	Company's year-end

Payment of Dividends

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

Price and Performance Information

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

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

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

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

Share Dealing

Investors wishing to purchase Ordinary shares in the Company, or sell all or part of their existing holdings, may do so through a stockbroker. Most banks also offer this service. See also pages 58 and 59 for investing in Gartmore investment trusts.

Share Register Enquiries

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

Gartmore ISA*it*, PEP*it* and SAVE*it* Enquiries

Details of the Gartmore Savings Plan, SAVE***it***, and the Gartmore tax-free Individual Savings Account, ISA***it***, are set out on page 50 of this Report. These enable individuals to buy shares in the Company in a straightforward and accessible way, or, in the case of PEP***it***, to transfer into an existing Personal Equity Plan.

Enquiries about ISA***it***, PEP***it*** and SAVE***it*** should be directed to:

Investor Helpline	– Call free on 0800-289 336
Administration Fax	– 0870-888 3033
E-mail	– helpline@gartmore.com

Useful Information for Shareholders

Fast Facts

A FastFacts 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.

Administration

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

Independent Auditors
RSM Robson Rhodes LLP
Chartered Accountants
and Registered Auditor
30 Finsbury Square
London EC2P 2YU

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

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

Registered Office
Gartmore House
8 Fenchurch Place
London EC3M 4PB

Registered No. 427958
England and Wales

Capital Gains Tax

Under present legislation, the annual capital gains of private individuals in excess of £8,800, after any tapering relief, are usually added to taxable income and charged to tax accordingly. Investment trust companies are able to switch investments without liability to capital gains tax.

The Association of Investment 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 internet site, 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.

Investing in Gartmore Investment Trusts

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

Gartmore European Investment Trust p.l.c.
Long-term capital growth from investment in Continental Europe, with a focus on larger companies.

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

Gartmore Global Trust PLC
Capital growth from active investment on a worldwide basis.

Gartmore Growth Opportunities plc
Capital appreciation from investment in a diverse portfolio of UK smaller companies.

Gartmore Irish Growth Fund PLC
Long-term capital growth from investment in companies incorporated in the Republic of Ireland or Northern Ireland.

Gartmore Smaller Companies Trust p.l.c.
Long term capital and income growth from a focused portfolio of smaller UK companies.

Investing in Gartmore Investment Trusts

Gartmore has a range of savings schemes that offer a simple and cost-effective means of buying shares in a number of Gartmore-managed investment trusts, details of which are given on page 49. You can use these schemes to invest on a regular savings basis, for lump sum investments or a combination of both.

There are three flexible schemes: SAVE*it*, ISA*it* and PEP*it*. Brief details of each scheme follow:

SAVE*it*, a low-cost, easy to use and flexible savings scheme

Regular savings from £50 per month **Lump sum investments from £1,000**

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

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

ISA*it* – a tax-efficient way to invest

Regular savings from £100 per month **Lump sum investments from £3,000**

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

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

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

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

PEP*it* Transfers – available for the transfers of existing schemes

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

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

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

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

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

How to receive further information

Write to: Gartmore Investor Services, Gartmore House, 8 Fenchurch Place, London EC3M 4PB
Call free: 0800-289 336 E-mail: helpline@gartmore.com Internet: www.gartmore.co.uk

Telephone calls may be recorded for monitoring and training purposes.

Important Information

The value of investment trust shares and the income from them may go down as well as up and you may not get back your original investment. Past performance is not a guide to future performance. Investment trust shares may trade at a discount or a premium to the value of the investment trust's assets. Funds investing in overseas securities are exposed to and can hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase. Emerging markets tend to be more volatile than more established stockmarkets and therefore your money is at greater risk. Other risk factors such as political and economic conditions should also be considered. Smaller companies are riskier and less liquid than larger companies which means their share price may be more volatile. Investment trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If these investments fall in value, gearing will magnify the negative impact on performance. Particular share classes may also be structurally geared by other share classes that have earlier entitlements to the Company's assets up to a predetermined limit. If an investment trust incorporates a large amount of gearing 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 company. The value of current tax relief depends on individual circumstances. If you have doubts about your tax position you should seek professional advice. The level of yield may be subject to fluctuation and is not guaranteed. Some or all of the annual management fee may be currently charged to the capital of the company. Whilst this increases the yield, it will restrict the potential for capital growth. Net Asset Value ("NAV") performance is not the same as share price performance and investors may not realise returns the same as NAV performance. Where a fund holds a limited number of investments and one or more of those investments declines or is otherwise adversely affected, it may have a more profound effect on the Fund's value than if a larger number of investments were held. If you choose to reinvest dividends to buy more shares in the same investment trust that paid the dividend, you should be aware that this will increase your investment risk exposure to the investment performance of that company. Funds which specialise investing in a particular region or market sector are more risky than those which hold a very broad spread of investments. ISAs were introduced on 6th April 1999 for an initial ten year period. ISAs and PEPs are subject to government legislation and as such their tax treatment may be changed in the future.

