The European Investment Trust plc

30 SEPTEMBER 2017

Annual Report and Financial Statements

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ENCLOSED SEPARATELY

Form of Proxy
Electronic Communications

Objective*

To achieve attractive investment returns over the long term from a diversified portfolio of European securities.

* subject to the approval of shareholders at the Annual General Meeting to be held on 11 January 2018

Strategic Report

Highlights

as at 30 September 2017

SHARE PRICE TOTAL RETURN	NAV TOTAL RETURN	INDEX RETURN
32.2%	29.9%	22.6%
2016 9.8%	2016 14.9%	2016 21.8%

SHARE PRICE DISCOUNT TO NAV	ORDINARY DIVIDEND	TOTAL DIVIDEND
12.3%	21.5p	23.0p
2016 13.4%	2016 16.0p	2016 22.0p

HIGH CONVICTION PORTFOLIO	DIFFERENT FROM THE INDEX	LONG-TERM FOCUS
NUMBER OF HOLDINGS	ACTIVE SHARE	PORTFOLIO TURNOVER
37	79%	22%
2016 38	2016 81%	2016 34%

ONGOING CHARGES
0.59%
2016 0.62%

Financial Summary

Results for year	30 September 2017	30 September 2016	Change
Shareholders' funds	**£440.2m**	£350.7m	25.5%
Net asset value per ordinary share ("NAV")	**1047.9p**	833.8p	25.7%
Share price per ordinary share	**919.5p**	722.5p	27.3%
Share price discount to NAV	**12.3%**	13.4%	

	Year to 30 September 2017	Year to 30 September 2016
Revenue return per ordinary share*	**25.8p**	19.0p
Capital return per ordinary share*	**219.7p**	88.6p
Total return per ordinary share*	**245.5p**	107.6p
Interim dividend per ordinary share	**8.0p**	–
Special interim dividend per ordinary share	**1.5p**	–
Final dividend per ordinary share**	**13.5p**	16.0p
Special final dividend per ordinary share	**–**	6.0p
Total dividend per ordinary share	**23.0p**	22.0p

* Based on the weighted average number of shares in issue during the year.
** Proposed final dividend for the year.

Year's high/low		Year to 30 September 2017	Year to 30 September 2016
NAV	– high	**1061.8p**	848.3p
	– low	**833.9p**	645.9p
Share price	– high	**940.0p**	741.0p
	– low	**705.0p**	594.5p
Share price discount to NAV	– low	**8.3%**	3.2%
	– high	**17.8%**	18.1%

Performance	Year to 30 September 2017	Year to 30 September 2016
NAV Total Return*	**29.9%**	14.9%
FTSE All-World Europe ex UK Index Total Return*	**22.6%**	21.8%

* In sterling.

The NAV Total Returns are sourced from Edinburgh Partners Limited ("Edinburgh Partners" or the "Investment Manager") and include dividends reinvested. The index performance figures are sourced from Thomson Reuters Datastream. Past performance is not a guide to future performance.

Cost of running the Company	Year to 30 September 2017	Year to 30 September 2016
Ongoing charges*	**0.59%**	0.62%

* Based on total expenses, excluding finance costs and certain non-recurring items for the year and average monthly net asset value.

Chairman's Statement

"This is my first year-end statement as Chairman of your Company. I have taken the opportunity, in conjunction with my Board colleagues, to refresh the layout of the Annual Report. I hope the new format is helpful to shareholders."

PERFORMANCE

I am pleased to report that the Company's portfolio performed strongly in the year to 30 September 2017. The NAV total return was 29.9%, compared to a total return of 22.6% for the FTSE All-World Europe ex UK Index, adjusted to sterling. The share price total return over the year was 32.2%, boosted by the reduction in the discount to NAV from 13.4% to 12.3%. Longer-term returns are more important than any one year's performance and the Company's Ten Year Record can be reviewed on pages 13 and 14.

Our Investment Manager, Edinburgh Partners, adopts a consistent, long-term approach to investing which is focused on company valuations. This high conviction approach is evidenced by a concentrated portfolio, low turnover and high active share. At the year end, there were 37 holdings and turnover for the year was 22%. Active share was 79% and has been consistently around this level. Active share, as defined in the Glossary on page 69, measures the extent of the portfolio's divergence from the benchmark index. The higher the active share, the lower the overlap and the less the portfolio resembles the index. The Investment Manager's Report contains detailed commentary on the portfolio and the performance for the year.

REVENUE AND DIVIDEND

Revenue per share for the year was 25.8p, an increase of 35.8% over the prior year. The main reasons for the rise were the receipt of historic overseas withholding tax reclaims and the strength of the euro relative to sterling over the period. Our revenue is predominantly earned and paid in euros.

Previously, the Company has only paid an annual dividend. Following a review by the Directors, it was decided that it would be beneficial for shareholders to receive a dividend twice a year, an interim dividend in July and, as previously, a final dividend in January. As a consequence, in July 2017, a dividend of 9.5p was paid, which consisted of an interim dividend of 8.0p per share and a special dividend of 1.5p per share.

The Board is now recommending a final dividend of 13.5p per share to give a full year dividend of 23.0p per share, which is a 4.5% increase on the total dividends for the previous year of 22.0p per share. Over the past year, we have received some exceptional income relating to historic overseas withholding tax reclaims and distributed additional special dividends to reflect these receipts. Excluding the special interim dividend of 1.5p paid in July 2017, the total dividend for the year to 30 September 2017 will be 21.5p per share.

Historically, the Company has had a policy of charging all expenses to revenue. In recent years, many investment trusts have adopted a policy of charging a proportion of expenses to capital, to more accurately reflect the expected future returns as split between capital and income. Your Board has reviewed our approach and believes that, for the year ending 30 September 2018 and future years, we should charge two-thirds of management fees and finance costs to capital. This change will mean that certain expenses are charged in proportion to how returns are expected to be generated over time, and should lead to an increase in the revenue available for distribution by way of dividend.

Chairman's Statement continued

OBJECTIVE AND INVESTMENT POLICY

The Company was set up in 1972 and your Board believes that its objective needs updating to reflect developments in the markets in which the Company invests. The proposed updated objective is "to achieve attractive investment returns over the long-term from a diversified portfolio of European securities". The investment policy has also been updated, principally to reflect the belief that the diverse markets of the region promise attractive long-term growth and that investment returns come from a mixture of capital growth and dividends. The proposed new objective and investment policy are set out in full on page 17. These changes will not affect the way in which the Company is managed but require your approval and are included as resolution 10 in the Notice of Annual General Meeting ("AGM").

BORROWINGS

The Company has a €30m bank overdraft facility with The Northern Trust Company. At the year end, the facility was not utilised, although it had been during the year. Under normal circumstances, your Board believes that the portfolio should have a modest level of gearing and the facility provides the Investment Manager with flexibility to take advantage of opportunities when valuations are attractive. The Investment Manager employs a disciplined, valuation-driven strategy which is well-suited to help determine an appropriate level of gearing within strategic parameters set by the Board.

COSTS

The ongoing charges figure for the year was 0.59%, which compares favourably with other actively-managed investment funds and particularly well against other European focused investment trusts.

DISCOUNT AND SHARE BUY BACKS

During the year, the share price discount to NAV widened and at one stage reached 17.8%. We do not have a formal discount target but we monitor the discount closely. We are prepared to buy back shares opportunistically, taking into account the level of the discount and the valuation of the portfolio. During the year, we purchased 46,781 shares at an average price of 750p and at a total cost of £353,000. The discount at the end of the year was 12.3%, a reduction from 13.4% at the start of the year.

THE BOARD

I was appointed as Chairman in January 2017, following the retirement of Douglas McDougall. The Company has enjoyed the benefit of Douglas's experience and wisdom over many years and he deserves our thanks.

ANNUAL GENERAL MEETING

The AGM will be held at 11.00am on Thursday, 11 January 2018 at Brewers' Hall, Aldermanbury Square, London EC2V 7HR. I look forward to meeting shareholders who are able to attend.

You will find enclosed with the Annual Report a letter asking if you would prefer to receive future annual and half-yearly reports and other communications from the Company in electronic form rather than in printed form. Further details regarding this are set out on page 34. I encourage all shareholders to consider the proposal.

OUTLOOK

There is surprisingly little correlation between economic conditions and stock market returns. Over any worthwhile timeframe, earnings, cash flows and starting valuations are far more significant predictors of company share prices. Commentary, by contrast, tends to highlight economic and political events with a mostly limited and transitory impact on a portfolio of investments. There is no shortage of such news and commentary has been correspondingly extensive. I do not propose to add to it here.

Our Investment Manager aims to take a long-term view of the companies it selects and is focused on their absolute valuations, with a keen eye for risk and reward. Success, over time, may be judged according to the wisdom of this philosophy and the skill, discipline and consistency with which it is translated to our portfolio. Your Board believes that The European Investment Trust is an attractive vehicle for investors seeking investment returns from European equities, and that our Investment Manager is well placed to deliver these returns.

Michael MacPhee
Chairman

29 November 2017

Investment Manager's Report

OUR INVESTMENT APPROACH

At Edinburgh Partners, we believe that time horizon is the key market imperfection and that investors spend too much time focusing on short-term quarterly and annual data. Detailed empirical research on markets undertaken by our investment team supports the common sense contention that the value of a business depends upon its long-term ability to generate profits. This strongly indicates that company analysis should be concentrated on a longer term, five-year horizon.

As a result, our investment approach is to forecast individual company earnings five years into the future. We aim to identify and buy undervalued companies and have the patience to hold them until share prices reflect their long-term earnings potential. Instead of being pushed off course by short-term reactions, fear of being different from the crowd or a particular index, our judgments are based purely on long-term analysis of prospective risk and reward. This approach is, by definition, contrarian, but for the patient investor, we believe it is the most reliable way to achieve superior returns over the long term.

PERFORMANCE

The year under review delivered strong investment returns, with a NAV total return of 29.9%. Whilst pleased with this outcome, we have to acknowledge that returns in the previous period were disappointing and the recent improvement in relative performance should be seen in that context.

Within our overall framework of risk management we focus on individual stocks. Therefore, I would like to analyse the performance for the year in terms of significant contributors and detractors, at a sector and individual stock level.

SIGNIFICANT CONTRIBUTIONS TO ABSOLUTE PERFORMANCE – YEAR TO 30 SEPTEMBER 2017

Sectors	Contribution
Banks	+8.9%
Industrials	+7.1%
Oil and Gas	+2.4%
Retail	-0.6%
Technology	-0.6%

Stocks	Contribution
BNP Paribas	+2.0%
Commerzbank	+2.0%
Ubisoft Entertainment	+1.8%
Leoni	+1.7%
Stora Enso	+1.5%
DIA	-0.2%
Ahold Delhaize	-0.4%
Gemalto	-0.6%

The largest contribution from an individual sector came from our banking stocks and I comment on BNP Paribas and Commerzbank below. Much has been written about the issues faced by the banks since the financial crisis and the ongoing challenges from regulation and competition in the digital age. However, we believe that banks in general have now rebuilt their capital, adjusted their cost base and, to different degrees, embraced the challenges and opportunities of digital distribution. That said, banks' main revenue source is net interest income, which comes under pressure when interest rates are very low. The rise in bond yields, signalling a retreat from the fears of deflation and a path towards the end of monetary easing, has been a catalyst for the recovery in the share prices of many banks.

Investment Manager's Report continued

The contribution from industrials was spread across a number of stocks, including Leoni, which is covered specifically below. Notable contributions came from mining equipment supplier Outotec, airplane manufacturer Airbus and staffing specialist Adecco. To varying degrees these stocks are cyclical and have benefitted from the improving economic sentiment.

Our oil and gas holdings also contributed positively to performance. News flow from the energy sector has been dominated by the fall in the price of oil, the impact of shale gas and the shift to renewables. Our view is that demand continues to rise, particularly in the developing world, and that at around $50 a barrel, the market is now broadly in balance, subject to geopolitical events and supply discipline. After several years of cost-cutting, both operating costs and capital expenditure, many energy companies are now earning margins and returns which allow them to maintain their dividends and reinvest in their businesses.

The only sectors which recorded negative contributions were retail and technology. This was largely due to Ahold Delhaize and Gemalto respectively, which I cover below in my analysis of significant stock contributions.

BNP Paribas is based in France but operates in numerous other markets, including Belgium, Luxembourg and Italy. A fundraising in 2015 strengthened its capital position following an adverse US litigation settlement and it has benefited from the ongoing economic recovery across the Eurozone.

Commerzbank is one of the largest banks in Germany. The large number of local savings banks with subsidised funding in the German market suppresses returns compared to other developed markets. However, Commerzbank has initiated a cost-cutting programme and there are signs that the savings banks are starting to close branches, allowing Commerzbank to gain market share. The outlook for Commerzbank's profitability is improving, aided by the firming of German bond yields. The shares have performed well yet still trade at a substantial discount to book value.

Ubisoft Entertainment is a computer games developer. When we first invested in the company in early 2016, we believed that the shift from physical to online distribution of games would result in significant margin improvement over time. With each reporting cycle, the potential scale of the profit uplift has become more evident and the shares have reacted accordingly.

