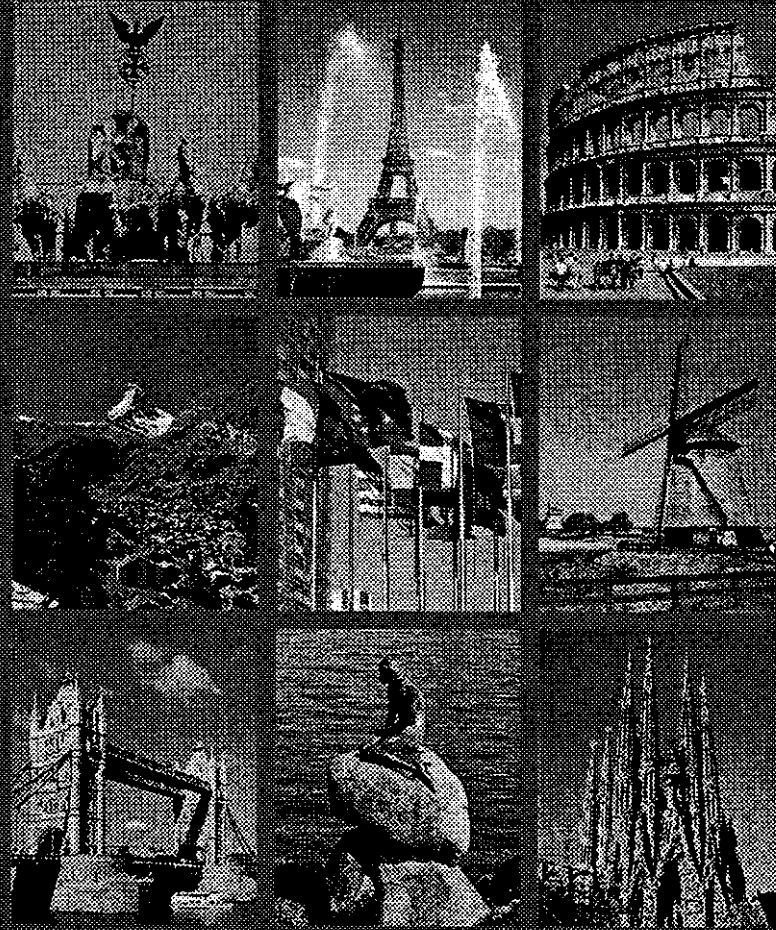


its

Gartmore European Investment Trust p.l.c.

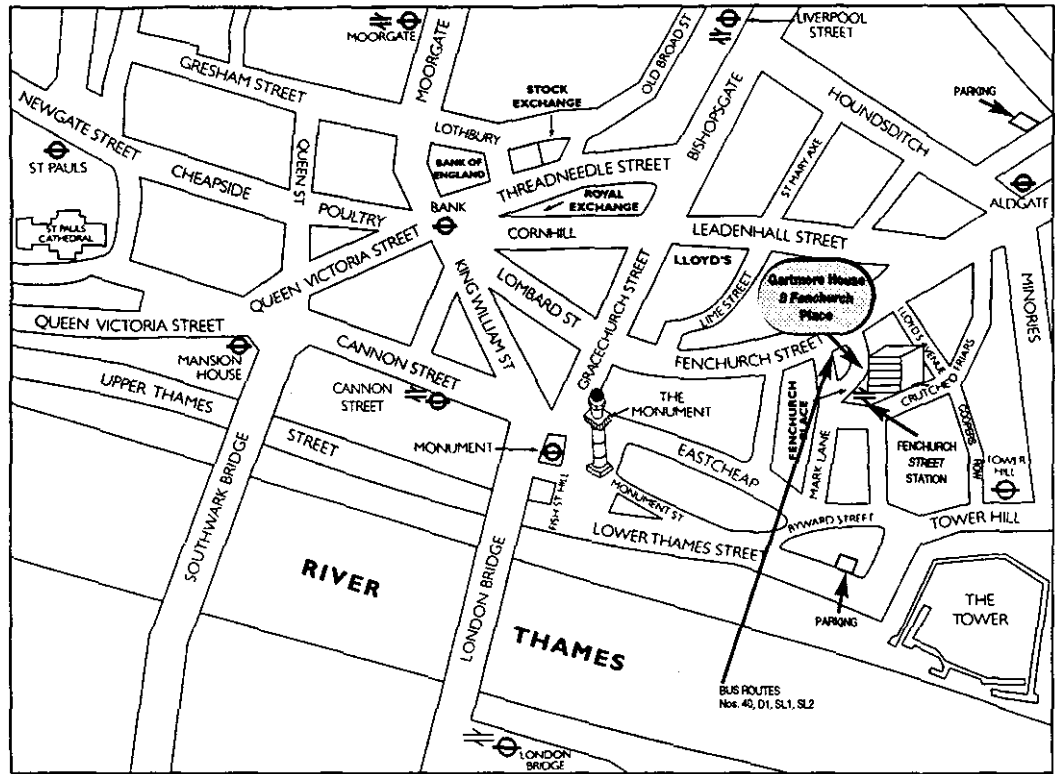
Report and Accounts for the year to 30th September 1999



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COMPANIES HOUSE 07/01/00



## HOW TO FIND US



This year's Annual General Meeting will be held at  
Gartmore House, 8 Fenchurch Place, London EC3M 4PH,  
on Monday, 20th December 1999, at 12.00 midday.  
This will be followed by a Warrantolders General Meeting.

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Gartmore Investment Limited: *Managers and Secretaries*  
Gartmore House, 8 Fenchurch Place, London EC3M 4PH  
Telephone: 020 7782 2000

## THE COMPANY

### Investment Objective

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

### Investment Policy

The Managers 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 via country allocation and the portfolio will maintain a broad geographic diversification.

### Benchmark

Performance is measured against the FT/S&P Actuaries World Index – Europe (ex UK) in sterling terms.

### Structure

The Company is an investment trust company whose share capital comprises Ordinary shares and warrants.



The Company supports the Association of Investment Companies' **its** campaign, aimed at widening awareness of and creating demand for the shares of investment trust companies. Over 160 companies are contributing to the campaign.

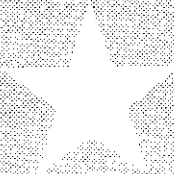
#### Registered Office

Gartmore House  
8 Fenchurch Place  
London EC3M 4PH  
Telephone: 020 7782 2000

#### Registered No 427958

England and Wales

## HIGHLIGHTS



6th consecutive year that the Company's performance has exceeded that of the benchmark index



Total Return of 67.84p per Ordinary share



Net assets increased 66% in the year to £186.5 million at 30th September 1999



Acquisition of Aberdeen European Investment Trust PLC completed contributing 33% to the overall increase in Net Assets



Proposed dividend of 2.0p per Ordinary share



Longer-term outlook for European markets remains attractive



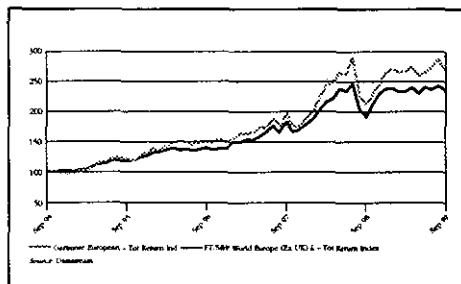
SHORTLISTED FOR 1999

## PERFORMANCE STATISTICS

	At 30th September 1999	At 30th September 1998	% Change
<b>Capital</b>			
Net Assets (£'000)	<b>186,496</b>	112,105	<b>+66.4*</b>
FT/S&P Actuaries World Index – Europe (ex UK) in sterling terms	<b>296.35</b>	245.61	<b>+20.7</b>
Net Asset Value per Ordinary share (basic)	<b>358.35p</b>	290.20p	<b>+23.5</b>
Net Asset Value per Ordinary share (diluted – assuming warrants exercised)	<b>340.63p</b>	278.60p	<b>+22.3</b>
Mid-market Price per Ordinary share	<b>341.00p</b>	267.00p	<b>+27.7</b>
Mid-market Price per Warrant	<b>168.00p</b>	96.50p	<b>+74.1</b>
Premium/(Discount) per Ordinary share (assuming warrants exercised)	<b>0%</b>	(4%)	

	Year to 30th September 1999	Year to 30th September 1998
<b>Revenue</b>		
Net Revenue after taxation (£'000)	<b>1,446</b>	668
Earnings per Ordinary share	<b>3.11p</b>	1.73p
Dividend per Ordinary share	<b>2.00p</b>	1.50p
<b>Total Return per Ordinary share</b>		
Revenue	<b>3.11p</b>	1.73p
Capital	<b>64.73p</b>	30.83p
Total Return	<b>67.84p</b>	32.56p

Five year performance – Price Total Return with dividends reinvested



Source: Datastream

The above graph shows the movement on Price Total Return with dividends reinvested of Gartmore European Investment Trust p.l.c. for the five year period to 30th September 1999 compared with the benchmark index rebased to 100.

\*Includes the acquisition of Aberdeen European Investment Trust PLC, which contributed 33.0% to the increase in net Assets.

## TEN-YEAR RECORD

Year ended 30th June	Net Assets attributable to Ordinary shares of 50p		Mid Market Price per Ordinary share of 50p	Ordinary shares of 50p			
	Total (£'000)	per share (basic) p		per share (diluted) p	Dividend per share p	Earnings† per share p	Total Return per share p
1990 (a)	20,487	120.31	115.05	111.50	0.825	0.84	11.37
Fifteen months ended 30th September							
1991 (b)	16,120	94.66	93.65	82.50	1.10*	2.25	(24.05)
Year ended 30th September							
1992	16,919	99.35	97.56	82.00	1.10	0.97	5.79
1993 (c)	23,206	136.27	128.38	125.00	0.90	1.55*	37.82
1994 (d)	25,061	147.10	137.44	133.00	0.90	1.31**	11.74
1995 (e)	30,404	178.45	163.63	159.50	1.20	1.65***	32.56
1996 (f)	37,208	208.90	193.62	195.00	1.50	2.16	36.25
1997 (g)	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
<b>1999 (h)</b>	<b>186,496</b>	<b>358.35</b>	<b>340.63</b>	<b>341.00</b>	<b>2.00</b>	<b>3.11</b>	<b>67.84</b>

† Equivalent to Revenue Return per share.

\* Excludes a special dividend of 0.5p per share.

\* Restated as a prior year adjustment to reflect the change in accounting policy in 1994 to allocate 75% of Management fees to Capital reserve.

\*\* Restated as a prior year adjustment to reflect the change in accounting policy in 1995 to allocate 75% of Management fees and of loan finance costs to Capital reserve.

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

(a) Ordinary shares in issue increased by 3,669 (equal to 14,676 after scrip issue) on the exercise of warrants.

(b) Ordinary shares in issue increased by 716 on the exercise of warrants.

(c) Ordinary shares in issue increased by 16 on the exercise of warrants.

(d) Ordinary shares in issue increased by 7,888 on the exercise of warrants.

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

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

(g) 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.

(h) Ordinary shares in issue increased by 13,412,455. (11,482,455 in connection with the acquisition of Aberdeen European Investment Trust PLC and 1,930,000 under the powers taken at the AGM held on 14th December 1998).

## DIRECTORS



B Merki W Campbell Allan J von Spreckelsen H Jenkins Dr M Piehl J C Banon

**W Campbell Allan** (*Chairman*)

is aged 67, was appointed a Director in 1971 and became Chairman in 1991. He is a Director of a number of other investment trusts and public companies.