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

Annual General Meeting

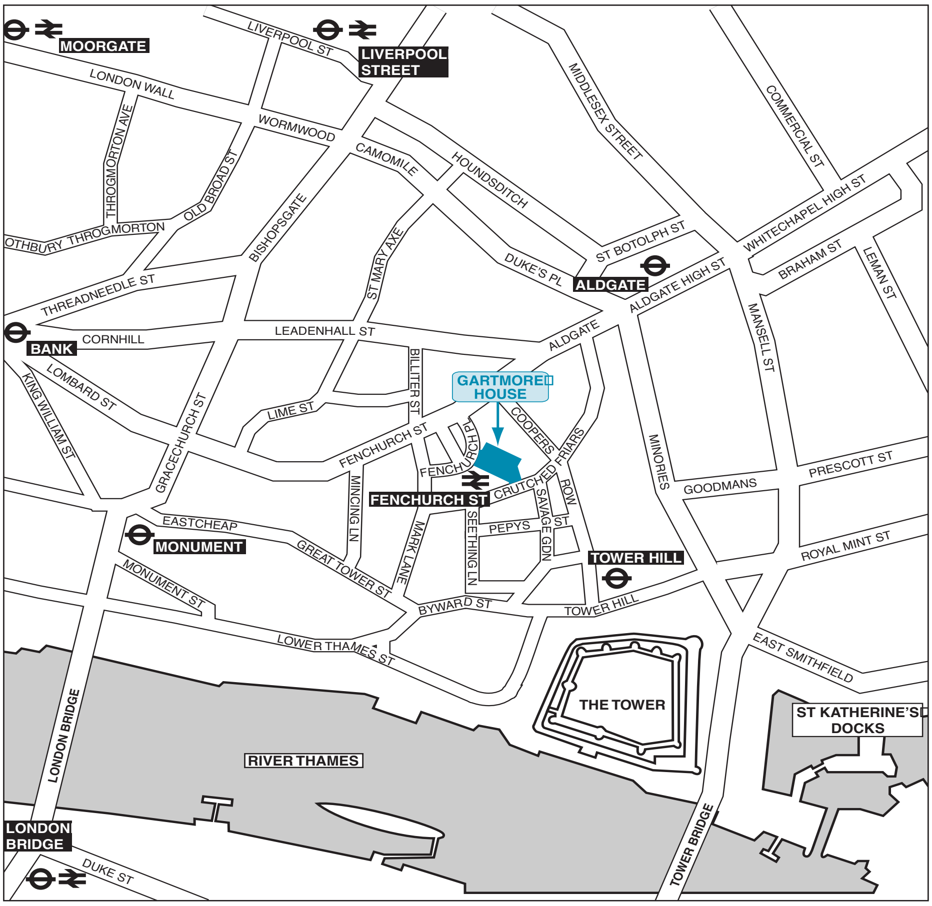
The Annual General Meeting will be held at:

Gartmore House
8 Fenchurch Place
London EC3M 4PB

on Friday, 19 January 2007 at 12.30 p.m.

The Notice of Annual General Meeting is shown on pages 52 to 55.

How to Find Us



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

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

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.

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

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

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

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

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

Premium
The amount by which the 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 the Company, as a percentage of the average net assets.

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

Gartmore European Investment Trust p.l.c.

Registered Office:
Gartmore House
8 Fenchurch Place
London EC3M 4PB

Telephone: 020 7782 2000

Registered No. 427958 England and Wales

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