Leoni is the leading European provider of wiring harnesses for the automobile sector. The company is recovering from difficulties with new projects and margins are recovering from a depressed level. The long-term demand for electronics within cars is rising and will be boosted by the growth of electric and hybrid vehicles, which require more complex systems. Autonomous vehicles could represent an even bigger opportunity in the future. The valuation is still reasonable for a business which has a positive structural tailwind.

Ahold Delhaize is a leading food retailer which, following the takeover of Delhaize, has high market shares in Benelux and the east coast of the US. This transaction creates significant cost-cutting opportunities which should support margins over the next three years. The takeover of organic specialist Whole Foods Market by Amazon led to significant falls in the valuations of US food retailers. While Ahold Delhaize is certainly not immune to price competition, the company has the operational skills and market positions to continue to deliver robust earnings and cash flow.

Gemalto is a leading financial technology company focused on transaction processing software and data encryption. Its software is embedded in bank cards, credit cards and SIM cards to authenticate user identity and network access. It also provides government and corporate clients with products for security passes, passports etc. While the company appears to be well positioned for trends in data encryption and network security, the demand for SIM cards is declining and the demand for bank cards is volatile. There has been some bid speculation surrounding the company and, while we have concerns about certain parts of the business, we consider that the valuation is still reasonable despite the recent lowering of our profit forecasts.

Investment Manager's Report continued

TRANSACTIONS

During the year, we replaced seven holdings. The stocks we sold were Swedbank, Unipol, Prysmian, SKF, Stora Enso and Piaggio, which were mainly driven by valuation and, in the case of Unipol, the Italian financial services company, by the risks relating to its banking subsidiary. Delta Lloyd was the subject of a takeover. The purchases were ING, BB Biotech, Gemalto, Ahold Delhaize, Nordea Bank, Deutsche Post and Ontex. There are two stocks in particular I would like to highlight.

ING is one of the largest banks in the Netherlands, which has a concentrated banking system. It is at the forefront of internet banking, demonstrated by its expansion into Germany where it has no branches. ING is a well-run business with solid capital ratios operating in an economy which is improving.

Deutsche Post still delivers the mail in Germany but is also now a diversified logistics business. It owns DHL, the leading European express delivery operator, and has leading businesses in freight forwarding and supply chain management. The combination of post and parcel delivery networks means the business benefits from structural growth in ecommerce.

PORTFOLIO

Over the course of the year, the most significant change in the composition of the portfolio has been the increase in our bank holdings to 20.9% of net assets. This increase of 5.6% reflects the addition of Nordea Bank and price appreciation in the existing holdings. There was a decrease in our industrial holdings of 4.8% and, at the year end, they represented 18.2% of net assets. This decrease reflects the sale of specific stocks such as Prysmian and SKF, a fall in the value of PostNL and some trimming of position sizes. The portfolio maintains a pro-cyclical bias, reflecting our views on the likelihood of continued economic growth and our bank holdings represent our largest cyclical exposure. At the year end, the Company had a cash balance of 2.0%, whereas at the start of the year, borrowings represented 3.0% of net assets. After a period of strong stock market performance, valuations are reasonably full and we believe we should now take a more measured investment approach.

OUTLOOK

European economies remain on a recovery path which should support continuing growth in corporate earnings. Since the financial crisis, monetary stimulus has supported a rise in valuations across a range of asset classes including equities. When this stimulus is withdrawn, the cost of money should rise and we are likely to see bouts of volatility and an increased focus on absolute valuations. We will continue to seek out stocks where the valuation is attractive in terms of risk and reward.

Craig Armour
Edinburgh Partners

29 November 2017

Portfolio of Investments

as at 30 September 2017

Rank 2017	Rank 2016	Company	Sector	Country	Valuation £'000	% of Net Assets 2017	% of Net Assets 2016
1	1	PostNL	Industrials	Netherlands	16,490	3.7	5.1
2	5	BNP Paribas	Financials	France	16,118	3.7	3.6
3	7	Bayer	Basic Materials	Germany	15,188	3.5	3.3
4	8	Novartis	Health Care	Switzerland	14,937	3.4	3.3
5	9	Sanofi	Health Care	France	14,577	3.3	3.3
6	17	BBVA	Financials	Spain	14,211	3.2	2.7
7	33	Commerzbank	Financials	Germany	13,837	3.1	2.0
8	2	Royal Dutch Shell*	Oil & Gas	Netherlands	13,658	3.1	3.9
9	22	Airbus	Industrials	France	13,507	3.1	2.5
10	10	ENI	Oil & Gas	Italy	13,274	3.0	3.3
11	27	Telefonica	Telecommunications	Spain	13,192	3.0	2.4
12	–	Nordea Bank	Financials	Sweden	13,055	3.0	–
13	4	Total	Oil & Gas	France	13,007	3.0	3.6
14	13	Nokia	Technology	Finland	12,862	2.9	3.2
15	3	Roche**	Health Care	Switzerland	12,793	2.9	3.7
16	–	BB Biotech	Health Care	Switzerland	12,769	2.9	–
17	16	DNB	Financials	Norway	12,565	2.9	2.8
18	–	ING	Financials	Netherlands	12,514	2.8	–
19	14	Leoni	Industrials	Germany	12,049	2.7	3.1
20	24	Telecom Italia	Telecommunications	Italy	10,808	2.5	2.5
21	12	Ubisoft Entertainment	Consumer Goods	France	10,767	2.4	3.2
22	18	Michelin	Consumer Goods	France	10,712	2.4	2.7
23	26	E.ON	Utilities	Germany	10,671	2.4	2.4
24	21	Rocket Internet	Financials	Germany	10,475	2.4	2.6
25	20	Ryanair	Consumer Services	Ireland	10,451	2.4	2.7
26	11	DIA	Consumer Services	Spain	10,392	2.4	3.3
27	31	TDC	Telecommunications	Denmark	10,363	2.3	2.1
28	–	Deutsche Post	Industrials	Germany	10,259	2.3	–
29	37	Petroleum Geo-Services	Oil & Gas	Norway	10,124	2.3	1.6
30	15	Adecco	Industrials	Switzerland	10,004	2.3	2.8
31	30	Outotec	Industrials	Finland	9,933	2.3	2.1
32	32	Danske Bank	Financials	Denmark	9,895	2.2	2.1
33	23	Ipsos	Consumer Services	France	9,532	2.2	2.5
34	–	Ahold Delhaize	Consumer Services	Netherlands	8,989	2.0	–
35	25	Siemens	Industrials	Germany	7,746	1.8	2.5
36	–	Gemalto	Technology	Netherlands	6,638	1.5	–
37	–	Ontex	Consumer Goods	Belgium	3,175	0.7	–
		Prior year investments sold during the year					16.1
		Total equity investments			431,537	98.0	103.0
		Cash and other net current assets/(liabilities)			8,663	2.0	(0.1)
		Borrowings			–	–	(2.9)
		Net assets			440,200	100.0	100.0

* The investment is in A shares.

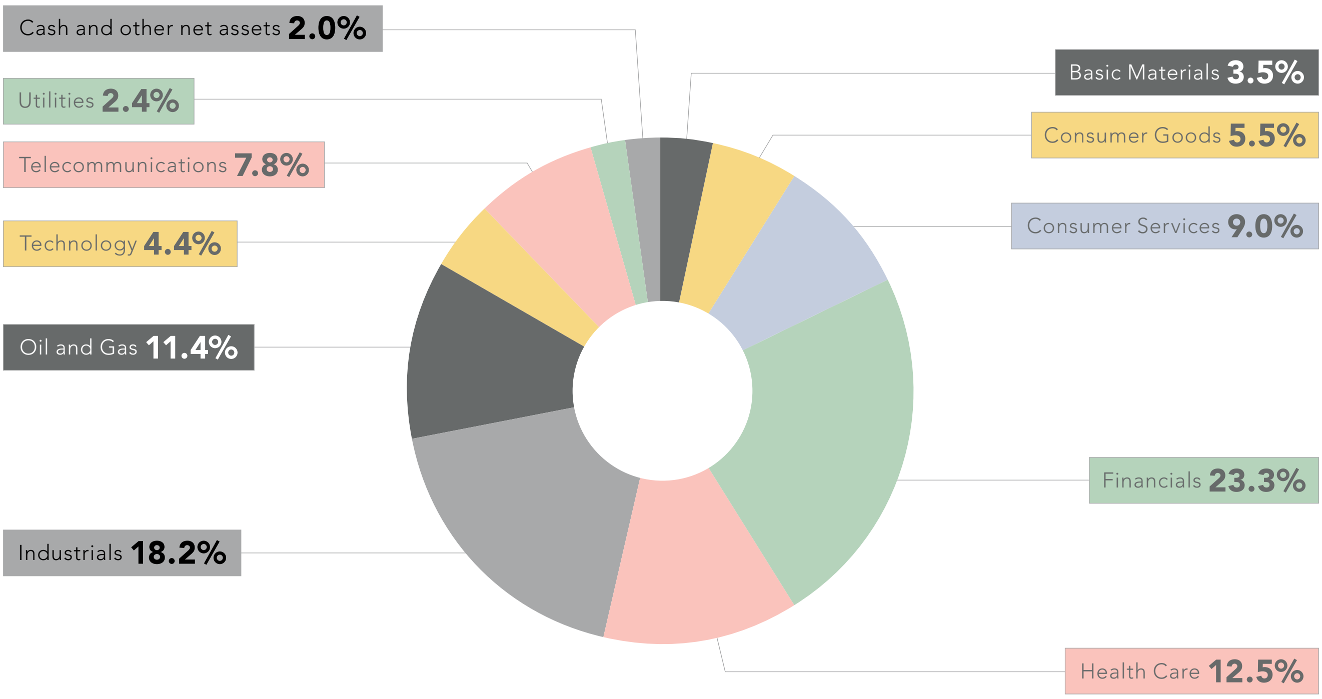
** The investment is in non-voting preference shares.

Of the ten largest portfolio investments as at 30 September 2017, the valuations at the previous year end, 30 September 2016, were: PostNL £17,971,000; BNP Paribas £12,739,000; Bayer £11,577,000; Novartis £11,526,000; Sanofi £11,525,000; BBVA £9,608,000; Commerzbank £7,110,000; Royal Dutch Shell A £13,629,000; Airbus £8,881,000 and ENI £11,485,000.

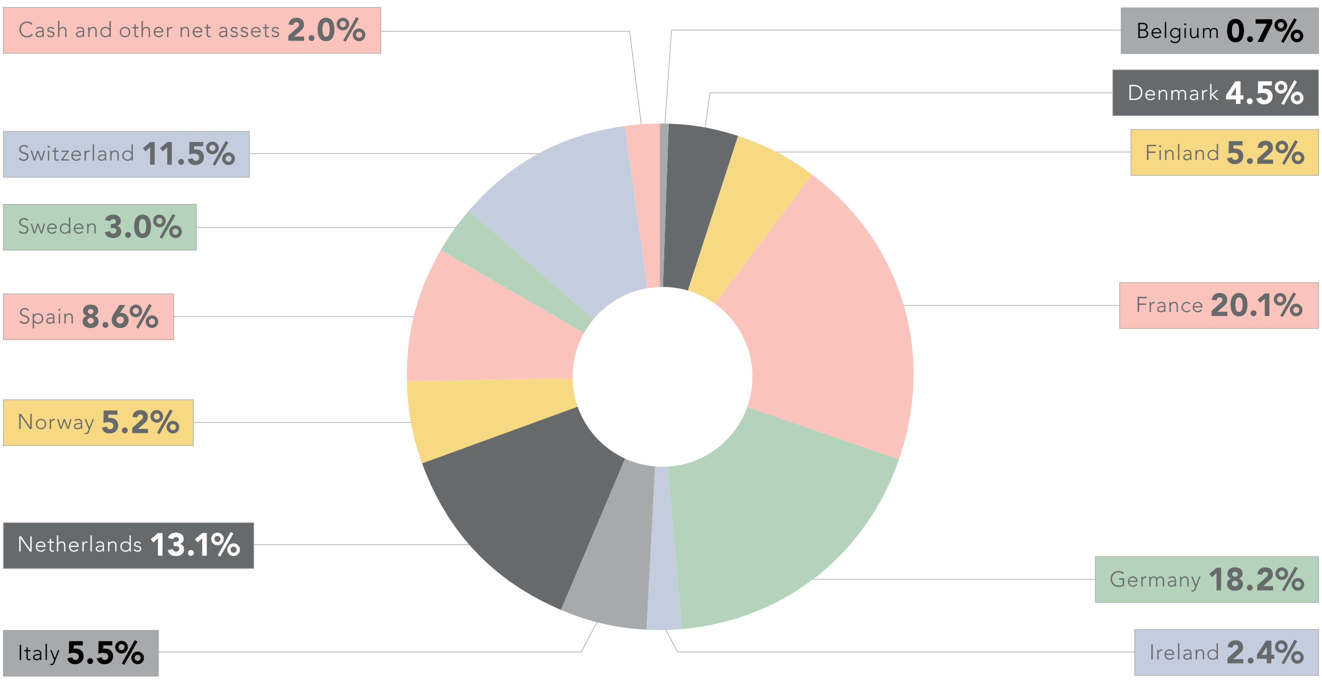
Distribution of Investments

as at 30 September 2017 (% of net assets)

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



As at 30 September 2017, the net assets of the Company were £440,200,000.