**Jean-Claude Banon** (*French*)

is aged 51 and was appointed a Director in 1991. He is the corporate representative of Vivendi in the UK and Managing Director of General Utilities PLC, the holding company for the group's investments in the British water sector.

**Hugh Jenkins CBE**

is aged 65 and was appointed a Director in 1995. Formerly Chief Executive of Prudential Portfolio Managers Ltd and an Executive Director of Prudential Corporation, he is now a non-executive Director of EMI Group Plc, The Rank Group Plc, and Johnson Matthey Plc.

**Bruno Merki** (*Swiss*)

is aged 57 and was appointed a Director in 1987. He was the Managing Director of Anlage & Kredit Bank in Zurich and was previously head of the finance division of Swiss Volksbank, Geneva. He is a director of several investment companies

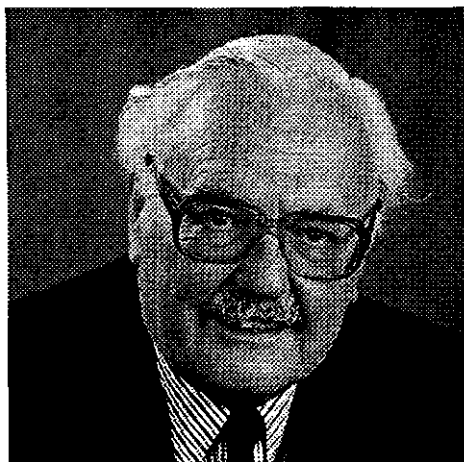
**Dr Manfred Piehl** (*German*)

is aged 61 and was appointed a Director in 1992. He is head of the investment division of Provinzial Versicherungen, a general and life insurance company in Düsseldorf.

**John von Spreckelsen** (*German*)

is aged 56 and was appointed a Director of the Company in 1997. He is Chief Executive of Budgens PLC and was a Director of The German Investment Trust PLC prior to its acquisition by Gartmore European Investment Trust p.l.c.

## CHAIRMAN'S STATEMENT



W Campbell Allan

### Performance

I am pleased to present another excellent set of figures for your Company. For the sixth year in succession, the underlying net asset value (NAV) of each share, diluted to account for the warrants in issue, increased by more than the rise in the benchmark. Over the year, the FT/S&P Actuaries World Index Europe (ex UK) increased by 20.7% while the diluted NAV rose by 22.3%. Almost all the gains by the Index were made in the first six months, but the Company continued to add value in the second half of the year, albeit at a reduced rate.

### Market Background

Unnerved by last autumn's round of devaluations and defaults, European stock markets rebounded from October onwards and hit all-time highs in early January on a rush of optimism associated with the launch of the euro. However, globally, growth was slowing and there were fears that there could be a world-wide recession. Reductions in interest rates in the major economies helped to forestall a severe economic collapse, but markets became nervous. In Europe the euro depreciated against more established currencies. European equity markets stopped making any real progress from the first quarter of 1999 and became increasingly volatile. The war in Kosovo and a fall in bond markets at the same time further undermined investors' confidence.

### Corporate Activities

Your Company completed its acquisition of Aberdeen European Investment Trust PLC in March, adding £37 million to Net Assets. 11.5 million new shares were issued in connection with this acquisition, increasing the shares in issue by 30%.

In September the opportunity arose to issue a further 1.9 million shares, at a premium to NAV, to a small group of investors under the authority given at the last Annual General Meeting.

Throughout, your Company's stock market rating remained buoyant. The Company's shares were much in demand, on account of net asset performance, with the result that the share price rose by almost 28% during the course of the year.

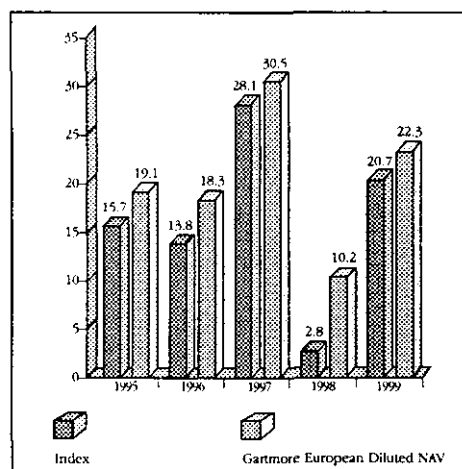
Your Board has always been keen to attract private investors to the share register, and your Company has a considerable private shareholder base. In order to ensure a liquid market for its shares, the Company is supporting the extensive, multi-media advertising campaign sponsored by the Association of Investment Trust Companies. Greater public awareness for investment trusts will benefit all concerned.

Your Board remains committed to a policy of enlarging the Company to ensure there is a liquid market for the Company's shares.

### Revenue, Dividend and Borrowings

Income increased by a greater proportion than the increase in your Company's equity and, while administrative expenses were higher, reflecting the rise in assets, net revenue rose significantly. A fall in finance costs contributed to this outcome. During the first quarter of the financial year the Company had no borrowings and although the Company's multicurrency loan facility was utilised during the remainder of the year, all drawings have been in euros, at relatively low interest rates.

Five year performance



Source: Gartmore

The above graph shows the percentage growth in diluted net asset value per share in each of the last five years compared with that of the FT/S&P Actuaries World Index - Europe (ex UK) £.

## CHAIRMAN'S STATEMENT

The Board recommends a final dividend of 2.0p (1.5p last year) which will result in a transfer of £405,000 into Revenue reserve.

### **Warrants to Subscribe**

I would like to take this opportunity to remind Warranholders that they can subscribe for Ordinary shares at 220p on 31st January next year, and on the same date for the next four years.

### **Outlook**

Within the European economy, domestic demand has continued to be comparatively firm and it should be sufficient to produce GDP growth this year of some 2%. Once any residual uncertainties about millennium bugs in computer systems have been dispelled, Europe should start to witness a rise in growth next year as current economic stimuli take effect. As a result, company profits should increase producing corresponding rises in share prices. Markets should also gain on the back of more corporate restructuring and take-overs as companies continue to strive to be major players in a single Europe. European equities are attractive compared to bonds and to shares in other markets, and an upturn in growth should provide some impetus for market advances. However, there are signs that inflation is increasing and interest rates have started to rise. While the Company's portfolio is focused on growth companies, it has a measure of protection, and I am confident that the skills of our fund manager will turn the trends in the market to shareholders' advantage. In the meantime, I look forward to meeting you at the AGM on 20th December.

### **Special Business of the Annual General Meeting**

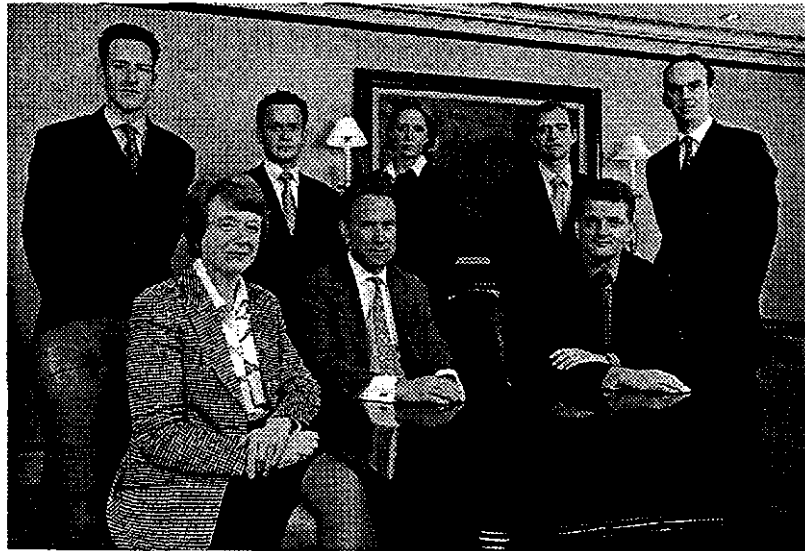
The Notice of the Annual General Meeting on page 38 includes three resolutions of Special Business. The first two will, again, empower the Directors to allot shares of the Company within stated limits and so give the Board continued flexibility to act in a short space of time. These powers will not be exercised other than when the Ordinary shares trade at a premium to their net asset value to avoid diluting the interests of existing shareholders. The third resolution, which will require the agreement of Warranholders at a separate class meeting, is to allow the Company to repurchase its shares should market factors require. I hope you will give these resolutions your support.

W CAMPBELL ALLAN  
*Chairman*  
5th November 1999

## MANAGERS AND SECRETARIES



SHORTLISTED FOR 1999



The Gartmore European Equities Team

Gartmore Investment Limited, a subsidiary of Gartmore Investment Management plc, act as Managers and Secretaries to the Company. Gartmore Investment Management plc is itself a subsidiary of National Westminster Bank Plc.

The day-to-day management of the Company's portfolio is carried out by an award winning team led by Roger Guy. At their regular meetings, the Directors and the Managers review the Company's activities and performance and determine investment strategy.

Gartmore Investment Limited is regulated by IMRO and the Personal Investment Authority and is a member of the NatWest and Gartmore Marketing Group.

## MANAGERS' REVIEW



Roger Guy

### Economic and Market Background

Over the year the Continental European equity markets produced good returns in sterling terms.

The first half of the year saw substantial rises in share prices, particularly those of growth stocks in the telecommunications and electronics sectors. Shares in the banking sector also performed well, principally as a result of merger activity. However, the rally petered out in the Spring as the economic environment failed to improve. The war in Yugoslavia, allegations of graft and corruption in the European Commission, the weakness of the euro and the fall in the region's bond markets undermined sentiment. The euphoria surrounding the launch of the euro did not last long. The new European currency weakened sharply on the currency markets, reaching a low against sterling in June. However, some of the lost ground was regained, reducing its 9% depreciation against sterling to 3.8% in August.

Low inflation allowed the European Central Bank to cut interest rates in an effort to stimulate the European economies. While price pressures were recorded in some of the faster growing countries, such as Spain, they were more than offset by negligible inflation in some of the larger economies, such as Germany where economic growth was very weak.

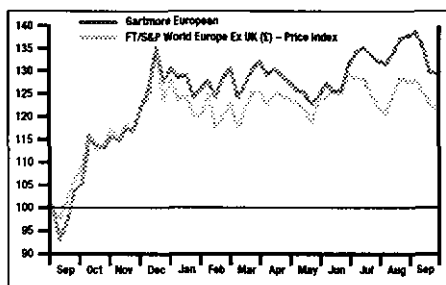
Although economic growth was subdued, there was some evidence of a pick-up in activity.

In common with most other markets, Continental European equity markets witnessed a clear sector rotation from April. Shares in the industrial and resource industries, which had been weak, benefited at the expense of those in 'growth' sectors, such as pharmaceuticals and electronics.

Investors increased investments in economically sensitive sectors, such as steel, chemicals and paper, which were expected to gain the most from a continued pick-up in economic growth.

Industrial consolidation continued to be a major influence on European stock markets. There were some instances of cross-border, even cross-continent, alliances and take-overs, but the majority were domestic. The underlying rationale was similar. They were undertaken in order to create businesses of sufficient size and resources to compete successfully in global markets.

### Performance



Source: Datastream

The above graph shows the price movements of Gartmore European Investment Trust p.l.c. Ordinary shares in the year to 30th September 1999 compared with the benchmark index, rebased to 100.

### Investment Strategy and Activity

Throughout the period, we remained focused on sectors, such as telecommunications, which offered strong and sustainable earnings growth, but we also increased investment in more economically sensitive sectors, purchasing selected building materials and industrial groups.