Ten Year Record

CAPITAL

At 30 September	Total assets £'000	Shareholders' funds £'000	NAV p	Share price p	Share price discount to NAV %	Gearing[1] %
2007	495,931	464,520	897.3	812.5	9.5	8.7
2008	304,198	292,378	599.4	518.0	13.6	4.0
2009	290,155	290,155	634.2	554.0	12.6	–
2010	277,847	277,847	650.7	545.0	16.2	–
2011	237,350	237,350	559.8	462.5	17.4	–
2012	256,724	256,724	610.2	508.0	16.8	–
2013	323,222	323,222	768.3	684.5	10.9	–
2014	336,729	336,729	800.4	748.8	6.5	–
2015	312,239	312,239	742.2	673.0	9.3	–
2016	360,875	350,659	833.8	722.5	13.4	2.9
2017	**440,200**	**440,200**	**1047.9**	**919.5**	**12.3**	**–**

1 Loans as a percentage of shareholders' funds.

REVENUE

Year to 30 September	Income £'000	Available for ordinary shareholders £'000	Revenue earnings per share p	Ordinary dividends per share p	Special dividends per share p	Total dividends per share p	Ongoing charges[2] %
2007	11,252	4,321	8.0	1.7	6.6	8.3	0.8[3]
2008	11,607	7,264	14.3	12.0	2.9	14.9	0.7[3,4]
2009	9,261	6,284	13.2	10.2	3.4	13.6	0.8[3,4]
2010	8,554	6,042	13.8	11.0	3.0	14.0	0.6[3]
2011	9,734	7,198	17.0	12.0	4.0	16.0	0.6
2012	9,045	6,487	15.4	12.0	4.0	16.0	0.6
2013	10,413	7,581	18.0	14.0	4.0	18.0	0.6
2014	9,528	6,246	14.9	14.0	1.0	15.0	0.6
2015	9,540	6,708	16.0	14.0	2.0	16.0	0.6
2016	10,357	8,003	19.0	16.0	6.0	22.0	0.6
2017	**12,591**	**10,853**	**25.8**	**21.5**[1]	**1.5**	**23.0**	**0.6**

1 Includes proposed final dividend of 13.5p.
2 Ongoing charges figure (OCF) is detailed for the years 2011 to 2017. The OCF is based on total expenses, excluding finance costs, transaction costs and certain non-recurring items for the year as a percentage of the average monthly net asset value.
3 Total expense ratio (TER) is detailed for the years 2007 to 2010. The TER is based on total expenses for the year as a percentage of the average monthly net asset value.
4 Excluding VAT recovered in respect of management fees.

Ten Year Record continued

CUMULATIVE PERFORMANCE

(rebased to 100 at 30 September 2007)

At 30 September	NAV per share	NAV total return[1]	Benchmark[2]	Benchmark total return[2]	Share price	Share price total return[1]	Revenue earnings per share	Dividends per share	Retail price index
2007	100	100	100	100	100	100	100	100	100
2008	67	67	77	80	64	64	178	180	105
2009	71	73	86	93	68	71	165	164	104
2010	73	77	85	95	67	72	172	169	108
2011	62	68	71	82	57	63	211	193	114
2012	68	76	77	92	63	71	191	193	117
2013	86	98	94	117	84	98	224	217	121
2014	89	104	96	123	92	110	185	181	124
2015	83	98	92	121	83	101	198	193	125
2016	93	113	108	147	89	111	237	265	127
2017	**117**	**147**	**128**	**181**	**113**	**147**	**321**	**277**	**132**

COMPOUND ANNUAL RETURNS

% Change									
5 years	11.4	14.1	10.8	14.4	12.6	15.6	10.9	7.5	2.4
Since 1 February 2010[3]	7.5	9.9	6.0	9.8	7.8	10.5	9.1	7.1	3.1
10 years	1.6	3.9	2.5	6.1	1.2	3.9	12.4	10.7	2.8

1 NAV and share price returns sourced from Edinburgh Partners/Thomson Reuters Datastream.
2 Benchmark is the FTSE All-World Europe ex UK Index (in sterling) sourced from Thomson Reuters Datastream.
3 Edinburgh Partners was appointed as Investment Manager from 1 February 2010.

Past performance is not a guide to future performance.

Directors and Investment Manager

DIRECTORS

All of the Directors are non-executive and independent of the Alternative Investment Fund Manager (the "AIFM") and the Investment Manager.

Michael MacPhee (Chairman)
Michael MacPhee is a director of Archangel Investors Limited, Castle European Limited, Didasko Education Company Limited and Fernbank Investments Limited. Having been called to the English Bar in 1987, he joined Baillie Gifford & Co in 1989 and became a partner in 1998. He headed the firm's European department from 2003 to 2008 and thereafter co-managed a global investment strategy. From 1998 until his retirement from the firm in 2014, he was the manager of Mid Wynd International Investment Trust PLC. He was appointed a Director of the Company in 2016 and Chairman in 2017.

William Eason
William Eason is a director of Henderson International Income Trust plc, Regional REIT Limited and Institutional Protection Services Limited. He has been involved in the fund management business and private client investment management for over 40 years, mainly at Laing & Cruickshank. He is a former chairman of Henderson High Income Trust plc. He was appointed a Director of the Company in 2007.

Michael Moule (Senior Independent Director)
Michael Moule is a member of the investment committees of the British Heart Foundation and The Open University. He was an investment trust manager at Henderson Global Investors, where he managed two investment trusts until his retirement in 2003. Previously, he was the chairman of Polar Capital Technology Trust plc and a director of The Bankers Investment Trust PLC, Lowland Investment Company plc and Montanaro UK Smaller Companies Investment Trust PLC. He was appointed a Director of the Company in 2004.

Dr Michael Woodward (Chairman of Audit Committee)
Michael Woodward is a director of Maitland Administration Services (Scotland) Limited, a provider of administrative services to investment trusts and other collective funds. He has worked in the investment trust industry for over 30 years, both as a European portfolio manager with Ivory & Sime and as the individual with responsibility for the management of the investment trust business at Martin Currie and F&C Asset Management. He was appointed a Director of the Company in 2013 and Chairman of the Audit Committee in 2017.

INVESTMENT MANAGER

Edinburgh Partners
Edinburgh Partners was appointed as the Investment Manager of the Company from 1 February 2010. Edinburgh Partners AIFM Limited was appointed as the AIFM on 17 July 2014.

Edinburgh Partners was founded in 2003 as a specialist investment management firm. It manages over £6 billion for institutional clients, including two investment trusts.

Craig Armour LLB, CA
Craig Armour was appointed the portfolio manager of the Company in 2016, having previously been the backup portfolio manager. He joined Edinburgh Partners in 2009 and is an Investment Partner with research responsibility for the global consumer sector and manages Edinburgh Partners' European portfolios. Before joining Edinburgh Partners, Craig spent nine years as a private equity investor, joining from Lloyds Development Capital. Prior to this, he was a corporate financier with merchant bank Noble Grossart, where his main focus was advising listed companies.

Corporate Information

DIRECTORS (ALL NON-EXECUTIVE)

Michael MacPhee (Chairman)
William Eason
Michael Moule
Dr Michael Woodward

COMPANY SECRETARY AND REGISTERED OFFICE

Kenneth J Greig
Beaufort House
51 New North Road
Exeter EX4 4EP

SOLICITORS

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Edinburgh EH2 4DF

ALTERNATIVE INVESTMENT FUND MANAGER

Edinburgh Partners AIFM Limited
27-31 Melville Street
Edinburgh EH3 7JF

DEPOSITARY

Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London E14 5NT

INVESTMENT MANAGER

Edinburgh Partners Limited
27-31 Melville Street
Edinburgh EH3 7JF

Tel: 0131 270 3800
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e-mail: enquiries@edpam.com
www.edinburghpartners.com

CUSTODIAN

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INDEPENDENT AUDITOR

BDO LLP
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STOCKBROKER

J.P. Morgan Securities plc
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Canary Wharf
London E14 5JP

REGISTRAR

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The Pavilions
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Bristol BS99 6ZZ

Tel: 0370 889 4086
email: web.queries@computershare.co.uk
www.computershare.co.uk

Strategic Overview

STRATEGY AND BUSINESS MODEL

The current objective and investment policy of the Company is detailed below:

Objective

The objective of the Company is to achieve long-term capital growth through a diversified portfolio of Continental European securities.

Investment policy

The Board believes that investment in the diverse and increasingly accessible markets of this region provides opportunities for capital growth over the long term. At the same time, it considers the structure of the Company as a UK-listed investment trust, with fixed capital and an independent Board of Directors, to be well suited to investors seeking longer-term returns.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. No more than 10% of the value of the portfolio in aggregate may be held in securities in those countries which are not included in the FTSE All-World European indices.

The Board has the authority to hedge the Company's exposure to movements in the rate of exchange of currencies, principally the euro, in which the Company's investments are denominated, against sterling, its reporting currency. However, it is not generally the Board's practice to do this and the portfolio is not currently hedged.

No investments in unquoted stocks can be made without the prior approval of the Board. The level of gearing within the portfolio is agreed by the Board and should not exceed 20% in normal market conditions.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in such other investment companies which themselves have stated that they will invest no more than 15% of their total assets in other listed investment companies, in which case the limit is 15%.

Changes to the objective and investment policy

As detailed in the Chairman's Statement on page 7, the Board is proposing to change the Company's objective and investment policy. If resolution 10 is approved at the AGM, the objective and investment policy will be as follows:

Objective

The objective of the Company is to achieve attractive investment returns over the long term from a diversified portfolio of European securities.

Investment policy

The Board believes that investment in the diverse markets of the region promises attractive long-term capital and income growth. It further considers that the structure of the Company as a UK listed investment trust, with an independent Board of Directors, is well suited to meeting this aim.

The Company is invested in a diversified portfolio which is expected to consist of approximately 30 to 50 securities. The Company may not invest more than 10% of the value of the portfolio in any one individual stock at the time of investment.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. No more than 10% of the value of the portfolio in aggregate may be held in securities in those countries which are not included in the FTSE All-World European indices.

The Board has the authority to hedge the Company's exposure to movements in the rate of exchange of currencies, principally the euro, in which the Company's investments are denominated, against sterling, its reporting currency. However, it is not generally the Board's practice to do this and the portfolio is not currently hedged.

No investments in unquoted stocks can be made without the prior approval of the Board. The level of gearing within the portfolio is agreed by the Board and should not exceed 20% in normal market conditions.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in those that have stated that they will invest no more than 15% of their total assets in other listed investment companies. In this case, the limit is 15%.

The Investment Manager's compliance with the limits set out in the investment policy is monitored by the Board and the AIFM.

Strategic Overview continued

Investment strategy

Investments are selected for the portfolio only after extensive research, which the Investment Manager believes to be key. The whole process through which an equity must pass in order to be included in the portfolio is very rigorous. Only a security where the Investment Manager believes that the price will be significantly higher in the future will pass the selection process. The Company's Investment Manager believes the key to successful stock selection is to identify the long-term value of a company's shares and to have the patience to hold the shares until that value is appreciated by other investors. Identifying long-term value involves detailed analysis of a company's earnings prospects over a five-year time horizon. The portfolio will normally consist of around 40 investments.

Business and status of the Company

The principal activity of the Company is to carry on business as an investment trust.

The Company is registered as a public limited company and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). The Company has been approved by HM Revenue & Customs as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 ("CTA"), subject to there being no subsequent serious breaches of the regulations. In the opinion of the Directors, the Company has directed its affairs so as to enable it to continue to qualify for such approval.

The Company's shares have a premium listing on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

During the year, the Company also had a secondary listing and its shares traded on the New Zealand Stock Exchange. There was a small and decreasing number of shareholders on the New Zealand register and a reduced number of trades being undertaken on the New Zealand Stock Exchange. Therefore, the Board determined that the costs associated with the Company's shares remaining listed on the New Zealand Stock Exchange outweighed the benefits to the Company's shareholders. As a result, on 18 September 2017, the Company announced its intention to cancel the listing of the Company's ordinary shares on NZX Limited's Main Board. The last day of trading of the Company's shares on the NZX Main Board was 31 October 2017 and the shares ceased to be listed at the close of business on 2 November 2017 (New Zealand time).

Following cancellation, the New Zealand listed shares were transferred to the Company's UK share register.

The Company is a member of the Association of Investment Companies ("AIC"), a trade body which promotes investment companies and also develops best practice for its members.

Portfolio analysis

A detailed review of how the Company's assets have been invested is contained in the Investment Manager's Report on pages 8 to 10. A detailed list of all the Company's investments is contained in the Portfolio of Investments on page 11. The portfolio consisted of 37 investments, excluding cash and other net current assets, as at 30 September 2017. The largest investment represents 3.7% of net assets, thus ensuring that the Company has a suitable spread of investment risk. A sector and geographical distribution of investments is shown on page 12.

RESULTS AND DIVIDENDS

The results for the year are set out in the Income Statement on page 48 and the Statement of Changes in Equity on page 50.

For the year ended 30 September 2017, the net revenue return attributable to shareholders was £10.9 million (2016: £8.0 million) and the net capital return was £92.3 million (2016: £37.3 million). Total shareholders' funds increased by 25.5% to £440.2 million (2016: £350.7 million).

Details of the interim dividends paid and the final dividend recommended by the Board are set out on pages 6 and 19.