Despite the portfolio's emphasis on 'growth' sectors, a strategic emphasis on stock selection ensured that the sector rotation did not undermine performance. Individual telecommunications stocks, such as **Nokia**, which is a favoured core holding, remained extremely strong.

We remain very positive about the prospects for the telecommunications sector. Estimates for global mobile phone use and ownership are continually being upgraded. For example, there are now expected to be one billion mobile phone users by 2003. Moreover, we expect the

## MANAGERS' REVIEW

replacement market to be stronger than prevailing estimates and this should further boost handset manufacturers' returns. The new wave of handsets will have the latest applications such as internet connectivity, rendering current models obsolescent. Profits should also be enhanced by increases in the level of data traffic on mobile networks as use of the internet expands, benefiting companies such as **Mannesmann** and **Telecom Italia Mobile**. We increased our investment in this sector through an acquisition of Finnish telecommunications company, **Sonera-Yhtymä**. Sonera is tapped into the anticipated explosive growth in data traffic and, in addition, over one third of the company's value stems from a 41% stake in Turkcell which is effectively Turkey's monopoly mobile operator. Sonera's franchise is excellent and the company should surprise the market with better-than-expected earnings.

Evidence of stronger economic growth in the latter part of the Company's financial year led us to selectively increase exposure to industries where share valuations appeared cheap. Acquisitions included **CRH**, an Irish building materials group. Earnings upgrades are anticipated in response to the improved macroeconomic environment in Ireland and the company's management has a superb track record in creating shareholder value through acquisitions.

Another acquisition was French steel maker, **Usinor**. After a spate of industrial consolidations, the industry structure and pricing power have improved.

While the dramatic improvement in the oil price since the beginning of 1999 will be good for companies such as **Elf Aquitaine**, it should also be reflected in exceptional earnings growth in companies such as oil exploration and production group, **Repsol**. This company was purchased after its successful bid for oil group YPF of Argentina, which weighted the company's franchise towards the more profitable "upstream" operations of the oil business.

Amongst a number of changes to the portfolio's exposure to the financials sector, a holding was taken in **Banco Commercial Portugues**. BCP effectively manages a "federation" of banks, each retaining their own brands. It has consistently delivered very high shareholder returns. BCP is expected to lead the consolidation process in the Portuguese banking industry and has the potential for earnings growth in excess of market expectations.

We increased the holding in investment bank, **Credit Suisse**, following a sharp decline in its share price. We expect the group to achieve its ambitious targets given the excellent quality of its management team.

Societe Generale was sold in September. Having fought off the bid from **BNP**, its shares had risen and reached our target price level. In contrast, **Banco di Roma** was sold following its decision not to merge with IMI-San Paolo, and **Bayerische Hypo Vereinsbank** was sold after it made unexpected provisions against East German real estate exposure, which rendered it unlikely to achieve its targeted returns to shareholders.

Other additions in the year included **Carrefour**, after its friendly merger with Promodes. We think the new business will achieve compound annual earnings growth of 30%.

## MANAGERS' REVIEW

### Outlook

Inflation could drift up as a result of higher oil prices, but the combination of subdued wage pressures and ample spare industrial capacity should keep it below the European Central Bank's target of a 2% maximum.

Despite this, the ECB has just raised interest rates. Markets are becoming more nervous and they will be vulnerable if there is a series of interest rate hikes. A number of other negative factors must also be considered. Consumer spending is starting to fall off and food producers are likely to struggle to meet profit forecasts. Rising bond yields are putting pressure on finance and insurance companies and cultural differences constrain cross-border consolidation. There is also the possible threat of steep increases in US interest rates. This would trigger a correction on Wall Street and have knock-on effects in Europe.

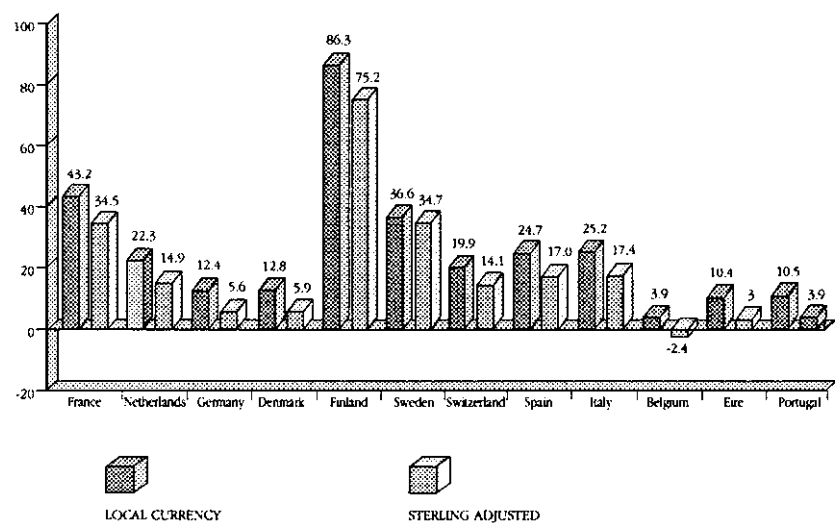
However, economies in Europe are recovering. Firmer economic growth this year and next should create a more favourable environment for corporate profits. Healthy increases in corporate profits will push up share prices, particularly as equities are favourably valued against bonds. In addition, continued takeover activity and corporate restructuring should underpin equity prices.

We believe that investment in Continental Europe will continue to provide attractive returns over the longer-term.

GARTMORE INVESTMENT LIMITED  
*Managers*  
5th November 1999

### Stock Market Performance

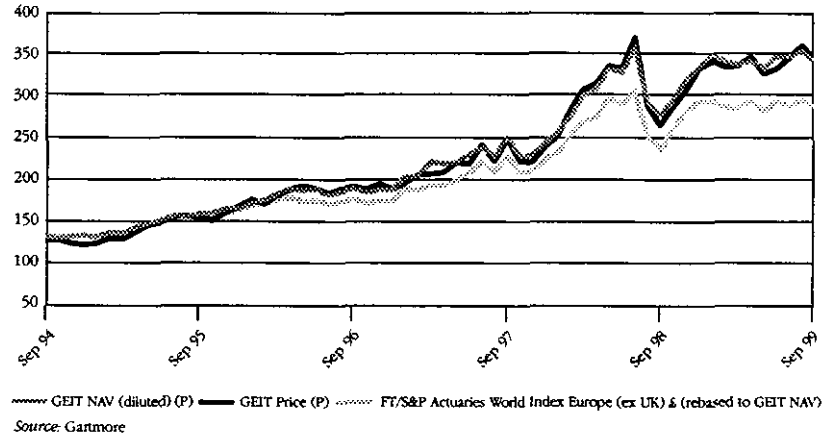
Percentage change over the year to 30th September 1999.



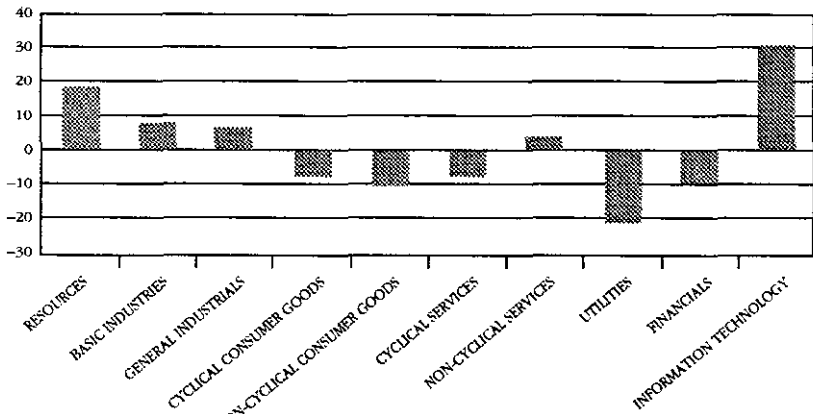
Source: Gartmore

## PERFORMANCE GRAPHS

### Five Year Performance - Capital Only



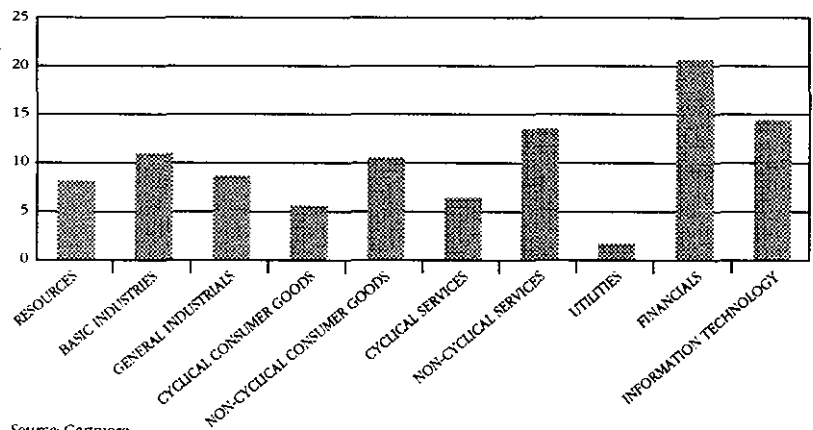
### Benchmark Sector Performance for the 9 months\* to 30th September 1999



FT/S&P Actuaries World Index Europe (ex UK) £  
Source: Deutsche Bank

\*The benchmark index sectors were revised during the year and sector performance has not been recalculated for periods earlier than 1st January 1999.

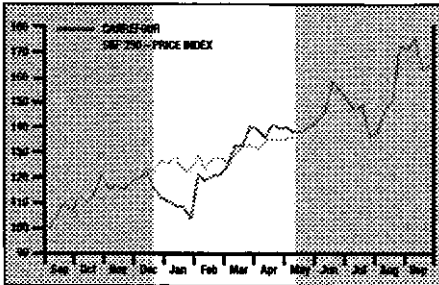
### Portfolio Sector Distribution at 30th September 1999



Source: Gartmore

## FEATURED INVESTMENTS

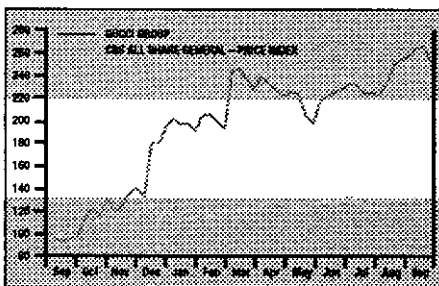
### FRANCE



Source: Datastream

The above chart shows the price movements from 1st October 1998 to 30th September 1999 rebased to 100.

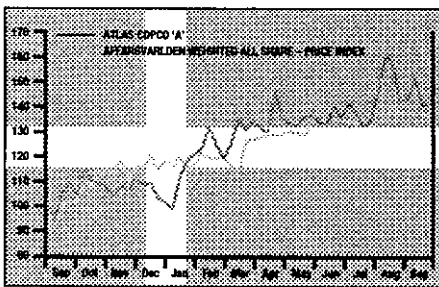
### NETHERLANDS



Source: Datastream

The above chart shows the price movements from 1st October 1998 to 30th September 1999 rebased to 100.

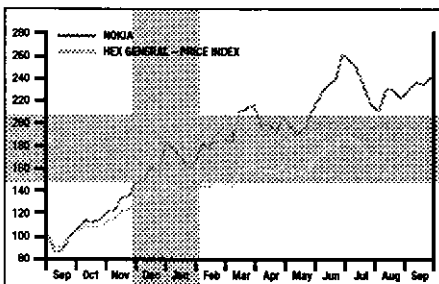
### SWEDEN



Source: Datastream

The above chart shows the price movements from 1st October 1998 to 30th September 1999 rebased to 100.