KEY PERFORMANCE INDICATORS

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objective. The key performance indicators used to measure progress and performance of the Company over time are established industry measures and are as follows:

Net asset value

In the year to 30 September 2017, the NAV increased by 25.7% from 833.8p to 1047.9p. After taking account of dividends paid in the year of 31.5p, the net asset value total return was 29.9%. This compares with the total return of 22.6% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Strategic Overview continued

The net asset value total return since the appointment of Edinburgh Partners as Investment Manager on 1 February 2010 to 30 September 2017 was 106.1%. This compares with the total return of 104.2% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Share price

In the year to 30 September 2017, the Company's share price increased by 27.3% from 722.5p to 919.5p. The share price total return, taking account of the 31.5p of dividends paid in the year, was 32.2%.

Share price discount to NAV

The share price discount to NAV narrowed from 13.4% to 12.3% in the year to 30 September 2017.

Revenue return per ordinary share

There was an increase in the revenue per share in the year to 30 September 2017 of 35.8% from 19.0p to 25.8p.

Dividends per ordinary share

The Directors are recommending a final dividend of 13.5p per ordinary share. After including the interim dividend of 8.0p per ordinary share and a special interim dividend of 1.5p per ordinary share, this makes a total dividend of 23.0p per ordinary share for the year. This compares with the prior year total dividend of 22.0p per ordinary share. Excluding the special dividend, the total ordinary dividend for the year to 30 September 2017 is 21.5p. This compares with the prior year ordinary dividend of 16.0p per ordinary share.

Ongoing charges

The Company continues to have low expenses. The ongoing charges figure was 0.59% (2016: 0.62%) in the year to 30 September 2017.

The longer-term records of the key performance indicators are shown in the Ten Year Record on pages 13 and 14.

The Board also takes into consideration how the Company performs compared to other investment trusts investing in Europe.

MANAGEMENT AGREEMENT

In order to comply with the Alternative Investment Fund Managers' Directive ("AIFMD"), the Company appointed Edinburgh Partners AIFM Limited as its AIFM with effect from 17 July 2014. Edinburgh Partners AIFM Limited has been approved as an AIFM by the UK's Financial Conduct Authority ("FCA"). With the approval of the Directors of the Company, the AIFM appointed Edinburgh Partners as Investment Manager to the Company pursuant to a delegation agreement with effect from 17 July 2014.

The AIFM receives a management fee of 0.55% per annum of the Company's equity market capitalisation, payable monthly in arrears.

The Management Agreement may be terminated by either party giving three months' written notice. No additional compensation is payable to the AIFM on the termination of this agreement other than the fees payable during the notice period. No performance fee will be paid. Further details relating to the agreement are detailed in note 3 of the Financial Statements on page 53.

CONTINUING APPOINTMENT OF THE AIFM

The Board keeps the performance of the AIFM under review on a regular basis. As the AIFM has delegated the investment management function to Edinburgh Partners, the performance of the Investment Manager is also regularly reviewed. It is the opinion of the Directors that the continuing appointment of the AIFM on the terms agreed is in the interests of shareholders as a whole. The remuneration of the AIFM is reasonable both in absolute terms and compared to that of managers of comparable investment companies. The Directors believe that by paying the management fee calculated on a market capitalisation basis, rather than a percentage of assets basis, the interests of the AIFM are more closely aligned with those of shareholders.

AIFM REMUNERATION DISCLOSURES

In accordance with the AIFMD, information in relation to the remuneration of the Company's AIFM, Edinburgh Partners AIFM Limited, is required to be made available to investors. The AIFM's remuneration policy is incorporated within a group policy which is available at www.edinburghpartners.com. The disclosure also includes those remuneration disclosures in respect of the AIFM's staff and 'identified staff' for the reporting period.

Strategic Overview continued

RISK MANAGEMENT BY THE AIFM

As required under the AIFMD, the AIFM has established and maintains a permanent and independent risk management function to ensure that there is a comprehensive and effective risk management policy in place and to monitor compliance with risk limits. This risk policy covers the risks associated with the management of the investment portfolio, and the AIFM reviews and approves the adequacy and effectiveness of the policy on at least an annual basis, including the risk management processes and controls and limits for each risk area.

The AIFM sets risk limits that take into account the risk profile of the Company's investment portfolio, as well as its objective and strategy. The AIFM monitors the risk limits, including leverage, and periodically assesses the portfolio's sensitivity to key risks on a regular basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the following are the principal financial risks associated with investing in the Company: investment and strategy risk, discount volatility risk, market risk (comprising interest rate risk, currency risk and price risk), liquidity risk, credit risk and gearing risk. An explanation of these risks and how they are managed and the policy and practice with regard to financial instruments are contained in note 17 of the Financial Statements on pages 62 to 65.

In addition, the Board also considers the following as principal risks:

Regulatory risk

Relevant legislation and regulations which apply to the Company include the Act, the CTA, the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA, the AIFMD and the Markets in Financial Instruments Directive II. In accordance with the Packaged Retail and Insurance-based Investment Products Regulation, a Key Information Document will be made available on the Company's website from January 2018.

A breach of the CTA could result in the Company losing its status as an investment trust and becoming subject to capital gains tax, whilst a breach of the Listing Rules might result in censure by the FCA and suspension of the listing of the Company's shares on the London Stock Exchange.

The Directors note the new corporate offence of failure to prevent tax evasion and believe all necessary steps have been taken to prevent facilitation of tax evasion.

At each Board meeting, the status of the Company is considered and discussed, so as to ensure that all regulations are being adhered to by the Company and its service providers.

The Board is not aware of any breaches of laws or regulations during the year under review and up to the date of this report.

Operational risk

In common with most other investment companies, the Company has no employees. The Company therefore relies upon the services provided by third parties. There are a number of operational risks associated with the fact that third parties undertake the Company's administration, depositary and custody functions. The main risk is that the third parties may fail to ensure that statutory requirements, such as compliance with the Act and the Listing Rules of the FCA, are met.

The Board regularly receives and reviews management information from third parties which the Company Secretary compiles. In addition, each of the third parties provides a copy of its report on internal controls (ISAE 3402, SSAE 16 or equivalent) to the Board, through the Audit Committee, each year to evidence that adequate controls are in place and are operating satisfactorily.

Other financial risk

It is possible that inappropriate accounting policies or failure to comply with current or new accounting standards may lead to a breach of regulations.

The AIFM employs an independent administrator to prepare all financial statements and the Audit Committee meets with the independent Auditor at least once a year to discuss audit issues, including appropriate accounting policies.

The Board undertakes a robust annual assessment and review of all the risks stated above and in note 17 of the Financial Statements on pages 62 to 65, together with a review of any new risks which may have arisen during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formalised within the Company's risk assessment matrix.

Strategic Overview continued

INTERNAL FINANCIAL CONTROL

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the systems of internal financial control during the year ended 30 September 2017, as set out on pages 26 to 28. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

LEVERAGE

Leverage is defined in the AIFMD as any method by which the Company increases its exposure, whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. As detailed in notes 5 and 6 of the Financial Statements on page 54, during the year ended 30 September 2017, the Company utilised a borrowing facility. The Company did not use any derivative instruments during the year ended 30 September 2017.

In accordance with the detailed requirements of the AIFMD, leverage has been measured in terms of the Company's exposure, and is expressed as a ratio of net asset value. The AIFMD requires this ratio to be calculated in accordance with both the Gross Method and the Commitment Method. Details of these methods of calculation can be found by referring to the AIFMD. In summary, these methods express leverage as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. The principal difference between the two methods is that the Commitment Method enables derivative instruments to be netted off to reflect hedging arrangements and the exposure is effectively reduced, while the Gross Method aggregates the exposure.

The AIFMD introduced a requirement for the AIFM to set maximum levels of leverage for the Company. The Company's AIFM has set a maximum limit of 1.20 for both the Gross and Commitment Methods of calculating leverage. However, the AIFM anticipates that the figures are likely to be lower than this under normal market conditions. At 30 September 2017, the Company's Gross ratio was 1.01 and its Commitment ratio was 1.01. In accordance with the AIFMD, any changes to the maximum level of leverage set by the Company will be communicated to shareholders.

DEPOSITARY AGREEMENT

The Board has appointed Northern Trust Global Services Limited to act as its depositary (the "Depositary"). The Depositary is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority. Custody services are provided by The Northern Trust Company (as a delegate of the Depositary). A fee of 0.01% per annum of the net assets of the Company, plus fees in relation to safekeeping and other activities undertaken to facilitate the investment activity of the Company, are payable to the Depositary. The Company and the Depositary may terminate the Depositary Agreement at any time by giving six months' written notice. The Depositary may only be removed from office when a new depositary is appointed by the Company.

MAIN TRENDS AND FUTURE DEVELOPMENT

A review of the main features of the year and the outlook for the coming year can be found in the Chairman's Statement on pages 6 and 7 and the Investment Manager's Report on pages 8 to 10. The Board's main focus is on the investment return and approach, with attention paid to the integrity and success of the investment approach and on factors which may have an impact on this approach.

FORWARD-LOOKING STATEMENTS

This Strategic Report contains "forward-looking statements" with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events that are beyond the Company's control. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to:

- Global economic conditions and equity market performance and prices, particularly those in Europe
- Changes in government policies and monetary and interest rate policies worldwide, particularly those in Europe
- Changes to regulations and taxes worldwide, particularly in Europe
- Currency exchange rates
- Use of gearing
- The Company's success in managing its assets and business to mitigate the impact of the above factors.

Strategic Overview continued

As a result, the Company's actual future condition, performance and results may differ materially from the plans set out in the Company's forward-looking statements. The Company undertakes no obligation to update the forward-looking statements contained within this review or any other forward-looking statements it makes.

EMPLOYEES, HUMAN RIGHTS AND COMMUNITY ISSUES

The Board recognises the requirement under the Act to detail information about employees, human rights and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements do not apply to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third party service providers. The Company has therefore not reported further in respect of these provisions.

The Company is not within the scope of the Modern Slavery Act 2015 because it has not exceeded the turnover threshold and therefore, no further disclosure is required in this regard.

GENDER DIVERSITY

As at 30 September 2017, the Board of Directors of the Company comprised four male Directors. The appointment of any new Director is made on the basis of merit.

SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

The Company seeks to invest in companies that are well managed, with high standards of corporate governance, as the Directors believe this creates the proper conditions to enhance long-term value for shareholders. The Company adopts a positive approach to corporate governance and engagement with companies.

In pursuit of the above objective, the Directors believe that proxy voting is an important part of the corporate governance process. It is the policy of the Company to vote, as far as is practicable, at all shareholder meetings of investee companies. The Company follows the relevant regulatory and legislative requirements, with the guiding principles being to make proxy voting decisions which favour proposals that will lead to maximising shareholder value while avoiding any conflicts of interest. To this end, voting decisions take into account corporate governance, including disclosure and transparency, board composition and independence, control structures, remuneration, social and environmental issues.

The day-to-day management of the Company's business has been delegated by the AIFM to the Company's Investment Manager, Edinburgh Partners, which has an Environmental, SRI and Corporate Governance ("ESG") policy in place, which can be found on its website at www.edinburghpartners.com.

The assessment of the quality of investee companies in relation to environmental considerations, socially responsible investment and corporate governance is embedded in the Investment Manager's stock selection process.

This Strategic Report has been approved by the Board and signed on its behalf by:

Michael MacPhee
Chairman

29 November 2017

Governance

Corporate Governance

STATEMENT OF COMPLIANCE WITH THE AIC CODE OF CORPORATE GOVERNANCE

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), both of which can be found on the AIC website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles detailed in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment trust. The Board considers that reporting by reference to the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders. A copy of the UK Corporate Governance Code can be found at www.frc.org.uk.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance and responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

The Board considers that it has managed its affairs throughout the year ended 30 September 2017 in compliance with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, to the extent they are relevant to the Company's business, except as set out below:

- The Audit Committee comprises all Directors of the Company. Given the small size of the Board, it is deemed both proportionate and practical for all Directors to be on the Audit Committee.
- The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report on pages 35 to 38 provides information on the remuneration arrangements for the Directors of the Company. If required, the Chairman will engage with shareholders on issues relating to Directors' remuneration.
- The Board is formed entirely of non-executive Directors and, being small in size, operates without a nomination committee.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive; and
- executive directors' remuneration.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment trust. The Company has therefore not reported further in respect of these provisions.

BOARD OF DIRECTORS

Douglas McDougall, who was appointed to the Board in 1999 and became Chairman that year, retired from the Board of Directors at the conclusion of the Company's AGM on 24 January 2017. Following Douglas McDougall's retirement from the Board, Michael MacPhee became Chairman of the Company and Michael Woodward was appointed Chairman of the Audit Committee. As Michael MacPhee was an existing Director, neither an external search consultancy nor open advertising was used in the appointment of the Chairman.

Given the small size of the Board and the fact that all Directors are independent, the Board has resumed the management engagement responsibilities previously performed by the Audit Committee.

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy. The Board consists of four non-executive Directors whose individual knowledge and experience provide a balance of skills and expertise relevant to the Company and they consider that they commit sufficient time to the Company's affairs. Michael Moule is the Senior Independent Director. Brief biographical details of the Directors can be found on page 15.

Corporate Governance continued

The Chairman is deemed by his fellow independent Board members to be independent and to have no conflicting relationships. Michael MacPhee considers himself to have sufficient time to commit to the Company's affairs.

A process of performance evaluation, including a review of the independence of the Directors, has been undertaken by which the performance of the Chairman, each Director, the Audit Committee and the Board as a whole, has been evaluated in respect of the year ended 30 September 2017. This process consisted of a series of appraisal meetings and discussions between the Chairman and each of the other Directors. The performance of the Chairman was similarly evaluated by the other Directors and was led by the Senior Independent Director. As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company. The performance evaluation process is carried out on an annual basis. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted. However, the option of doing so will be regularly reviewed.

The Board regularly reviews its composition and effectiveness. As part of its review, it considers succession planning, identifying the skills and experience required to meet the future opportunities and challenges facing the Company and those individuals who might best provide them. The Directors also consider the diversity, including gender and ethnicity, of the Board. The appointment of a new Director would be on the basis of a candidate's merits.

The Board has agreed a procedure for the induction and training of new Board appointees and training is provided as required.

The Directors of the Company meet formally at least five times a year to review and receive reports on a full range of relevant matters, including investments, marketing, administration, risks and regulatory updates. In addition, meetings are held on an ad-hoc basis as required. The Directors have adopted a formal schedule of matters reserved for the Board that cannot be delegated to a committee or to any other party, including approval of the Company's investment policy, gearing policy and changes to the structure, size and composition of the Board.

The Board delegates decisions regarding the day-to-day investment of the Company's portfolio to the AIFM, which has delegated this responsibility to the Investment Manager. Representatives from the AIFM and the Investment Manager are invited to Board meetings to provide reports on investments, financial, marketing, operational and administrative matters. The AIFM is authorised by the Board to exercise the Company's voting rights in respect of those investments held in the portfolio. The AIFM has delegated this responsibility to the Investment Manager.

RE-ELECTION OF DIRECTORS

Under the Company's Articles of Association and in accordance with the AIC Code, Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, at each AGM, any Director who has not stood for re-election at either of the two preceding AGMs shall retire. In addition, one-third of the Directors eligible to retire by rotation shall retire from office at each AGM. Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGM. Following formal performance evaluation, the Board strongly recommends the re-election of each of the Directors on the basis that each of the Directors has made a valuable and effective contribution to your Company. The Board therefore recommends that shareholders vote in favour of their re-election.

DIRECTORS' INDEPENDENCE

The Board regularly reviews the independence of its members in accordance with current guidelines. It considers that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies, where experience and continuity can be a significant strength. Therefore no limit has been imposed on the length of service of any Director. The Board believes that its four non-executive Directors, including Michael Moule and William Eason, who have served as Directors for 13 years and 10 years respectively, are independent in character and judgement.

Corporate Governance continued

BOARD COMMITTEES

The Board has established an Audit Committee to assist with its operations. The terms of the delegated responsibilities are clearly defined in formal terms of reference, copies of which are available from the Company's registered office and on the Company's website. The Committee meets formally at least twice a year and comprises all Directors. Michael Woodward is the Chairman. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee. The Committee, as a whole, has competence relevant to the investment trust sector.

The Report from the Audit Committee is set out on pages 39 and 40.

MEETING ATTENDANCE

	Board		Audit Committee	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Michael MacPhee	5	5	3	3
William Eason	5	5	3	3
Douglas McDougall*	2	2	1	1
Michael Moule	5	5	3	3
Michael Woodward	5	5	3	3

* Retired 24 January 2017

In addition to the above formal meetings of the Board and Audit Committee, additional ad-hoc meetings have been held as required.

CONFLICTS OF INTEREST

A Director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests (a "situational conflict"). The Company's Articles of Association give the Directors authority to approve such situations, where appropriate. It is the responsibility of each individual Director to avoid an unauthorised conflict situation arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

INTERNAL CONTROL REVIEW

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness on an annual basis.

Corporate Governance continued

In accordance with the FRC guidance on risk management, internal controls and related financial and business reporting, a process has been implemented for identifying, evaluating and managing risks faced by the Company. This process has been in place throughout the year ended 30 September 2017 and up to the date the Financial Statements were approved, and is regularly reviewed. Key procedures established with a view to providing effective financial control have also been in place for the year ended 30 September 2017 and up to the date of this report. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objective. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

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

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

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

The Company has appointed agents, including the AIFM, to provide administrative services to the Company. In performing its functions, the AIFM delegates certain administrative tasks to third parties. The Company has obtained from the AIFM and the other service providers assurances and information relating to their internal systems and controls to enable the Board to make an appropriate risk and control assessment, including the following:

- details of the control environment in operation;
- identification and evaluation of risks and control objectives;
- assessment of communication procedures;
- assessment of the control procedures;
- details of the "whistle blowing" policy in place;
- assurances that appropriate bribery risk and anti-corruption policies are in place to ensure compliance with the Bribery Act 2010; and
- assurances that appropriate steps have been taken to prevent the facilitation of tax evasion.

The key procedures which have been established to provide internal financial control are as follows:

- investment management is provided by Edinburgh Partners. The Board is responsible for setting the overall investment policy and, together with the AIFM, monitors the actions of the Investment Manager at regular Board meetings;
- administration and company secretarial duties for the Company are performed by the AIFM. Kenneth J Greig, a director of the AIFM and the Investment Manager, is the Company Secretary. Link Alternative Fund Administrators Limited (formerly Capita Sinclair Henderson Limited) provides certain accounting, administrative and secretarial support services to the AIFM;
- depositary services are provided by Northern Trust Global Services Limited and custody of assets is undertaken by The Northern Trust Company;
- the duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their performance and

Corporate Governance continued

- contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information provided by the AIFM and Link Alternative Fund Administrators Limited in detail on a regular basis.

All of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board or on its behalf by the AIFM.

INDEPENDENT PROFESSIONAL ADVICE, INSURANCE AND INDEMNITY

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the expense of the Company. The Company also maintains directors' and officers' liability insurance, which includes cover of defence expenses. Directors' and officers' liability insurance was in force during the year ended 30 September 2017 and at the date of this report.

The Company's Articles of Association provide the Directors of the Company, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. On 14 December 2006, the Company entered into a deed poll providing the Directors with indemnities against liability to third parties arising in connection with any negligence, default, breach of duty or breach of trust by the Directors (such indemnities being qualifying third party indemnities and providing for the funding of defence costs, in each case as permitted under the Act). No such indemnity is provided in relation to a liability incurred by a Director to the Company in respect of proceedings in which he is convicted or a liability to pay a fine is imposed in criminal proceedings or by a regulatory authority. Any funding provided to a Director who is not exonerated must be repaid. Save for these, there are no qualifying third party indemnity provisions in force.

THE COMPANY SECRETARY

The Board has direct access to the advice and services of the Company Secretary, Kenneth J Greig, who is responsible for ensuring that Board procedures are followed and that the applicable regulations are complied with. The Company Secretary is also responsible for ensuring timely delivery of information and reports to the Board and also for compliance with the statutory obligations of the Company.

THE DEPOSITARY

As detailed on page 21, the Company's Depositary is Northern Trust Global Services Limited. The Depositary is responsible for the safekeeping of all custodial assets of the Company, for verifying ownership and maintaining a record of all other assets of the Company and for the collection of income that arises from those assets. It is one of the duties of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the FCA's Investment Funds Sourcebook ("FUND") and the Company's Articles of Association.

DIALOGUE WITH SHAREHOLDERS

Communication with shareholders is given a high priority by both the Board and the AIFM. A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the AIFM, which regularly reports to the Board on any such contact, the views of shareholders and any changes to the composition of the share register. All shareholders are encouraged to attend and vote at the AGM and at any general meetings, during which the Board and the Investment Manager are available to discuss issues affecting the Company. Details of all the resolutions being proposed at this year's AGM are set out in the Notice on pages 71 to 76. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office address. The Chairman is available throughout the year to respond to shareholders and to visit them in their offices if shareholders wish to speak with him in person.

Corporate Governance continued

Copies of the Half-Yearly Reports and Annual Reports and Financial Statements are dispatched to shareholders by mail and are also available for downloading from the Company's website: www.theeuropeaninvestmenttrust.com.

A resolution will be proposed at the forthcoming AGM to allow the Company to use electronic communications to engage with its shareholders. Further information is contained within the Directors' Report on page 34.

By order of the Board
Kenneth J Greig
Company Secretary

29 November 2017

Directors' Report

The Directors present their Annual Report and Financial Statements for the period ended 30 September 2017. In accordance with the Act (as amended), the Listing Rules and the Disclosure Guidance and Transparency Rules, the reports within the Corporate Governance section of the Annual Report and Financial Statements should be read in conjunction with one another, and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance.

DIRECTORS

The Directors in office at the date of this report are as shown on page 15.

DIVIDENDS

Details of the dividend recommended by the Board are set out in the Strategic Overview on page 19.

CORPORATE GOVERNANCE

The Company's corporate governance statement is set out on pages 24 to 29, and forms part of this report. It includes details of the directors' and officers' liability insurance on page 28.

SHARE CAPITAL

As at 30 September 2017, the Company had 42,006,769 ordinary shares of 25p each in issue. No shares were held in treasury during the year or as at the date of this report as all shares purchased are cancelled.

At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and on a poll, one vote for each ordinary share held.

Issue of shares

No shares were issued during the year.

Purchase of shares

The Board continued to monitor the discount at which the ordinary shares of the Company trade relative to the NAV per share. During the year ended 30 September 2017, the Company purchased in the stock market 46,781 ordinary shares (nominal value of £11,695.25) for cancellation, at a total cost of £353,000. This represented 0.11% of the issued share capital at 30 September 2016.

SUBSTANTIAL SHARE INTERESTS

The Company has been informed of the following notifiable interests in the voting rights of the Company:

	29 November 2017		30 September 2017	
	No of shares	% of voting rights	No of shares	% of voting rights
Wells Capital Management, Inc.	6,713,746	15.98	6,283,382	14.96
1607 Capital Partners, LLC	6,375,824	15.18	6,375,824	15.18
Investec Wealth & Investment Limited	4,217,859	10.04	4,217,859	10.04

Directors' Report continued

RELATED PARTIES

There were no related party transactions in the year ended 30 September 2017. The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 36. Under the Statement of Recommended Practice issued by the AIC ("AIC SORP"), an investment manager is not considered to be a related party of the Company.

INFORMATION ABOUT SECURITIES CARRYING VOTING RIGHTS

The following information is disclosed in accordance with the Large and Medium-sized Companies and Groups (Accounting and Reports) Regulations 2008 and DTR 7.2.6 of the FCA's Disclosure Guidance and Transparency Rules:

- The Company's capital structure and voting rights are detailed on page 30;
- Details of the substantial shareholders in the Company are detailed on page 30;
- An amendment to the Company's Articles of Association and the giving of powers to issue or buy back the Company's shares require the relevant resolutions to be passed by shareholders. The Board's current powers to issue and buy back shares and proposals for their renewal are detailed on page 33; and
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

REQUIREMENTS OF THE LISTING RULES

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 4 to 22. In addition, notes 17 and 18 of the Financial Statements on pages 62 to 66 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its risk exposure. The Company's principal risks are detailed in the Strategic Report on page 20. The Company's assets consist principally of a diversified portfolio of listed European equity shares, which in most circumstances are realisable within a short period of time and exceed its liabilities to creditors by a significant amount.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date this Annual Report is approved. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

LONG-TERM VIABILITY STATEMENT

In accordance with the February 2015 revision to the AIC Code, the Directors have assessed the prospects of the Company over a longer period than the one year required by the 'Going Concern' provision of the Code. The Board considers that, for a company investing in European securities, a period of five years is an appropriate period to consider for the purpose of the Long-term Viability Statement.

The Board has undertaken an assessment of the Company's future prospects in order for it to have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

In making its assessment, the Board considered a number of factors, including those detailed below:

- the Company's current financial position;
- the principal risks the Company faces, as detailed on page 20 of the Strategic Report;

Directors' Report continued

- that the portfolio comprises principally of investments traded on major European stock markets and that there is a satisfactory spread of investments. There is no expectation that the nature of the investments held within the portfolio will be materially different in the future;
- that the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position;
- that the Company has no employees except for the Directors, who are all non-executive and consequently do not have redundancy or other employment-related liabilities or responsibilities;
- that European stock markets will continue to be a significant component of international stock markets and that investors will still wish to have an exposure to such investments;
- that there will continue to be a demand for closed-ended investment trusts from investors;
- that regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products; and
- that, should the performance be less than the Board considers to be acceptable, it has appropriate powers to replace the AIFM.

As a consequence of its assessment, the Board considers that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

INDEPENDENT AUDITOR

A resolution to re-appoint BDO LLP as independent Auditor to the Company and to authorise the Board to determine their remuneration will be put to shareholders at the forthcoming AGM to be held on 11 January 2018.

The Directors confirm that, so far as they are each aware, there is no relevant information of which the Company's Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

FINANCIAL RISK MANAGEMENT

Information about the Company's financial risk management objectives and policies is set out in the Strategic Report on pages 20 and 21 and in note 17 of the Financial Statements on pages 62 to 65.

GLOBAL GREENHOUSE GAS EMISSIONS

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission-producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

ANNUAL GENERAL MEETING

The Notice of the forty-fifth AGM to be held on Thursday, 11 January 2018 is set out on pages 71 to 76.