### FINLAND



Source: Datastream

The above chart shows the price movements from 1st October 1998 to 30th September 1999 rebased to 100.

### Carrefour

Already a market leader among French retailers, Carrefour's recent friendly takeover of French rival Promodes will make the company Europe's leading retail group, second only to American giant Wal-Mart. In our view, the merger will result in substantial cost savings, as well as boosting the company's purchasing power. These factors were not fully priced into the shares.

### Gucci

Gucci has re-established its status as the premier and most sought-after brand in the world of fashion and luxury goods. Its designs and products are marketed world wide. Asia accounts for 40% of sales, and the company has withstood the effects of the economic collapse in the region very well. We anticipate strong growth in earnings.

### Atlas Copco

Swedish engineering group Atlas Copco is well positioned to increase profits as a result of stronger growth in European economies. The company makes, among other things, compressors, generators and power tools. It sells to manufacturing, building and mining industries in Europe, North America and Asia.

### Nokia

Finnish mobile phone manufacturer, Nokia, leads the world in its industry and holds a technological edge over its rivals. Nokia sells around the world and its brand is strong and highly regarded. The company was the first in the industry to recognise that the public see the mobile phone as a consumer, lifestyle product. Illustrating its lead in the market, Nokia is ready to rollout its third-generation handset which will provide internet access. The mobile phone market will continue to grow and Nokia is well positioned to gain from this and produce a rising stream of profits.

## PRINCIPAL INVESTMENTS

Company	Industrial Sector	Geographical Area	Valuation at 30.9.99 £'000	Percentage of Net Assets
Mannesmann	Telecommunications	Germany	9,312	5.0
Nokia	Information Technology	Finland	8,158	4.4
Kamps	Food Producers & Processors	Germany	5,713	3.1
Royal Dutch Petrol	Oil & Gas	Netherlands	4,582	2.5
Roche	Pharmaceuticals	Switzerland	4,567	2.4
Ericsson Telecoms	Information Technology	Sweden	4,139	2.2
Unilever	Food Producers & Processors	Netherlands	3,719	2.0
Gucci	Household Goods & Textiles	Netherlands	3,497	1.9
ING	Insurance	Netherlands	3,463	1.9
Pinault Printemps-Redoute	General Retailers	France	3,223	1.7
TNT Post	Support Services	Netherlands	3,091	1.7
Ahold	Food & Drug Retailers	Netherlands	3,057	1.6
TIM	Telecommunications	Italy	3,018	1.6
Rhone Poulenc	Chemicals	France	2,980	1.6
Elf Aquitaine	Oil & Gas	France	2,969	1.6
Philips Electronics	Electronic & Electrical	Netherlands	2,933	1.6
Repsol	Oil & Gas	Spain	2,854	1.5
UPM-Kymmene	Forestry & Paper	Finland	2,794	1.5
ST-Microelectronics	Information Technology	France	2,793	1.5
Total Fina	Oil & Gas	France	2,671	1.4
Euro Assets Trust	Investment Companies	Netherlands	2,625	1.4
Aegon	Life Assurance	Netherlands	2,613	1.4
Vivendi	Diversified Industrials	France	2,559	1.4
Hoechst	Chemicals	Germany	2,513	1.3
Cie de St-Gobain	Construction & Building Materials	France	2,490	1.3
Sonera-Yhtyma	Information Technology	Finland	2,462	1.3
Munchener Ruckvers	Insurance	Germany	2,456	1.3
Carrefour	Food & Drug Retailers	France	2,430	1.3
Banque Nationale Paris	Bank	France	2,423	1.3
Bayer	Chemicals	Germany	2,422	1.3
<b>Thirty largest investments</b>			<b>104,526</b>	<b>56.0</b>

The value of Net Assets on which this table is based amounts to £186,496,000.

The total number of investments at 30th September 1999 was 98.

## PERCENTAGE DISTRIBUTION OF INVESTMENTS

	France	Netherlands	Germany	Scandinavia	Switzerland	Spain	Italy	Belgium	Portugal	Fire	Poland	Greece	UK and Other	Total 1999	Total 1998
<b>EQUITIES &amp; CONVERTIBLES</b>															
<b>RESOURCES</b>															
Mining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.2
Oil & Gas	3.0	2.5	-	-	-	1.5	1.1	-	-	-	-	-	-	8.1	5.4
<b>BASIC INDUSTRIES</b>															
Chemicals	1.6	-	2.6	-	-	-	-	-	-	-	-	-	-	4.2	0.9
Construction & Building Materials	3.3	1.2	-	1.5	0.2	-	-	-	-	0.8	-	-	-	7.0	1.6
<b>GENERAL INDUSTRIALS</b>															
Diversified Industrials	2.4	-	0.8	-	-	-	-	-	-	-	-	-	-	3.2	-
Electronic & Electrical	-	1.9	-	-	1.8	-	-	-	-	-	-	-	-	3.7	2.2
Engineering & Machinery	-	0.2	-	1.9	-	-	-	-	-	-	-	-	-	2.1	6.1
<b>CYCLICAL CONSUMER GOODS</b>															
Automobiles	-	-	1.8	-	-	-	-	-	-	-	-	-	-	1.8	2.9
Household Goods & Textiles	1.1	1.9	-	-	0.9	-	-	-	-	-	-	-	-	3.9	0.9
<b>NON-CYCLICAL CONSUMER GOODS</b>															
Food Producers & Processors	-	2.5	3.1	-	-	-	-	-	-	-	-	-	-	5.6	5.3
Health	-	-	1.6	-	-	-	-	-	-	-	-	-	-	1.6	1.2
Pharmaceuticals	-	-	-	-	3.7	-	-	-	-	-	-	-	-	3.7	8.8
<b>CYCLICAL SERVICES</b>															
General Retailers	2.8	-	-	-	-	1.2	-	-	0.5	-	-	-	-	4.5	6.1
Support Services	-	1.7	-	0.3	-	-	-	-	-	-	-	-	-	2.0	-
<b>NON-CYCLICAL SERVICES</b>															
Food & Drug Retailers	1.3	1.6	-	-	-	-	-	-	-	-	-	-	-	2.9	-
Telecommunications Services	0.6	0.7	5.8	-	-	1.0	2.2	-	-	-	-	0.5	-	10.8	14.0
<b>UTILITIES</b>															
Electricity	-	-	-	-	-	0.7	-	-	0.6	-	0.2	-	-	1.5	-
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.7
<b>FINANCIALS</b>															
Banks	1.3	0.9	1.0	0.7	2.4	1.1	1.3	-	0.7	0.9	0.5	-	-	10.8	14.7
Insurance	1.2	1.9	1.3	1.2	1.2	-	-	0.7	-	-	-	-	-	7.5	7.0
Life Assurance	-	1.4	-	-	-	-	-	-	-	-	-	-	-	1.4	1.5
Investment Companies	-	1.4	-	-	-	-	-	-	-	-	-	-	-	1.4	2.2
Speciality & Other Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.8
<b>INFORMATION TECHNOLOGY</b>															
Information Technology Hardware	1.5	-	-	7.9	-	-	-	1.3	-	-	-	-	-	10.7	5.9
Software & Computer Services	1.3	1.0	1.8	-	-	-	-	-	-	-	-	-	-	4.1	2.3
	21.4	20.8	19.8	13.5	10.2	5.5	4.6	2.0	1.8	1.7	0.7	0.5	-102.5	94.7	
<b>INVESTMENTS IN SUBSIDIARIES</b>															
	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.3
<b>NET CURRENT (LIABILITIES)/ASSETS</b>															
	-	-	-	-	-	-	-	-	-	-	-	-	(2.7)	(2.7)	5.0
<b>TOTAL 1999</b>	<b>21.4</b>	<b>20.8</b>	<b>19.8</b>	<b>13.5</b>	<b>10.2</b>	<b>5.5</b>	<b>4.6</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>0.7</b>	<b>0.5</b>	<b>(2.5)</b>	<b>100.0</b>	<b>100.0</b>
<b>TOTAL 1998</b>	<b>17.3</b>	<b>11.0</b>	<b>19.1</b>	<b>9.0</b>	<b>13.0</b>	<b>7.5</b>	<b>8.5</b>	<b>3.1</b>	<b>1.9</b>	<b>3.0</b>	<b>1.0</b>	<b>1.4</b>	<b>4.2</b>	<b>100.0</b>	
<b>INDEX 1999*</b>	<b>20.4</b>	<b>11.9</b>	<b>19.0</b>	<b>11.0</b>	<b>13.7</b>	<b>5.8</b>	<b>9.9</b>	<b>3.2</b>	<b>0.8</b>	<b>1.2</b>	<b>-</b>	<b>2.6</b>	<b>0.5</b>	<b>100.0</b>	

The total value of investments and net current assets at 30th September 1999, on which this table is based, was £186,496,000 (1998 £112,105,000).

\*FT/S&P Actuaries World Index-Europe (excluding UK) weightings at 30th September 1999.

## ANALYSIS OF SHAREHOLDERS' FUNDS

	Valuation at 30.9.98		Net Transactions £'000	Appreciation/ (Depreciation) £'000	Valuation at 30.9.99	
	£'000	%			£'000	%
<b>EQUITIES &amp; CONVERTIBLES</b>						
France	19,214	17.1	14,594	6,078	<b>39,886</b>	<b>21.4</b>
Netherlands	12,376	11.0	24,855	1,490	<b>38,721</b>	<b>20.8</b>
Germany	20,406	18.2	8,551	7,953	<b>36,910</b>	<b>19.8</b>
Scandinavia	10,141	9.1	6,312	8,782	<b>25,235</b>	<b>13.5</b>
Switzerland	14,471	12.9	2,203	2,332	<b>19,006</b>	<b>10.2</b>
Spain	8,388	7.5	(52)	1,826	<b>10,162</b>	<b>5.5</b>
Italy	9,535	8.5	(602)	(273)	<b>8,660</b>	<b>4.6</b>
Belgium	3,426	3.1	(371)	590	<b>3,645</b>	<b>2.0</b>
Portugal	2,139	1.9	1,807	(496)	<b>3,450</b>	<b>1.8</b>
Eire	3,336	3.0	200	(333)	<b>3,203</b>	<b>1.7</b>
Poland	1,126	1.0	-	93	<b>1,219</b>	<b>0.7</b>
Greece	1,565	1.4	(1,043)	470	<b>992</b>	<b>0.5</b>
Other	-	-	(15)	15	-	-
	<u>106,123</u>	<u>94.7</u>	<u>56,439</u>	<u>28,527</u>	<u><b>191,089</b></u>	<u><b>102.5</b></u>
INVESTMENT IN SUBSIDIARIES	119	0.1	(222)	479	<b>376</b>	<b>0.2</b>
NET CURRENT LIABILITIES	<u>5,863</u>	<u>5.2</u>	<u>(11,573)</u>	<u>741</u>	<u><b>(4,969)</b></u>	<u><b>(2.7)</b></u>
<b>TOTAL ASSETS</b>	<u><b>112,105</b></u>	<u><b>100.0</b></u>	<u><b>44,644</b></u>	<u><b>29,747</b></u>	<u><b>186,496</b></u>	<u><b>100.0</b></u>
ATTRIBUTABLE TO						
ORDINARY SHAREHOLDERS	<u>112,105</u>		<u>43,857†</u>	<u>30,535*</u>	<u><b>186,496</b></u>	

Net Transactions includes investments distributed in specie by the liquidator of Aberdeen European Investment Trust PLC.