Ordinary business

Shareholders are being asked to vote on various items of ordinary business, as listed below:

Resolution 1 – the receipt and adoption of the Strategic Report, Directors' Report and Auditor's Report and the audited Financial Statements for the year ended 30 September 2017;

Resolution 2 – the receipt and approval of the Directors' Remuneration Report;

Resolution 3 – the re-appointment of BDO LLP as Auditor;

Resolution 4 – the authorisation of the Directors to determine the remuneration of the Auditor;

Resolutions 5 to 8 – the re-election of Directors; and

Resolutions 9 – the approval of the final dividend recommended by the Board.

Directors’ Report continued

Special Business

In addition to the ordinary business, there are the following items of special business detailed below:

APPROVAL OF OBJECTIVE AND INVESTMENT POLICY

Resolution 10 – (an Ordinary Resolution) deals with the approval of the revised objective and investment policy. Further details regarding this are set out on pages 7 and 17.

SHARE BUY BACK AUTHORITY

At the AGM held on Tuesday, 24 January 2017, the Company was granted authority to purchase up to 14.99% of the Company’s ordinary shares in issue at that date, being 6,296,814 ordinary shares. Details of the shares bought back during the year ended 30 September 2017 can be found on page 30. As at 29 November 2017, the Company may purchase up to 6,296,814 ordinary shares under the existing authority.

Resolution 11 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the Directors’ authority to purchase up to 6,296,814 ordinary shares (being 14.99% of the issued share capital as at 29 November 2017 or, if less, 14.99% of the issued share capital immediately following the passing of the resolution). In accordance with the Listing Rules of the FCA, the price paid for shares will be not less than 25p per ordinary share, and not more than the higher of (i) 5% above the average market value of those shares as derived from the Daily Official List of the London Stock Exchange for the five business days before the shares are purchased and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation (being a price higher than the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out).

It is the Board’s policy that purchases of shares will only be made through the market for cash at prices below the prevailing net asset value of the shares. The authority will be used where the Directors consider it to be in the best interests of shareholders and the Company. Shares purchased will be cancelled. The authority, if given, will lapse at the conclusion of the Company’s next AGM after the passing of this resolution (which must be held no later than 31 March 2019).

AUTHORITY TO ALLOT SHARES

Resolution 12 (an Ordinary Resolution), as set out in the notice of meeting, if passed, will renew the Directors’ authority to issue up to an aggregate nominal value of £3,500,564, representing 14,002,256 ordinary shares (being approximately one-third of the issued share capital as at 29 November 2017) in accordance with statutory pre-emption rights. In addition, in accordance with the guidance from the Investment Association on the expectations of institutional investors in relation to the authority of directors to allot shares, paragraph (b) of Resolution 12 will authorise the Directors to allot additional ordinary shares up to a maximum nominal amount of £3,500,564, which is approximately a further one-third of the issued share capital as at the date of this report. However, the Directors will only be able to allot those shares for the purpose of a rights issue in which the new shares are offered to shareholders in proportion to their then shareholdings. The Company holds no shares in treasury. The authority, if given, will lapse at the conclusion of the next AGM of the Company after the passing of this resolution (which must be held no later than 31 March 2019). The authority will be used where Directors consider it to be in the best interests of shareholders and the Company. The Directors will only issue new ordinary shares at a price at or above the prevailing NAV.

AUTHORITY TO ISSUE SHARES OUTSIDE OF PRE-EMPTION RIGHTS

Resolution 13 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the Directors’ authority to issue shares (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions), and (iii) to persons other than existing shareholders up to an aggregate nominal value of £525,084, representing 2,100,336 ordinary shares (being approximately 5% of the issued share capital as at 29 November 2017) without first having to offer such shares to existing shareholders. The authority, if given, will lapse at the conclusion of the Company’s next AGM after the passing of this resolution (which must be held no later than 31 March 2019). The authority will be used where Directors consider it to be in the best interests of shareholders and the Company. The Directors will only issue new ordinary shares at a price at or above the prevailing NAV.

Directors' Report continued

AUTHORITY TO HOLD GENERAL MEETINGS AT SHORTER NOTICE

Resolution 14 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the approval to convene all general meetings of the Company, other than AGMs, on a minimum of 14 clear days' notice. The notice period for AGMs will remain at 21 clear days. The approval will be effective until the Company's next AGM, when it is intended that renewal will be sought. The Directors will only call general meetings on 14 clear days' notice where they consider it in the best interests of shareholders to do so and the relevant matter requires to be dealt with expediently.

AUTHORITY TO USE ELECTRONIC COMMUNICATIONS WITH SHAREHOLDERS

Resolution 15 (an Ordinary Resolution), as set out in the notice of meeting, if passed, will allow the Company to take advantage of the provisions of the Act to use electronic communications to engage with its shareholders by placing documents such as the annual report and financial statements on its website rather than sending them in hard copy. The Company will notify those shareholders who have elected for electronic communication, by post or email if they have provided an email address, that the document is available on the website. Shareholders can, however, ask for a hard copy of any document at any time.

If this resolution is passed, the new arrangements are expected to result in potential administrative, printing and postage cost savings for the Company, while preserving shareholders' rights to receive hard copy documents if they so wish.

DIRECTORS' RECOMMENDATION

The Directors consider each resolution being proposed at the AGM to be in the best interests of shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do in respect of their own beneficial shareholdings.

By order of the Board
Kenneth J Greig
Company Secretary

29 November 2017

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2017.

The Board consists of independent non-executive Directors. Given the size of the Board, it is not considered appropriate for the Company to establish a separate remuneration committee, and the matter of remuneration of the Directors is therefore dealt with by the Board as a whole.

During the year ended 30 September 2017, the annual fees were set at the rate of £30,000 for the Chairman and £20,000 for the other Directors, with an additional payment of £1,500 to the Chairman of the Audit Committee. The Board has reviewed the current levels of remuneration paid to the Directors and agreed that, with effect from 1 October 2017, Directors' fees be increased to £33,500 for the Chairman and £22,500 for the other Directors, with an additional fee of £3,000 for the Chairman of the Audit Committee. This is to reflect the Directors' increased legal and regulatory responsibility and to ensure closer alignment with the Company's peer group. Fees were last increased from 1 October 2014.

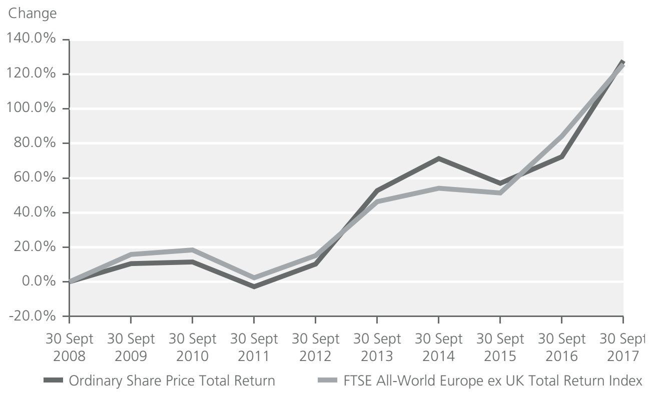
The fees payable to the Directors in respect of subsequent financial periods will be determined following an annual review, as detailed in the Directors' Remuneration Policy on page 38.

The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. The Company is required to ask shareholders to approve the annual remuneration paid to Directors every year and to formally approve the Directors' Remuneration Policy on a three-yearly basis. A resolution to approve the Directors' Remuneration Policy was passed at the AGM of the Company held on 24 January 2017. No significant changes are proposed to the way in which the Directors' Remuneration Policy will be implemented during the course of the next financial year. An Ordinary Resolution to approve the Directors' Remuneration Report will be put to shareholders for approval at the forthcoming AGM.

Your Company's performance

The graph below compares the share price total return (assuming all dividends are reinvested) to shareholders, compared to the FTSE All-World Europe ex UK Total Return Index, adjusted to sterling. This index is considered to be an appropriate and relevant benchmark against which the Company's long-term performance is measured.

9 YEAR PERFORMANCE*



Source: Edinburgh Partners

* Prior to 1 February 2010, the Investment Manager was F&C Management Limited.

Directors' Remuneration Report continued

Directors' emoluments for the year ended 30 September 2017 (audited)
The Directors who served during the year were entitled to the following emoluments in the form of fees:

	Fees	
	Year to 30 September 2017	Year to 30 September 2016
Michael MacPhee (Chairman)*	**£26,859**	£15,000
William Eason	**£20,000**	£20,000
Douglas McDougall**	**£9,934**	£31,500
Michael Moule	**£20,000**	£20,000
Michael Woodward***	**£21,029**	£20,000
	£97,822	£106,500

* Appointed Chairman 24 January 2017.
** Retired 24 January 2017.
*** Appointed Audit Committee Chairman 24 January 2017.

Relative importance of spend on pay
The table below sets out, in respect of the financial year ended 30 September 2017 and the preceding financial year:

a) the remuneration paid to the Directors;
b) the distributions made to shareholders by way of dividend; and
c) in relation to buy backs, ordinary shares purchased for cancellation.

	Year ended 30 September 2017	Year ended 30 September 2016	Change
Total remuneration	**£97,822**	£106,500	(8.1)%
Dividend	**£13,232,132**	£6,731,099	96.6%
Ordinary shares purchased for cancellation	**£353,000**	£113,000	212.4%

Directors' Remuneration Report continued

Directors' interests (audited)
There is no requirement under the Company's Articles of Association for Directors to hold shares in the Company.

The interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	30 September 2017 Beneficial	30 September 2016 Beneficial
Michael MacPhee	10,000	10,000
William Eason	10,000	10,000
Michael Moule	9,000	9,000
Michael Woodward	5,000	5,000

There have been no changes to these holdings between 30 September 2017 and the date of this report.

None of the Directors nor any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

Voting
The Directors' Remuneration Report for the year ended 30 September 2016 and the Directors' Remuneration Policy were approved by shareholders at the AGM held on 24 January 2017. The votes cast by proxy were as follows:

	Directors' Remuneration Report		Directors' Remuneration Policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	19,208,751	98.50	19,241,461	98.67
Against	254,293	1.30	220,753	1.13
At Chairman's discretion	39,263	0.20	39,263	0.20
Total votes cast	19,502,307	100.00	19,501,477	100.00
Number of votes withheld	57,717		58,547	

Directors' Remuneration Report continued

DIRECTORS' REMUNERATION POLICY

The Company follows the recommendation of the AIC Code of Corporate Governance that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent on the Company's affairs. The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments.

The Board has set three levels of fees: one for the Chairman, one for other Directors, and an additional fee that is paid to the Director who chairs the Audit Committee. Fees are reviewed annually in accordance with the policy. The fee for any new Director appointed will be determined on the same basis.

	Expected fees for year to 30 September 2018	Fees for year to 30 September 2017
Chairman basic fee	**£33,500**	£30,000
Non-executive Director basic fee	**£22,500**	£20,000
Additional fee for Chairman of the Audit Committee	**£3,000**	£1,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	**£150,000**	£150,000

Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

Under the Articles of Association, Directors are entitled to be paid all reasonable travelling, hotel and incidental expenses incurred in or about the performance of their duties as Directors, including expenses incurred in attending Board or shareholder meetings.

The Company does not enter into service contracts with its Directors. Instead, the Company has a policy of entering into a letter of appointment with each of its Directors, copies of which are available on request from the Company Secretary. It is intended that the Company's policy when determining the duration of notice periods and termination payments under the Directors' letters of appointment will be based on prevailing best practice guidelines. Under the Directors' letters of appointment, there is a notice period of one month and no compensation is payable to a Director on leaving office. No compensation is payable in the event of a takeover bid.

APPROVAL

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Michael MacPhee
Chairman

29 November 2017

Audit Committee Report

The Audit Committee Report for the year ended 30 September 2017 is set out below.

ROLE OF THE AUDIT COMMITTEE

The primary responsibilities of the Committee are:

- to review the integrity and contents of the Company's annual and half-yearly financial statements and accounting policies;
- to advise the Board, where requested, on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review compliance with regulatory and financial reporting requirements;
- to review the principal risks facing the Company that would threaten its business model, future performance, solvency or liquidity, and to assess the prospects of the Company for a period longer than 12 months;
- to review the Company's internal controls and risk management systems;
- to review annually the need for the Company to have its own internal audit function;
- to oversee the selection process of possible new appointees as external auditor;
- to review the adequacy and scope of the external audit;
- to consider the independence, objectivity and effectiveness of the Auditor and the effectiveness of the audit; and
- to make recommendations to the Board in relation to the appointment and remuneration of the Auditor.

As set out in the Corporate Governance Statement on page 24, during the year, the management engagement responsibilities previously performed by the Committee were assumed by the Board.

MATTERS CONSIDERED DURING THE YEAR

During the year ended 30 September 2017, the Committee met three times and each Director's attendance at these meetings is set out in the table on page 26. The Committee has:

- reviewed the internal controls and risk management systems of the Company and its third party service providers;
- agreed the audit plan with the Auditor, including the principal areas of focus;
- received and discussed with the Auditor their report on the results of the audit; and
- reviewed the Company's Annual and Half-Yearly Reports and Financial Statements and recommend these to the Board accordingly.