† Represents shares issued in the year.

\* Represents Total Return less final dividend payable.

## MARKET AND CURRENCY EXPOSURE

	Equities & Convertibles £'000	Other £'000	Net Currency Exposure at 30.9.99	
			£'000	%
France	39,886	-	<b>39,886</b>	<b>21.4</b>
Netherlands	35,224	-	<b>38,721</b>	<b>20.8</b>
Germany	36,910	-	<b>36,910</b>	<b>19.8</b>
Scandinavia	25,235	-	<b>25,235</b>	<b>13.5</b>
Switzerland	19,006	-	<b>19,006</b>	<b>10.2</b>
Spain	10,162	-	<b>10,162</b>	<b>5.5</b>
Italy	12,157	-	<b>8,660</b>	<b>4.6</b>
Belgium	3,645	-	<b>3,645</b>	<b>2.0</b>
Portugal	3,450	-	<b>3,450</b>	<b>1.8</b>
Eire	3,203	-	<b>3,203</b>	<b>1.7</b>
Poland	1,219	-	<b>1,219</b>	<b>0.7</b>
Greece	992	-	<b>992</b>	<b>0.5</b>
UK	-	(609)	<b>(609)</b>	<b>(0.3)</b>
Euro	-	(3,984)	<b>(3,984)</b>	<b>(2.2)</b>
<b>TOTAL</b>	<u>191,089</u>	<u>(4,593)</u>	<u><b>186,496</b></u>	
<b>PERCENTAGE</b>	<u>102.5</u>	<u>(2.5)</u>		<u><b>100.0</b></u>

## REPORT OF THE DIRECTORS

The Directors submit their Report and the Accounts for the year ended 30th September 1999.

### **Business and Status**

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

The Company has been approved as an investment trust by the Inland Revenue for accounting periods up to 30th September 1998. Since that date, the Company has directed its affairs so as to be able to continue to qualify for approval as an investment trust.

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

### **Revenue and Dividend**

Net revenue after taxation for the year ended 30th September 1999 amounted to £1,446,000 compared with £668,000 for the previous year. The Directors recommend a final dividend of 2.0p per Ordinary share (1.5p last year). The Ordinary shares will be marked ex-dividend on 15th November 1999 and the dividend paid on 28th January 2000, to shareholders on the register on 19th November 1999. The sum of £405,000 will be transferred to Revenue reserve, compared with £89,000 last year.

### **Total Assets**

Total Assets less current liabilities at 30th September 1999 amounted to £186,496,000, compared with £112,105,000 at 30th September 1998.

### **Borrowing**

The Company has a multi-currency revolving loan facility with Robert Fleming & Co Limited in the sum of £40,000,000. At 30 September 1999 the Company had borrowings under this facility of €9,200,000, equivalent to £5,949,000.

### **Management and Custody Agreement**

The Company's investments are managed by Gartmore Investment Limited under a contract providing for one year's notice by either party. The management fee is calculated semi-annually at 0.75% per annum of Total Assets at 30th September and 31st March each year.

The Bank of New York provides custodian services to the Company under the Management Agreement.

### **Payment of Suppliers**

The Company seeks at all times to obtain the best terms for its business and its payment policy is consistent with those terms. In practice the Company will pay its suppliers by the date specified for each transaction.

### **Year 2000 Compliance**

Gartmore Investment Limited, which provides investment management, accounting, administrative and company secretarial services to the Company, has a programme in place to assess the consequences of the Year 2000 date change. Gartmore's strategy was to test its computer systems in order to achieve Year 2000 compliance (as defined by the British Standards Institute in its paper DISC PD2000-1) and to request both its suppliers and the Company's suppliers to ensure that their computer systems achieve the same or equivalent standard.

Gartmore achieved such compliance on 30th June 1999. Due to its reliance on third parties, the compliance of which is beyond its control, this does not constitute a warranty of 100% compliance. Costs relating to the Year 2000 project are being borne by Gartmore Investment Limited.

## REPORT OF THE DIRECTORS

### Directors

The Directors of the Company, all of whom are non-executive, are shown on page 6. All the Directors served throughout the year.

The Directors retiring by rotation are Mr H Jenkins CBE and Dr M Piehl, who being eligible, offer themselves for re-election.

The Directors held the following beneficial interests in the Ordinary shares and warrants of the Company at 30th September 1999 and 1st October 1998:

	Ordinary shares of 50p		Warrants to subscribe	
	30/9/99	1/10/98	30/9/99	1/10/98
W Campbell Allan	9,600	9,600	960	960
J C Banon	—	—	—	—
B Merki	—	—	—	—
M Piehl	—	—	—	—
H Jenkins	—	—	—	—
J von Spreckelsen	—	—	—	—

No Director had non-beneficial interests.

Other than 2,500 shares purchased by Dr M Piehl at 344p per share on 5th October 1999, there have been no changes in Directors' interests since 30th September 1999.

No Director has a contract of service with the Company.

There were no contracts or arrangements at any time during the year in which a Director of the Company had a material interest, either directly or indirectly.

During the year Mr W Campbell Allan and Mr H Jenkins received consultancy fees of £6,250 and £4,500 respectively in respect of additional services in connection with the acquisition of Aberdeen European Investment Trust PLC and other expansion initiatives.

The Directors are covered under a policy of directors' indemnity insurance arranged by the Company at its own expense.

### Corporate Governance

Arrangements have been put in place by the Board which it believes are appropriate to an investment trust company and enable the Company to apply Principles of Good Corporate Governance and comply with the provisions of the Combined Code of best practice (the Combined Code) as required by the London Stock Exchange Listing Rules. In accordance with listing Rule 12.43A, details of how the Principles in Section 1 of the Combined Code have been applied are set out below.

All Directors are non-executive and wholly independent of the Managers, Gartmore Investment Limited. The senior director is the Chairman. There is a formal procedure for the nomination of new Directors to the Board, which is dealt with by the whole Board and not a separate Nominations Committee. One-third of the Directors, who are subject to retirement by rotation, are required to retire and submit themselves for re-election every year, in accordance with the Company's Articles of Association. The Board has a formal schedule of matters reserved to it and meets regularly throughout the year. The Board receives reports upon the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. Individual Directors may take independent advice on any matter concerning them in the furtherance of their duties at the expense of the Company.

The Board has established an Audit Committee with specific terms of reference and which comprises all of the Directors. The Audit Committee has formal arrangements for considering financial reporting and internal control matters as detailed below, and for maintaining an appropriate relationship with the Company's Auditors.

## REPORT OF THE DIRECTORS

Details of Directors' fees are set out on page 30. There is a formal procedure for fixing the level of Directors' fees, which are set at a level sufficient to attract and retain directors of the calibre required to direct the Company successfully. Under the London Stock Exchange's Listing Rule 21.20(1), where an investment trust company has no executive directors, the Code principles relating to the directors' remuneration do not apply.

The Board welcomes dialogue with all shareholders and encourages measures to enhance shareholder communication. The Board particularly welcomes the participation of shareholders at the Annual General Meeting. The Company has complied throughout the year with all those provisions set out in the Combined Code, which are appropriate to investment trust companies.

### **Internal Control**

The Directors were responsible for the Company's system of internal financial control for the period from 30th September 1998 to the date of this Report and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of not achieving the Company's objectives. As such, the system of internal financial control provides reasonable, but not absolute, assurance against material misstatement or loss. Procedures necessary to implement those parts of the Combined Code which relate to other aspects of internal control have been established.

The Board intends to regularly review the ongoing process for identifying, evaluating and managing risks significant to the Company.

Under the terms of the Management and Custody Agreements referred to on page 18, Gartmore Investment Limited provides investment management, accounting and secretarial services, and The Bank of New York, custodian services, to the Company. Accordingly employees of the Gartmore group (Gartmore) maintained all the financial arrangements associated with the day-to-day management of the Company. 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.

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 receive reports from Gartmore on a regular basis as regards those aspects of Gartmore's systems relevant to the provision of services to the Company, governance procedures, and on the Company's ability to continue in operational existence.

### **Going Concern**

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

### **Auditors**

Ernst & Young have expressed their willingness to continue in office as Auditors and a resolution proposing their re-appointment and authorising the Directors to determine their remuneration will be submitted at the Annual General Meeting.

### **Substantial Shareholders**

At 5th November 1999 the Company had not been notified of any interests in the Company's Ordinary share capital requiring disclosure.

## REPORT OF THE DIRECTORS

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

	<u>Number</u>	<u>Percent</u>
RC Greig Nominees Limited	2,235,093	4.3
James Capel Nominees Limited	2,111,568	4.1
NatWest FIS Nominees Limited (designation SX)	1,696,580	3.3
Gartmore PEP#	1,349,882	2.6
Nutraco Nominees Limited	1,323,225	2.5

### **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 5th April 1999.

### **Special Business of the Annual General Meeting**

The notice of meeting on page 38 includes three items of special business, being:

To grant the Directors general authority, until the next Annual General Meeting, for the purposes of Section 80 of the Companies Act 1985, to allot relevant securities up to an aggregate amount of £8,673,866 (equal to one third of the Company's current issued share capital). Any issue of shares would be at a price not less than the net asset value per share calculated as though all warrants were exercised;

To disapply the pre-emption provisions of Section 89 of the Companies Act 1985 in respect of equity securities up to an aggregate amount of £2,602,160 (equal to ten percent of the Company's current issued share capital) until the next Annual General Meeting, and;

To grant the Directors general authority until the next Annual General Meeting, for the purposes of Section 166 of the Companies Act 1985, to repurchase for cancellation up to 14.99% (7,801,275) of its own shares. Any repurchase of shares will be at a discount to 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.

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

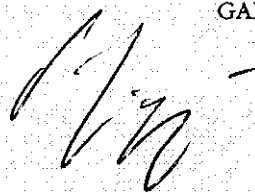
The Directors consider all of the above-mentioned special business is in the interests of the Company and shareholders as a whole and recommend that all shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own shares.

### **Class Meeting of Warrantholders**

The notice of meeting on page 40 includes an extraordinary resolution, being:

To sanction the passing of the Special Resolution put to the Annual General Meeting regarding the buy-back of shares and to make alterations to the Warrant Instrument consistent with this.

By Order of the Board  
GARTMORE INVESTMENT LIMITED  
*Secretaries*  
5th November 1999



## 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 the Company's affairs at the end of the year, and of its revenue for the year then ended. In preparing those accounts, the Directors are required to:

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

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are also responsible for safeguarding the Company's assets, for maintaining adequate systems of internal control, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS' REPORT

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

### Financial Statements

We have audited the financial statements on pages 24 to 37 which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 28.

### Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 22, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statements on pages 19 and 20 reflect the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if they do not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies in the accounts.