The Committee has direct access to the Auditor, BDO LLP, who attend the relevant Committee meeting to report on the audit of the Company and its review of the Annual Report and Financial Statements. The Committee has the opportunity to meet with the Auditor without the AIFM and the Investment Manager being present.

The significant issues considered by the Committee in relation to the Annual Report and Financial Statements were:

a) *Valuation of investments*
During the year, the Committee held discussions with the AIFM and the Investment Manager about the valuation process of the Company's investments and the systems in place to ensure the accuracy of these valuations, particularly in view of the fact that investments represent the principal element of the net asset value as detailed in the Balance Sheet on page 49.

b) *Accuracy and completeness of revenue and expenses*
The Committee considered the accuracy and completeness of dividend income, management fees, other expenses and taxation charges, recognised in the Financial Statements. Incomplete or inaccurate revenue, expense or taxation recognition could have a material impact on the Company's net asset value.

Audit Committee Report continued

c) *Internal controls*
The Company does not have an internal audit function as most of its day-to-day operations are delegated to third parties, all of whom have their own internal control procedures. The Committee discussed whether it would be appropriate to establish an internal audit function, and agreed that the existing system of monitoring and reporting by third parties remains appropriate and sufficient.

The Committee has reviewed and updated, where appropriate, the Company's risk assessment. This is done on an annual basis.

d) *Going concern and long-term viability*
The Committee considered the Company's financial requirements for the forthcoming year and over a longer period of five years in line with the AIC Code and concluded that the Company had adequate resources to continue in operation and meet its liabilities as they fall due both for the forthcoming year and over the next five years.

Following the consideration of the above issues and its detailed review, the Committee was of the opinion that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and advised the Board accordingly.

AUDIT FEES AND NON-AUDIT SERVICES

An audit fee of £16,000 has been agreed in respect of the audit for the year ended 30 September 2017 (2016: £22,150). Details of the fees paid to the Auditor are set out in note 4 of the Financial Statements on page 54.

All non-audit work proposed to be carried out by the Auditor must be approved by the Committee in advance to ensure that auditor objectivity and independence are safeguarded, and the Auditor may be excluded from carrying out certain types of non-audit work. No non-audit services fees were paid during the year ended 30 September 2017 (2016: none).

EFFECTIVENESS OF THE EXTERNAL AUDIT

The Committee reviews the effectiveness of the external audit carried out by the Auditor on an annual basis. The Chairman of the Audit Committee maintained regular contact with the Company's audit partner throughout the year and also met with him prior to the finalisation of the audit of the 2017 Annual Report and Financial Statements, without the Investment Manager being present, to discuss how the external audit was carried out, the findings from such audit and whether any issues had arisen from the Auditor's interaction with the Company's various service providers.

INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

At the AGM of the Company held on 24 January 2017, shareholders approved the appointment of BDO LLP as Auditor to the Company. Rotation of the audit partner will take place every five years in accordance with the FRC revised Ethical Standard 2016. There are no contractual obligations that would restrict the Committee in selecting alternative external auditor. The Committee reviews the re-appointment of the Auditor every year in order to ensure that the external audit remains effective and independent.

RE-APPOINTMENT OF THE AUDITOR

Following consideration of the performance of the Auditor, the service provided during the year and a review of their independence and objectivity, the Committee recommended to the Board the re-appointment of BDO LLP as Auditor to the Company.

Michael Woodward
Chairman of the Audit Committee

29 November 2017

Directors' Responsibility Statement

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements respectively;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with the applicable law and regulations.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and include the information required by the Listing Rules of the FCA. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names are set out on page 15, confirms that, to the best of his knowledge:

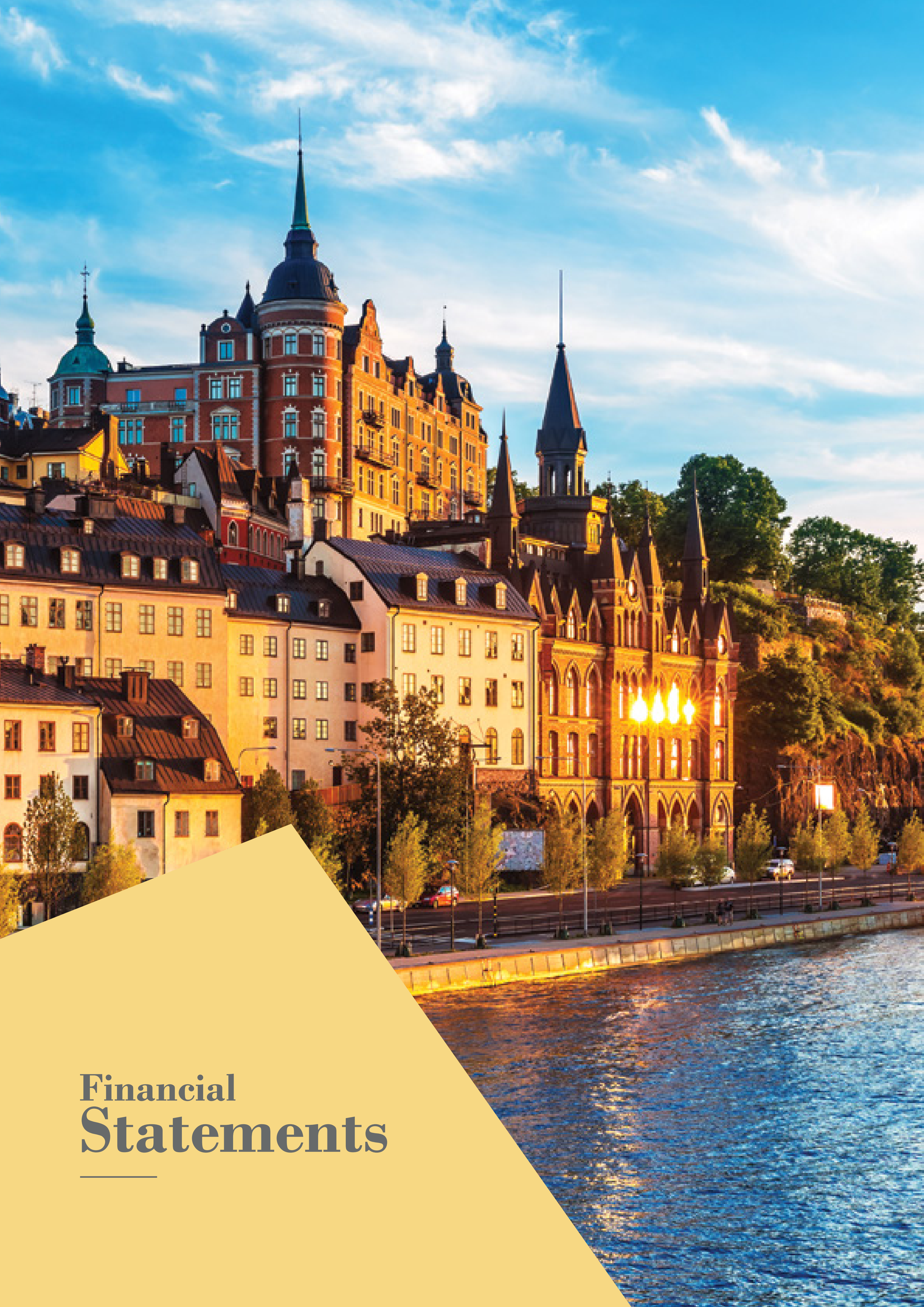
- the Financial Statements, which have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Annual Report and Financial Statements, taken as a whole, are considered by the Board to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board
Michael MacPhee
Chairman

29 November 2017



Financial Statements

Independent Auditor's Report

to the Members of The European Investment Trust plc for the year ended 30 September 2017

OPINION

We have audited the Financial Statements of The European Investment Trust Plc ("the Company") for the year ended 30 September 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 20 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 20 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 31 in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 31 in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's Report continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Valuation, existence and ownership of investments The investment portfolio at the year end comprised of listed equity investments valued at £431,537,000 (note 10). We consider the valuation, existence and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity. In addition, the valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the AIFM and Investment Manager, who is remunerated based on the net asset value of the Company. We consider the valuation of investments with respect to unrealised gains/losses (see page 66).	We responded to this matter by testing the valuation, existence and ownership of 100% of the portfolio of investments. We performed the following procedures: In respect of quoted investment valuations (100% of the total portfolio) we have: • Checked the appropriateness of the valuation methodology applied by the AIFM and Investment Manager and checked that the year-end price has been agreed to externally quoted prices from reputable sources • Agreed the investment holdings to independently received third party confirmation from the custodian to confirm existence and completeness We also considered the completeness, accuracy and clarity of investment related disclosures. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year end (see page 66), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No significant errors were detected as a result of our testing.

Independent Auditor's Report continued

Matter	Audit response
Income from investments (Note 2 to the Financial Statements) In accordance with ISAs (UK) we presumed there to be a significant risk of fraud in relation to income recognition. We consider the completeness of dividend income recognition and its presentation in the Income Statement, as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice 2014 (the 'AIC SORP') to be a significant risk. This is because incomplete or inaccurate income could have a material impact on the Company's net asset value.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm the nature of the revenue and to check that income had been accounted for in accordance with this stated accounting policy. In addition, we tested dividend receipts by agreeing the dividend rates for a sample of investments to independent third party sources. In respect of completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared on a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. No significant errors were detected as a result of our testing.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the Financial Statements.

Materiality for the Financial Statements as a whole was £4,300,000, which was based on 1% of the value of the portfolio of investments. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £80,000.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information, in respect of the Strategic Report and Directors' Report and Governance Reports included on pages 4 to 40 and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report continued

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 41 – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 39 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 24 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibility Statement set out on page 41, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit Committee and the Board of Directors, we were appointed by the members of the Company on 24 January 2017 to audit the Financial Statements for the year ended 30 September 2017 and subsequent financial periods.

We consider that the audit procedures we have undertaken in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the Financial Statements. Our audit was not designed to identify misstatement or other irregularities that would not be considered to be material to the Financial Statements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of
BDO LLP statutory auditor
London, UK

29 November 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 30 September 2017

		2017			2016		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	10	–	92,580	92,580	–	37,740	37,740
Foreign exchange gains/(losses)		35	(307)	(272)	240	(479)	(239)
Income	2	12,591	–	12,591	10,357	–	10,357
Management fee	3	(1,958)	–	(1,958)	(1,586)	–	(1,586)
Other expenses	4	(430)	–	(430)	(434)	–	(434)
Net return before finance costs and taxation		10,238	92,273	102,511	8,577	37,261	45,838
Finance costs	5	(50)	–	(50)	(51)	–	(51)
Net return before taxation		10,188	92,273	102,461	8,526	37,261	45,787
Tax on ordinary activities	7	665	–	665	(523)	–	(523)
Net return attributable to shareholders		10,853	92,273	103,126	8,003	37,261	45,264
		pence	pence	pence	pence	pence	pence
Return per ordinary share*	9	25.8	219.7	245.5	19.0	88.6	107.6

* Based on the weighted average number of shares in issue during the year. The return per ordinary share is both the basic and diluted return per ordinary share.

All revenue and capital items in the above statement derive from continuing operations.

The total column of this statement is the Income Statement of the Company. The revenue and capital columns are prepared under guidance published by the AIC.

There were no items of other comprehensive income in the year and therefore the profit for the year is also the total comprehensive income for the year.

The notes on pages 51 to 66 form part of these Financial Statements.

Balance Sheet

as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Fixed asset investments:			
Investments at fair value through profit or loss	10	**431,537**	361,065
Current assets:			
Debtors	12	**1,720**	1,538
Cash at bank and short-term deposits		**10,129**	105
		11,849	1,643
Current liabilities:			
Creditors	13	**3,186**	1,833
Bank overdraft	6	**–**	10,216
		3,186	12,049
Net current assets/(liabilities)		**8,663**	(10,406)
Net assets		**440,200**	350,659
Capital and reserves:			
Called-up share capital	14	**10,501**	10,513
Share premium account		**123,749**	123,749
Capital redemption reserve		**8,310**	8,298
Capital reserve		**287,758**	195,838
Revenue reserve		**9,882**	12,261
Total shareholders' funds		**440,200**	350,659
		pence	pence
Net asset value per ordinary share	15	**1047.9**	833.8

The Financial Statements on pages 48 to 66 were approved and authorised for issue by the Board of Directors of The European Investment Trust plc on 29 November 2017 and were signed on its behalf by:

Michael MacPhee
Chairman

Registered in England and Wales No. 1055384

The notes on pages 51 to 66 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 30 September 2017

	Notes	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Year ended 30 September 2017							
At 1 October 2016		**10,513**	**123,749**	**8,298**	**195,838**	**12,261**	**350,659**
Net return after taxation for the year		**–**	**–**	**–**	**92,273**	**10,853**	**103,126**
Dividends paid	8	**–**	**–**	**–**	**–**	**(13,232)**	**(13,232)**
Shares purchased for cancellation	14	**(12)**	**–**	**12**	**(353)**	**–**	**(353)**
At 30 September 2017		**10,501**	**123,749**	**8,310**	**287,758**	**9,882**	**440,200**
Year ended 30 September 2016							
At 1 October 2015		10,517	123,749	8,294	158,690	10,989	312,239
Net return after taxation for the year		–	–	–	37,261	8,003	45,264
Dividends paid	8	–	–	–	–	(6,731)	(6,731)
Shares purchased for cancellation	14	(4)	–	4	(113)	–	(113)
At 30 September 2016		10,513	123,749	8,298	195,838	12,261	350,659

The notes on pages 51 to 66 form part of these Financial Statements.