### Basis of Opinion

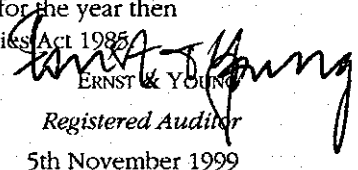
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 30th September 1999 and of its net revenue and total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

  
ERNST & YOUNG  
Registered Auditor  
5th November 1999

## TOTAL RETURN

	Notes	Year ended 30th September 1999		
		Revenue £'000	Capital £'000	Total Return £'000
<b>INCOME AND CAPITAL PROFITS</b>				
Dividends and other income	2	3,044	–	3,044
Net profit on investments	3	–	30,123	30,123
<b>RETURN BEFORE EXPENSES, FINANCE COSTS AND TAXATION</b>				
		3,044	30,123	33,167
<b>EXPENSES</b>				
Management fees	4	(358)	(1,074)	(1,432)
Other expenses	4	(462)	(104)	(566)
<b>RETURN BEFORE FINANCE COSTS AND TAXATION</b>				
		2,224	28,945	31,169
<b>FINANCE COSTS</b>				
Interest payable	6	(104)	(222)	(326)
Exchange gains on currency loans		–	1,065	1,065
<b>RETURN BEFORE TAXATION</b>				
		2,120	29,788	31,908
<b>TAXATION</b>				
	7	(674)	341	(333)
<b>RETURN TO EQUITY SHAREHOLDERS</b>				
		1,446	30,129	31,575
<b>APPROPRIATED TO EQUITY SHAREHOLDERS</b>				
Dividends – Ordinary shares (2.0p per share)		(1,041)	–	(1,041)
<b>TRANSFERRED TO RESERVES</b>				
		405	30,129	30,534
<b>TOTAL RETURN PER ORDINARY SHARE</b>				
	21	3.11p	64.73p	67.84p
<b>DILUTED EARNINGS PER ORDINARY SHARE</b>				
	22	2.94p		

*The revenue column above represents the Revenue account of the Company.*

*All revenue and capital items shown above derive from continuing activities.*

*The Notes on pages 28 to 37 form part of these Accounts.*

## TOTAL RETURN (COMPARATIVE)

	Notes	Year ended 30th September 1998		
		Revenue £'000	Capital £'000	Total Return £'000
<b>INCOME AND CAPITAL PROFITS</b>				
Dividends and other income	2	1,952	–	1,952
Net profit on investments	3	–	13,631	13,631
<b>RETURN BEFORE EXPENSES, FINANCE COSTS AND TAXATION</b>				
		1,952	13,631	15,583
<b>EXPENSES</b>				
Management fees	4	(266)	(798)	(1,064)
Other expenses	4	(423)	(110)	(533)
<b>RETURN BEFORE FINANCE COSTS AND TAXATION</b>				
		1,263	12,723	13,986
<b>FINANCE COSTS</b>				
Interest payable	6	(141)	(323)	(464)
Exchange losses on currency loans		–	(696)	(696)
<b>RETURN BEFORE TAXATION</b>				
		1,122	11,704	12,826
<b>TAXATION</b>				
	7	(454)	204	(250)
<b>RETURN TO EQUITY SHAREHOLDERS</b>				
		668	11,908	12,576
<b>APPROPRIATED TO EQUITY SHAREHOLDERS</b>				
Dividends – Ordinary shares (1.5p per share)		(579)	–	(579)
<b>TRANSFERRED TO RESERVES</b>				
		89	11,908	11,997
<b>TOTAL RETURN PER ORDINARY SHARE</b>				
	21	1.73p	30.83p	32.56p
<b>DILUTED EARNINGS PER ORDINARY SHARE</b>				
	22	1.65p		

*The revenue column above represents the Revenue account of the Company.*

*The Notes on pages 28 to 37 form part of these Accounts.*

## BALANCE SHEET

		At 30th September 1999 £'000	At 30th September 1998 £'000
<b>FIXED ASSETS</b>			
Investments at valuation:			
Listed investments	8	191,089	106,123
Investments in unlisted subsidiaries	9	376	119
		<u>191,465</u>	<u>106,242</u>
<b>CURRENT ASSETS</b>			
Debtors	10	5,481	3,662
Short-term Deposits		52	2,672
Cash at bank		200	1,007
		<u>5,733</u>	<u>7,341</u>
CREDITORS: Amounts payable within one year	11	(10,702)	(1,478)
<b>NET CURRENT LIABILITIES</b>		<u>(4,969)</u>	<u>5,863</u>
<b>NET ASSETS</b>		<u>186,496</u>	<u>112,105</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	12	26,022	19,315
Share premium account	13	9,148	3,242
Other reserves:			
Warrant reserve	14	1,872	1,872
Merger reserve	15	61,344	30,100
Capital reserve	16	73,995	47,759
Unrealised appreciation of investments	17	12,649	8,756
		<u>185,030</u>	<u>111,044</u>
Revenue reserve	18	1,466	1,061
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	<u>186,496</u>	<u>112,105</u>
<b>NET ASSET VALUE PER ORDINARY SHARE</b>	20	<u>358.35p</u>	<u>290.20p</u>

W CAMPBELL ALLAN  
Director

Approved by the Board on 5th November 1999

The Notes on pages 28 to 37 form part of these Accounts.

## CASH FLOW STATEMENT

		Year to 30th September 1999 £'000	Year to 30th September 1998 £'000
<b>REVENUE ACTIVITIES</b>			
Net dividends and interest received from investments		2,028	1,166
Interest received on deposits		140	35
Expenses paid, allocated to revenue		(573)	(717)
	24	1,595	484
<b>SERVICING OF FINANCE</b>			
Interest paid, allocated to revenue		(326)	(467)
		(326)	(467)
<b>TAXATION</b>			
Advance corporation tax recovered/(paid)		29	(59)
Income tax recovered		404	323
		433	264
<b>INVESTMENT ACTIVITIES</b>			
Expenses and interest paid, allocated to capital		(1,213)	(864)
Acquisitions of investments		(272,746)	(141,287)
Disposals of investments		218,408	149,665
Acquisition of subsidiary		(12,985)	-
Distributions from liquidator		50,193	171
		(18,343)	7,685
<b>EQUITY DIVIDENDS PAID</b>		(579)	(579)
<b>FINANCE</b>			
Shares issued		6,871	-
Increase/(decrease) in borrowings		5,949	(2,000)
Exchange gain/(loss) on currency loans		1,065	(696)
		13,885	(2,696)
<b>(DECREASE)/INCREASE IN CASH</b>	25	(3,335)	4,691

*The Notes on pages 28 to 37 form part of these Accounts*

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and comply in all material respects with the Statement of Recommended Practice for Investment Trusts. The particular accounting policies adopted are described below:

#### **Convention**

The financial statements have been prepared on a going-concern basis under the historical cost convention as modified by the inclusion of investments at market value.

The balance sheets of The 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 30th September 1999, have not been consolidated due to their immateriality.

#### **Revenue and expenses**

Revenue includes dividends from investments marked ex-dividend on or before the balance sheet date. Interest on bonds is recognised on a time apportionment basis according to the period for which these investments are held.

Franked investment income is shown inclusive of the tax credit.

The value of scrip dividends elected for has been taken to revenue.

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

#### **Investments**

Investments are treated as fixed assets and are shown in the balance sheet at valuation.

The difference between book cost and valuation is shown under Unrealised Appreciation/ (Depreciation) of Investments.

The investments have been valued at market prices at the close of business on the balance sheet date.

Profits or losses on realisation of investments are taken to Capital reserve.

#### **Rates of Exchange**

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

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

#### **Allocations to Capital Reserve**

Seventy-five per cent of management fees (including the irrecoverable VAT thereon) and of loan finance costs is allocated to Capital reserve. Tax relief in respect of such allocations, is applied to Capital reserve.

## NOTES TO THE ACCOUNTS

2.	DIVIDENDS AND OTHER INCOME	<b>1999</b>	1998
		<b>£'000</b>	£'000
	Income from listed investments:		
	Unfranked – Dividends	2,899	1,914
	Bond Interest	5	3
		<u>2,904</u>	<u>1,917</u>
	Interest on deposits	140	35
		<u>3,044</u>	<u>1,952</u>
3.	NET PROFIT ON INVESTMENTS	<b>1999</b>	1998
		<b>£'000</b>	£'000
	Net profit on disposal of investments	25,751	21,488
	Revaluation of subsidiary	479	24
	Unrealised appreciation/(depreciation) of investments	3,893	(7,881)
		<u>30,123</u>	<u>13,631</u>
4.	EXPENSES	<b>1999</b>	1998
		<b>£'000</b>	£'000
	Management fees (25% Revenue and 75% Capital): At 0.75% of Net Assets p.a. plus VAT	1,432	1,064
	Other expenses (Revenue):		
	Directors' fees (see note 5)	68	58
	Auditors' remuneration (excluding VAT)	11	8
	General expenses	383	357
		<u>462</u>	<u>423</u>
	Other expenses (Capital):		
	Expenses of expansion initiatives	104	110
	Total Expenses	<u>1,998</u>	<u>1,597</u>
	Allocated:		
	Revenue	820	689
	Capital	1,178	908
		<u>1,998</u>	<u>1,597</u>

## NOTES TO THE ACCOUNTS

### 5. DIRECTORS' FEES

Directors' fees were paid at the rate of £12,500 per annum for the Chairman and £9,000 per annum for each of the other Directors. During the year the Chairman and Mr Jenkins (Director) were paid consultancy fees of £6,250 and £4,500 respectively for services in connection with the acquisition of Aberdeen European Investment Trust PLC and expansion initiatives generally. No other emoluments or pension contributions were paid on behalf of any Director.

### 6. INTEREST PAYABLE

	1999 £'000	1998 £'000
Repayable within five years other than by instalments:		
Bank overdraft	30	33
Currency loans	296	431
	<u>326</u>	<u>464</u>
Allocated:		
Revenue	104	141
Capital	222	323
	<u>326</u>	<u>464</u>

The weighted average interest rate paid on currency loans in the year was 3.341%.

### 7. TAXATION

	1999 £'000	1998 £'000
United Kingdom taxation:		
Corporation tax at 31%	279	-
Less Relief for overseas taxation	(279)	-
	<u>-</u>	<u>-</u>
Overseas taxation	333	250
	<u>333</u>	<u>250</u>
Allocated:		
Revenue	674	454
Capital	(341)	(204)
	<u>333</u>	<u>250</u>

## NOTES TO THE ACCOUNTS

### 8. LISTED INVESTMENTS

	1999	1998
	£'000	£'000
(i) Movements of investments held as fixed assets:		
Book cost brought forward	97,367	87,088
Acquisitions at cost	275,431	141,636
In specie transfer from the liquidator of Aberdeen Investment Trust PLC	49,322	-
Disposals at cost	(243,680)	(131,357)
	<hr/>	<hr/>
Book cost at 30th September	178,440	97,367
Unrealised appreciation of investments	12,649	8,756
	<hr/>	<hr/>
Valuation of investments at 30th September	191,089	106,123
	<hr/>	<hr/>
(ii) Analysis of investments:		
Listed overseas – at market value	191,089	106,123
	<hr/>	<hr/>

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

### 9. INVESTMENTS IN UNLISTED SUBSIDIARIES

#### (a) Aberdeen European Investment Trust PLC:

During the year the entire share capital of Aberdeen European Investment Trust PLC (AEIT) was acquired following recommend offers made on behalf of the Company by BT Alex. Brown (now Deutsche Bank) on 22 October 1998. AEIT shareholders were offered 0.4418 Gartmore European shares for each AEIT share held. Partial cash alternatives were also available under the offers, with those accepting the Partial Cash Alternative being entitled to 0.3313 Gartmore European shares and 34.86p in cash for each AEIT share and those electing for an Additional Cash Election alternative receiving 0.1001 Gartmore European shares and 107.87p in cash for each AEIT share held.

The share offer became wholly unconditional on 27 November 1998, and the acquisition of AEIT became effective from that date. Under section 429 of the Companies Act 1985 Gartmore European subsequently compulsorily acquired all the outstanding AEIT shares.

On 26th February 1999 AEIT was placed in members voluntary liquidation and is included in these accounts at its net realisable value as estimated by the liquidators.

Materially all the profits after taxation accruing to AEIT were distributed to the Company by way of dividends on 4th March 1999.

## NOTES TO THE ACCOUNTS

### 9. INVESTMENT IN UNLISTED SUBSIDIARIES (CONT)

	<b>£'000</b>
Book value of Aberdeen European Investment Trust PLC at 27th November 1998:	
Investments at valuation	<b>52,908</b>
Current Assets	
Cash at Bank	<b>2,921</b>
Sundry Debtors	<b>237</b>
Current Liabilities	
Loans	<b>(5,075)</b>
Sundry Creditors	<b>(422)</b>
	<b>50,569</b>
Formula Value Adjustment	<b>(596)</b>
	<b>49,973</b>
Consideration	<b>49,973</b>
Distributions from the liquidator:	
In specie – investments at valuation	<b>(49,322)</b>
Cash	<b>(755)</b>
	<b>(104)</b>
Revaluation of subsidiary	<b>479</b>
	<b>375</b>
Investment in subsidiary as shown in the balance sheet	<b>375</b>

#### (b) The German Investment Trust plc:

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

	<b>1999</b>	1998
	<b>£'000</b>	£'000
Book value brought forward	<b>119</b>	266
Distributions from the liquidator:	<b>(118)</b>	(171)
Revaluation of subsidiary	–	24
	<b>1</b>	119
Valuation at 30th September	<b>1</b>	119

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

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

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

## NOTES TO THE ACCOUNTS

### 10. DEBTORS

	1999	1998
	£'000	£'000
Amounts receivable within one year:		
Investments sold	4,911	3,171
Taxation	446	400
Prepayments	8	-
Accrued income	116	91
	<b>5,481</b>	<b>3,662</b>

### 11. CREDITORS

	1999	1998
	£'000	£'000
Amounts payable within one year:		
Investments purchased	3,305	620
Accrued expenses	394	174
Bank overdraft	13	105
Currency loan	5,949	-
Proposed final dividend	1,041	579
	<b>10,702</b>	<b>1,478</b>

### 12. CALLED-UP SHARE CAPITAL

	1999	1998
	£'000	£'000
Authorised:		
Ordinary shares of 50p – 100,000,000 (60,000,000)	50,000	30,000
Allotted, Called-up and Fully-paid:		
Ordinary shares of 50p – 52,043,197 (38,630,742)	26,022	19,315

11,482,455 Ordinary shares were issued between January and March 1999 in connection with the acquisition of Aberdeen European Investment Trust PLC.

On 8th September 1999 a further 1,930,000 Ordinary shares of 50p were issued under the powers taken at the AGM on 14th December 1998.

At 30th September 1999 there were 7,644,812 Warrants in issue which entitle holders to subscribe for the same number of Ordinary shares, at 220p per share, on 31st January in any of the years 2000 to 2004 (inclusive).

## NOTES TO THE ACCOUNTS

### 13. SHARE PREMIUM ACCOUNT

	1999	1998
	£'000	£'000
Balance brought forward	3,242	33,342
Issue of 1,930,000 Ordinary shares	5,906	-
Transfer to Merger Reserve	-	(30,100)
	9,148	3,242

### 14. WARRANT RESERVE

	1999	1998
	£'000	£'000
Balance at 30th September	1,872	1,872

### 15. MERGER RESERVE

	1999	1998
	£'000	£'000
Opening Balance	30,100	-
Transfer from Share Premium account	-	30,100
Premium arising on acquisition of Aberdeen European Investment Trust PLC	31,244	-
	61,344	30,100

### 16. CAPITAL RESERVE

	1999	1998
	£'000	£'000
Balance brought forward	47,759	27,970
Net profit on disposal of investments	25,751	21,488
Exchange gain on currency loans	1,065	(696)
Expenses allocated to capital reserve	(1,296)	(1,121)
Taxation allocated to capital reserve	341	204
Expenses of expansion initiatives	(104)	(110)
Revaluation of subsidiary	479	24
	73,995	47,759

## NOTES TO THE ACCOUNTS

### 17. UNREALISED APPRECIATION OF INVESTMENTS

	1999	1998
	£'000	£'000
Balance brought forward	8,756	16,637
Movement during year	3,893	(7,881)
Balance at 30th September	12,649	8,756

The Unrealised Appreciation of Investments represents the difference between the book cost of investments held and their market value at the year end.

### 18. REVENUE RESERVE

	1999	1998
	£'000	£'000
Balance brought forward	1,061	972
Revenue retained for year	405	89
Balance at 30th September	1,466	1,061

### 19. EQUITY SHAREHOLDERS' FUNDS

	1999	1998
	£'000	£'000
Balance brought forward	112,105	100,108
Distributable Revenue	1,446	668
Proposed final dividend	(1,041)	(579)
Non-distributable capital profits	30,129	11,908
Shares issued	43,857	-
Balance at 30th September	186,496	112,105

### 20. NET ASSET VALUE PER ORDINARY SHARE

The Net Asset Value per Ordinary share is calculated on net assets of £186,496,000 (£112,105,000) and 52,043,197 (38,630,742) Ordinary shares in issue at the year end.

### 21. TOTAL RETURN PER ORDINARY SHARE

(i) Earnings per Ordinary share (equivalent to the Revenue Return per Ordinary share) is calculated on earnings of £1,446,000 (£668,000) for the year and a weighted average of Ordinary shares in issue during the year of 46,545,512 (38,630,742).

(ii) The Capital Return per Ordinary share is calculated on a return for the year of £30,129,000 (£11,908,000) and the weighted average of Ordinary shares in issue during the year of 46,545,512 (38,630,742).

## NOTES TO THE ACCOUNTS

### 22. DILUTED EARNINGS PER ORDINARY SHARE

Diluted Earnings per Ordinary share was calculated using adjusted shares in issue at 30 September 1999 of 49,127,382 (40,416,236) and assuming an average fair value per Ordinary share of 332p (287p).

### 23. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the year-end (1998 £29,000).

### 24. CASH FLOW FROM REVENUE ACTIVITIES

	1999	1998
	£'000	£'000
Net Revenue before taxation	2,120	1,122
Adjusted for:		
Interest expense	104	141
Tax deductible at source from investment income	(851)	(691)
(Increase) in accrued income	(25)	(60)
(Decrease)/increase in prepayments and Sundry Debtors	(8)	2
Increase/(decrease) in accrued expenses	255	(30)
	<u>1,595</u>	<u>484</u>

### 25. ANALYSIS OF NET DEBT

	At 30 September 1998	Cash Flow £'000	At 30 September 1999
	£'000	£'000	£'000
Short-term deposits – call	2,672	(2,620)	52
Cash at Bank	1,007	(807)	200
Overdrafts	(105)	92	(13)
	<u>3,574</u>	<u>(3,335)</u>	<u>239</u>

### 26. RELATED PARTY TRANSACTIONS

In accordance with FRSS 'Related Party Disclosures', Gartmore Investment Limited, the Company's managers, are regarded as related parties.

Management fees were paid to Gartmore Investment Limited at the rate disclosed in the Report of the Directors, on page 18.

Fees payable for the year amounted to £1,432,000 (including VAT). Fees outstanding at the balance sheet date were £148,000 (including VAT).

## NOTES TO THE ACCOUNTS

### 27. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company invests primarily in the shares and securities of European listed companies. The entire portfolio is held in equities, or in shares or securities convertible into equities, and preference shares. The Company has not used derivative instruments to hedge its portfolio, but, in such an event, the value of derivative instruments held at the balance sheet date would be determined by reference to market value on that date.

The Company's liquidity is predominantly held in euro although there are also some balances held in sterling.

The Company made use of its multi-currency loan facility during the year to 30th September 1999, as described in the report of the Directors on page 18. All borrowings on this facility in the year were in euro and did not exceed €20,000,000.

Deposits and borrowings are rarely fixed for terms in excess of one month.

Currency risk is inherent in a portfolio which invests in securities which are not denominated in sterling.

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

At the year-end, the carrying values of all the Company's financial instruments were their fair values.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gartmore European Investment Trust p.l.c. will be held at Gartmore House (see the map on the inside of the front cover), 8 Fenchurch Place, London EC3M 4PH, on Monday, 20th December 1999 at 12.00 midday for the following purposes:

### ORDINARY BUSINESS

1. to receive the Report of the Directors and the Accounts for the year ended 30th September 1999;
2. to declare a final dividend of 2.0p per Ordinary share payable on 28th January 2000;
3. to re-elect Mr H Jenkins CBE as a Director;
4. to re-elect Dr M Piehl as a Director; and
5. to re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.

### SPECIAL BUSINESS

to consider and, if thought fit, to pass the following resolutions, of which number 6 will be proposed as an ordinary resolution and numbers 7 and 8 as special resolutions:

6. that the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £8,673,866 during the period expiring on the later of 20th March 2001 and the date of the next Annual General Meeting of the Company, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry; and
7. subject to resolution 6 being passed, that 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) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution 6 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) during the period expiring on the date of the next annual general meeting of the Company or, if sooner, on 20th March 2001 save that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;
  - (b) up to an aggregate nominal amount of £2,602,160.
8. that subject to the passing of the extraordinary resolution to be proposed at the Separate General Meeting of holders of warrants of the Company convened for 20th December 1999 (or any adjournment thereof):
  - (a) the Company be and is hereby unconditionally and generally authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 of the Act) of Ordinary shares of 50p each in the capital of the Company provided always that:
    - (i) the maximum number of shares which may be purchased is 7,801,275;
    - (ii) the minimum price that may be paid for each share is 50p;
    - (iii) the maximum price which may be paid for each share is an amount equal to 105 per cent. of the average of the middle market quotations of the Company's Ordinary shares as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such is contracted to be purchased; and

## NOTICE OF ANNUAL GENERAL MEETING

- (iv) this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier 20th March 2001 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time; and
- (b) the Articles of Association of the Company be amended by the addition of the following words at the end of Article 110:
- "otherwise than by way of the redemption or purchase of any of the Company's own shares in accordance with Section 160 or 162 of the Companies Act 1985".

By Order of the Board  
GARTMORE INVESTMENT LIMITED  
Secretaries  
19th November 1999



### NOTES:

- (1) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member. A Form of Proxy is enclosed which should be completed and sent, together, if applicable, with any power of attorney under which it is signed, or a notorially certified copy of that power of attorney, to reach the Company's Registrar not less than two full business days before the time fixed for the Meeting.
- (2) Completing and returning a form of proxy will not prevent a member from attending and voting in person.
- (3) Shareholders may only vote in respect of shares registered on the register of members of the Company not less than 48 hours before the time fixed for the Meeting, or adjourned meeting.
- (4) The Register of Directors' Interests in the Capital of the Company will be available for inspection at the Meeting.
- (5) No Director has a contract of service with the Company.
- (6) Members are requested to notify the Company's Registrar of any change of address. This Report is forwarded to the address at present registered for communications.

## NOTICE OF WARRANTHOLDERS' GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Separate General Meeting of the holders of warrants to subscribe for Ordinary shares of Gartmore European Investment Trust p.l.c. will be held at Gartmore House (see the map on the inside of the front cover), 8 Fenchurch Place, London EC3M 4PH, on Monday, 20th December 1999 at 12.05 p.m., or if later, immediately following the Annual General Meeting, for the following purpose:

to consider and, if thought fit, to pass the following extraordinary resolutions:

THAT:

1(a) This Separate General Meeting of the holders of the Warrants to subscribe for Ordinary shares in the capital of the Company ("Warrants") hereby sanctions the passing as a Special Resolution of the Resolution set out in the Notice of Annual General Meeting of the Company dated 19th November 1999, a copy of which Notice has been produced to this meeting, and for the purpose of identification, signed by the Chairman hereof, and sanctions, in particular:

(i) the purchase by the Company of its own shares notwithstanding that such purchase may involve a distribution by the Company of capital profits or capital reserves and without any equivalent invitation or offer being made to Warrantheolders or adjustment to the subscription provide attaching to the Warrants and without triggering any early exercise of Warrants; and

(ii) the amendment of the Articles of Association of the Company

in each case in accordance with such Resolution and hereby sanctions any and every alteration or abrogation of the rights attaching to the said Warrants involved in or effected by the passing and implementation of such Resolution or any renewal of any authority thereby granted.

(b) The Warrant Instrument, dated 25th March 1997 as supplemented by a supplemental warrant instrument dated 21st May 1997 creating the Warrants be altered on the following terms:

(i) by the insertion in the fourth line of Condition 3.2 immediately after the words "to which Condition 4.7 applies" the words "or an offer or invitation to repurchase its shares";

(ii) by the addition at the end of Condition 4.1 of the following additional sentence:

"Notwithstanding the foregoing provisions of this Condition 4.1, the Company may purchase its own shares pursuant to any authority granted by its shareholders, and may fund such purchases out of capital profits or capital reserves if it thinks fit"; and

(iii) that the text of Condition 4.1.7 be replaced by the following:

"if at any time a tender offer is made by the Company to the holders of the shares for purchase by the Company of any of its shares, the Company shall simultaneously give notice thereof to the Warrantheolders who shall be entitled, at any time whilst such tender offer remains open for acceptance, to exercise their Warrants on the terms on which the same would have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to Condition 3) so as to take effect as if they had exercised their Warrants immediately prior to any record date (or, if there is no such record date, the date on which the tender offer is first made) of such tender offer."

and the Company be authorised to execute a Deed Poll in the form produced to the meeting and initialled by the Chairman for the purposes of identification effecting such alterations to the Warrant Instrument as set out in 2(i), (ii) and (iii) above.

By Order of the Board  
GARTMORE INVESTMENT LIMITED  
Secretaries  
19th November 1999



### NOTES:

- (1) A Warrantheolder entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a Warrantheolder. A Form of Proxy is enclosed which should be completed and sent, together, if applicable, with any power of attorney under which it is signed, or a notorially certified copy of that power of attorney, to reach the Company's Registrar not less than two full business days before the time fixed for the Meeting.
- (2) Completing and returning a form of proxy will not prevent a Warrantheolder from attending and voting in person.
- (3) Only holders of the Company's Warrants who have been entered on the Company's Register of Warrantheolders not less than 48 hours before the Meeting, or adjourned meeting, are entitled to attend and vote at the Meeting.
- (4) Warrantheolders are requested to notify the Company's Registrar of any change of address. This Report is forwarded to the address at present registered for communications.

## USEFUL INFORMATION FOR SHAREHOLDERS

### Annual General Meeting

This year's Annual General Meeting will be held at Gartmore House (see the map on the inside of the front cover), 8 Fenchurch Place, London EC3M 4PH, on Monday, 20th December 1999 at 12.00 midday.

### Financial Calendar

The financial Calendar for 1999/2000 is set out below:

September 30th 1999	Company's year-end
November 9th 1999	Annual results announced
November 15th 1999	Shares marked ex-dividend
December 20th	Annual General Meeting
March 31st 2000	Company's half-year
January 28th 2000	Final dividend payable
April	Half-year results announced

### 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 and warrants are listed on the London Stock Exchange and the prices are shown in the Financial Times and The Daily Telegraph (Ordinary shares only) under 'Investment Companies'.

Real-time share price information is available on the FT Cityline by dialling:

0906 003 2656 for the Ordinary shares.

0906 003 1532 for the Warrants.

Calls are charged at 60p/min at all times.

The Company's Net Asset Value per Ordinary share is calculated daily and published electronically via TOPIC3, the Stock Exchange Information Service, (Sedol: Ordinary shares 0526885, Warrants 0364847) and Reuters (code: Ordinary shares GEO.L, Warrants GEO\_t.L)

Further information can be obtained via the internet, or by telephone:

Gartmore's free investor help line is:- 0800-289 336

Gartmore's internet address is:- [www.gartmore.com](http://www.gartmore.com)

Gartmore's E-mail address is:- [helpline@gartmore.com](mailto:helpline@gartmore.com)

### Share Dealing

Investors wishing to buy or sell shares in the Company may do so through a stockbroker. Most banks also offer this service. See also **SAVEit**, **ISAit** and **PEPit**.

### Share Register Enquiries

The Company's Registrar, Lloyds TSB Registrars Scotland, maintain the share register. In the event of queries regarding your holding, please contact the Registrar on 0870-501 5366. Changes of name or address must be notified in writing to the Registrar.

## USEFUL INFORMATION FOR SHAREHOLDERS

### Capital Gains Tax

Under present legislation the annual capital gains of private individuals in excess of £6,800 are assessed to capital gains tax at 20% or 40%, subject, as appropriate, to indexation and/or tapering relief.

### SAVEit, ISAit and PEPit Enquiries

Details of the Gartmore Savings Plan, **SAVEit**, and the Gartmore tax-free Individual Savings Account, **ISAit**, are set out on page 43 of this Report. Each of these enables individuals to buy shares in the Company in a straightforward and accessible way, or, in the case of **PEPit**, to transfer an existing Personal Equity Plan.

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

Investor Helpline – Call free on 0800-289 336  
Administration Helpline – Call on 0870-601 6133  
E-mail – [helpline@gartmore.com](mailto:helpline@gartmore.com)

### Fact Sheets/SNIPits

Shareholders automatically receive a quarterly Gartmore investment trusts newsletter, **SNIPits**. *Bi-monthly fact sheets are also available for individual investment trusts on request from Gartmore Investment Limited, Gartmore House, 8 Fenchurch Place, London EC3M 4PH, or call free on 0800-289 336.*

### Company Administration Managers and Secretaries

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

### Stockbrokers

Deutsche Bank  
Winchester House  
1 Great Winchester Street  
London EC2N 2EQ

### Registrar and Transfer Office

Lloyds TSB Registrars Scotland  
117 Dundas Street  
Edinburgh EH3 5ED  
Telephone: 0870-501 5366

### Auditors

Ernst & Young  
Registered Auditor  
Rolls House  
7 Rolls Buildings  
Fetter Lane



### Association of Investment Trust Companies

The Company is a member of the Association of Investment Trust Companies, which produces monthly publications of detailed information on the majority of investment trusts. The Company supports the Association of Investment Trust Companies, **its** campaign, aimed at widening awareness of and creating demand for the shares of investment trust companies. Over 160 companies are contributing to the campaign. The Association of Investment Trust Companies can be contacted by telephone on 020 7282 5555.

## INVESTING IN GARTMORE INVESTMENT TRUSTS

Gartmore has a range of savings schemes that offer a simple and cost effective means of buying Gartmore investment trust shares. You can use these schemes to invest on a regular savings basis, for lump sum investments or a combination of both.

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

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

*Regular savings from £50 per month*

*Lump sum investments from £1,000*

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

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

### **ISAit – a tax-efficient way to invest**

*Regular savings from £100 per month*

*Lump sum investments from £3,000*

**ISAit** is the Individual Savings Account (ISA) for the full range of investment trusts managed by Gartmore. It offers income and capital gains tax concessions.

Investments held within **ISAit** are not subject to capital gains tax. Moreover, a 10% tax credit on all dividend distributions may be reclaimed up to 6th April 2004.

**ISAit** allows you to invest, via a maxi-ISA, up to a maximum of £7,000 per person in the 1999/2000 tax year, reducing to £5,000 in subsequent years. 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 are available at a cost of only 1% of the re-purchase value.

### **PEPit Transfers – available for the transfers of existing schemes**

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

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

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

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

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

### **How to receive further information**

*Write to: Gartmore Investor Services, Gartmore House, 8 Fenchurch Place, London EC3M 4PH or  
Call free: 0800-289 336 E-mail: [helpline@gartmore.com](mailto:helpline@gartmore.com) Internet: [www.gartmore.com](http://www.gartmore.com)*

### **Alternatively, please contact an independent financial adviser**

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

Issued and approved by Gartmore Investment Limited which is regulated by IMRO and the Personal Investment Authority and is a member of the NatWest and Gartmore Marketing Group.

## GARTMORE MANAGED INVESTMENT TRUSTS

The aims of Gartmore's investment trusts are as follows:

**English & Scottish Investors p.Lc.**

Capital growth from active investment on a worldwide basis.

**Gartmore British Income & Growth Trust P.L.C.\***

Capital and income growth from a portfolio with a gross yield equivalent to 140% of that available from the FTSE All-Share Index. Invests principally in high-yielding UK companies.

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

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

**Gartmore Fledgling Index Trust plc**

Long-term capital growth from investment in the smallest 1½% of the UK equity market by market capitalisation, through a policy of indexation.

**Gartmore High Income Trust PLC\***

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

**Gartmore Irish Smaller Companies Investment Trust PLC**

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

**Gartmore Select Japanese Investment Trust PLC**

Long-term capital growth from investment in a diversified portfolio of quoted securities in Japanese companies.

**Gartmore Shared Equity Trust P.L.C.\***

High income and capital growth from investment in high-yielding UK securities.

**Gartmore Smaller Companies Trust p.l.c.**

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

**Gartmore SNT PLC\***

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

**Gartmore Split Capital Opportunities Trust PLC\***

A high level of dividend income with prospects for both income and capital growth from investment principally in the shares of split-capital investment trusts.

**NatWest Smaller Companies Investment Trust PLC**

Long-term growth from investment in quoted UK smaller companies.

**Second Scottish National Trust PLC\***

Capital and income growth from higher-yielding UK equities, with some convertible and fixed-interest securities.

**The Gartmore Scotland Investment Trust PLC\***

Capital and income growth from higher-yielding securities in quality UK companies. Has a core holding of larger companies, plus selected smaller companies' shares.

\*Split capital investment trusts, with different classes of share that provide a variety of investment returns.

## GLOSSARY OF INVESTMENT TRUST TERMS

<b>Discount</b>	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
<b>Gearing</b>	The term applied to the effect produced by borrowings and prior charge securities which exaggerates 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.
<b>Liquidity</b>	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.
<b>Market Capitalisation (Market Cap)</b>	The market capitalisation of a company is calculated by multiplying the market price per share by the number of shares in issue.
<b>Net Asset Value</b>	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.
<b>Net Asset Value per share (NAV)</b>	"Basic" or "undiluted" Net Asset Value per share is calculated by dividing the Net Asset Value by the number of shares in issue. "Diluted" Net Asset Value per share accounts for the dilutive effect that would be caused by the exercise of all the Warrants in issue. It is calculated by adding, to the Net Asset Value, the proceeds receivable if all the Warrants in issue were exercised, and dividing that sum by the new total number of shares that would consequently be in issue.
<b>Premium</b>	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
<b>Prior charge</b>	The name 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.
<b>Warrant</b>	A class of security which confers the right to subscribe for a predetermined number of shares at a predetermined price on a specific date or series of dates.
<b>Yield</b>	The annual dividend expressed as a percentage of the share price. "Gross" yield increases this figure by recognising tax credits attributable to a dividend.

GARTMORE EUROPEAN INVESTMENT TRUST p.l.c.

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Printed in England by Permian Colour Print 15996