Notes to the Financial Statements

at 30 September 2017

1. ACCOUNTING POLICIES

Basis of accounting

These Financial Statements are prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and in accordance with the AIC SORP.

The Company has applied the exemption detailed in FRS 102 Section 7.1A, electing to exclude the Cash Flow Statement for the year ended 30 September 2017.

The principal accounting policies detailed below have been applied consistently throughout the period. As detailed on page 31, the Directors consider that it is appropriate for the Financial Statements to be prepared on a going concern basis.

Income recognition

Dividend and other investment income is included as revenue (except where, in the opinion of the Directors, its nature indicates it should be recognised as capital) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Income arising on holdings of fixed income securities is recognised on a time apportionment basis so as to reflect the effective interest rate on that security. Deposit and other interest is included on an accruals basis.

Dividends are accounted for on the basis of income actually receivable. Dividends from overseas companies are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital reserve.

Borrowings

Loans and overdrafts are recorded at the proceeds received, net of issue costs, irrespective of the duration of the instrument.

Finance costs, including interest, are accrued using the effective interest rate method. See below for allocation of finance costs within the Income Statement.

Expenses and finance costs

All expenses are accounted for on an accruals basis. All operating expenses including finance costs and management fees are charged through revenue in the Income Statement except costs that are incidental to the acquisition or disposal of investments, which are charged to capital in the Income Statement. Transaction costs are included within the gains and losses on investment sales, as disclosed in the Income Statement. No performance fees are charged by the AIFM.

Investments

All investments held by the Company are classified as 'fair value through profit or loss'. Investments are initially recognised at cost, being the fair value of the consideration given. Interest accrued on fixed interest rate securities at the date of purchase or sale is accounted for separately as accrued income, so that the value or purchase price or sale proceeds is shown net of such items.

Notes to the Financial Statements continued

at 30 September 2017

1. ACCOUNTING POLICIES continued

Investments continued

After initial recognition, investments are measured at fair value, with changes in the fair value of investments and impairment of investments recognised in the Income Statement and allocated to capital. Gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the Balance Sheet date, without adjustment for transaction costs necessary to realise the asset. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value, using the guidelines on valuation published by the International Private Equity and Venture Capital Association. This represents the Directors' view of the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that its current shareholders have any intention to sell their holding in the near future. Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.

Cash at bank and short-term deposits

Cash at bank and short-term deposits comprise cash in hand and demand deposits that mature within three months. The carrying value of cash at bank and short-term deposits is equal to its fair value.

Foreign currency

The functional and presentational currency of the Company is sterling because that is the currency of the primary economic environment in which the Company operates.

Transactions denominated in foreign currencies are converted to sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange to sterling at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in revenue depending on whether the gain or loss is of a capital or revenue nature.

Taxation

The charge for taxation is based on the net return for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not been reversed by the Balance Sheet date, unless such provision is not permitted by FRS 102. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent years.

Capital redemption reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve on the relevant trade date.

Notes to the Financial Statements continued

at 30 September 2017

1. ACCOUNTING POLICIES continued

Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- realised foreign exchange differences of a capital nature;
- unrealised foreign exchange differences of a capital nature;
- costs of professional advice (including related irrecoverable VAT) relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- costs of purchasing ordinary share capital.

Revenue reserve

The revenue reserve is distributable by way of a dividend.

Dividends payable to shareholders

Final dividends are recognised as a liability in the year in which they have been approved by shareholders in a general meeting. Interim dividends are recognised as a liability in the period in which they have been declared and paid.

2. INCOME

	2017 £'000	2016 £'000
Income from investments:		
Overseas dividends	12,224	10,357
Other income	367	–
Total income	12,591	10,357

Other income relates to interest received on successful reclaims of withholding tax previously written off, as detailed in note 7 c).

3. MANAGEMENT FEE

	2017 £'000	2016 £'000
Management fee	1,958	1,586

On 17 July 2014, the Company appointed Edinburgh Partners AIFM Limited as its AIFM. Under the Management Agreement, the AIFM is entitled to a fee paid monthly in arrears at a rate of 0.55% per annum of the equity market capitalisation of the Company. Under the Management Agreement, no performance fee is payable.

During the year ended 30 September 2017, the management fees payable to the AIFM totalled £1,958,000 (2016: £1,586,000). At 30 September 2017, there was £175,000 outstanding payable to the AIFM (2016: £137,000) in relation to management fees.

Notes to the Financial Statements continued

at 30 September 2017

4. OTHER EXPENSES

	2017 £'000	2016 £'000
Audit services	**16**	22
Directors' remuneration*	**98**	107
Other	**316**	305
	430	434

* See the Directors' Remuneration Report on pages 35 to 38.

5. FINANCE COSTS

	2017 £'000	2016 £'000
Negative interest on cash balances	**9**	9
Bank overdraft fee	**3**	6
Bank overdraft interest	**38**	36
	50	51

6. BORROWINGS

	2017 £'000	2016 £'000
Bank overdraft	**–**	10,216

In February 2016, the Company entered into a euro 30,000,000 bank overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its objective. The facility was utilised during the year ended 30 September 2017 but, as at 30 September 2017, nil had been drawn down under the facility (2016: euro 11,809,000 equivalent to £10,216,000 drawn down). The facility is uncommitted.

Notes to the Financial Statements continued

at 30 September 2017

7. TAX ON ORDINARY ACTIVITIES

a) Analysis of charge for the year

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
UK corporation tax	–	–	–	–	–	–
Overseas tax suffered	933	–	933	523	–	523
Overseas tax recovered previously written off	(1,598)	–	(1,598)	–	–	–
	(665)	–	(665)	523	–	523

The Company has no corporation tax liability for the year ended 30 September 2017 (2016: nil).

b) The standard rate of corporation tax in the UK ("corporation tax rate") was 20% in the year to 31 March 2017 and is 19% in the year to 31 March 2018. Accordingly, the Company's profits for the year ended 30 September 2017 are taxed at an effective rate of 19.5% (2016: 20%). The corporation tax rate is expected to remain at 19% for the year beginning 1 April 2018 and, as a consequence, the effective rate of corporation tax for the Company for the year ending 30 September 2018 would be 19%.

The taxation charge for the Company for the year ended 30 September 2017 is lower (2016: lower) than the effective rate of 19.5% (2016: 20%). The differences are explained below:

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	10,188	92,273	102,461	8,526	37,261	45,787
Theoretical tax at UK corporation tax rate of 19.5% (2016: 20%)	1,986	17,993	19,979	1,705	7,452	9,157
Effects of:						
– Foreign dividends that are not taxable	(2,390)	–	(2,390)	(2,073)	–	(2,073)
– Non-taxable investment gains	–	(17,993)	(17,993)	–	(7,452)	(7,452)
– Disallowable expenses	1	–	1	1	–	1
– Deferred tax not recognised	403	–	403	368	–	368
– Overseas tax suffered	933	–	933	523	–	523
– Overseas tax recovered previously written off	(1,598)	–	(1,598)	–	–	–
– Accrued income taxable on receipt	–	–	–	(1)	–	(1)
	(665)	–	(665)	523	–	523

Notes to the Financial Statements continued

at 30 September 2017

7 TAX ON ORDINARY ACTIVITIES continued

c) Overseas tax recovered

During the year to 30 September 2017, the Company received amounts totalling EUR 2,226,000, equivalent to £1,965,000 sterling, in relation to successful claims for the receipt of French withholding tax suffered during the years 2009 to 2014, which had previously not been considered recoverable. Included within this amount was interest of EUR 414,000 equivalent to £367,000 sterling, which is recognised within other income detailed in note 2.

d) Factors that may affect future tax charges

At 30 September 2017 the Company had unrelieved management expenses of £10,438,000 (30 September 2016: £8,152,000) that are available to offset future taxable revenue. A deferred tax asset of £1,774,000 (30 September 2016: £1,630,000) has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an Investment Trust company.

e) Contingent assets

The Company is currently pursuing two potential reclaims of tax. The first relates to Franked Investment Group (FII GLO) computational based claims, filed on the basis that the tax treatment of dividends received from EU-resident companies is contrary to Article 43 (freedom of establishment) and/or Article 56 (free movement of capital and payments) of the European Community Treaty. The second relates to retrospective reclaims for overseas withholding tax suffered above treaty rates. Potential tax reclaims which remain outstanding are treated as contingent assets. Contingent assets have not been recognised in these Financial Statements as in all instances at the balance sheet date the amounts receivable were not certain.

8. DIVIDENDS

Declared and paid	Payment date	2017 £'000	2016 £'000
Interim dividend 2017 of 8.0p	31 July 2017	**3,361**	–
Interim special dividend for 2017 of 1.5p	31 July 2017	**630**	–
Final dividend for the year ended 30 September 2016 of 16.0p	31 January 2017	**6,721**	–
Special dividend for the year ended 30 September 2016 of 6.0p	31 January 2017	**2,520**	–
Final dividend for the year ended 30 September 2015 of 14.0p	31 January 2016	**–**	5,889
Special dividend for the year ended 30 September 2015 of 2.0p	31 January 2016	**–**	842
		13,232	6,731

Notes to the Financial Statements continued

at 30 September 2017

8. DIVIDENDS continued

The Directors recommend a final dividend in respect of the year ended 30 September 2017 of 13.5p which is payable on Wednesday, 31 January 2018 to all shareholders on the register at the close of business on Friday, 5 January 2018. The ex-dividend date will be Thursday, 4 January 2018. The recommended final dividend is subject to approval by shareholders at the AGM to be held on Thursday, 11 January 2018. At the date of this report, the total dividend payment will amount to £5,671,000 as detailed below.

Proposed	2017 £'000	2016 £'000
2017 final dividend of 13.5p (2016: final dividend of 16.0p and special dividend of 6.0p, total 22.0p) per ordinary share*	5,671	9,244

* Based on 42,006,769 shares in issue at 29 November 2017.

The total dividend for the year ended 30 September 2017 is 23.0p (2016: 22.0p), consisting of the interim dividend of 8.0p, the special interim dividend of 1.5p and the proposed final dividend of 13.5p.

9. RETURN PER ORDINARY SHARE

	2017			2016		
	Net return £'000	Ordinary shares*	Per share pence	Net return £'000	Ordinary shares*	Per share pence
Net revenue return after taxation	10,853	42,011,049	25.8	8,003	42,067,630	19.0
Net capital return after taxation	92,273	42,011,049	219.7	37,261	42,067,630	88.6
Total return	103,126	42,011,049	245.5	45,264	42,067,630	107.6

* Weighted average number of ordinary shares in issue during the year.

Notes to the Financial Statements continued

at 30 September 2017

10. LISTED INVESTMENTS

	2017 £'000	2016 £'000
Analysis of investment portfolio movements		
Opening book cost	369,635	331,813
Opening investment holdings losses	(8,570)	(23,585)
Opening valuation	361,065	308,228
Movements in the year:		
Purchases at cost	86,202	119,219
Sales – proceeds	(108,310)	(104,122)
– realised gains on sales	22,164	22,725
Investment holding gains	70,416	15,015
Closing valuation	431,537	361,065
Closing book cost	369,691	369,635
Closing investment holding gains/(losses)	61,846	(8,570)
Closing valuation	431,537	361,065

	2017 £'000	2016 £'000
Analysis of capital gains		
Gains on sales	22,164	22,725
Investment holding gains	70,416	15,015
Gains on investments	92,580	37,740

Fair value hierarchy

In accordance with FRS 102, the Company must disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Notes to the Financial Statements continued

at 30 September 2017

10. LISTED INVESTMENTS continued

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in note 1 of these Financial Statements on pages 51 to 53. All of the Company's investments fall into Level 1, being valued at quoted prices in active markets.

Transaction costs

During the year ended 30 September 2017, the Company incurred transaction costs of £79,000 (2016: £145,000) and £96,000 (2016: £102,000) on purchases and sales of investments respectively. These amounts are included in gains/(losses) on investments at fair value, as disclosed in the Income Statement on page 48.

11. SIGNIFICANT HOLDINGS

The Company had no holdings of 3% or more of the share capital of any portfolio companies.

12. DEBTORS

	2017 £'000	2016 £'000
Taxation recoverable	1,514	1,286
Prepayments and accrued income	206	252
	1,720	1,538

13. CREDITORS

	2017 £'000	2016 £'000
Due to brokers	2,861	1,542
Other creditors and accruals	150	157
Management fee accrued	175	134
	3,186	1,833

Notes to the Financial Statements continued

at 30 September 2017

14. CALLED-UP SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called-up and fully paid:		
Brought forward	**10,513**	10,517
Cancelled shares of 25p	**(12)**	(4)
42,006,769 (2016: 42,053,550) ordinary shares of 25p each	**10,501**	10,513

During the year ended 30 September 2017, 46,781 (2016: 15,821) ordinary shares were purchased and cancelled at a total cost of £353,000 (2016: £113,000).

Duration of the Company

The Company neither has a termination date nor the requirement for any periodic continuation votes.

15. NET ASSET VALUE PER ORDINARY SHARE

	2017 pence	2016 pence
Net asset value per ordinary share	**1047.9**	833.8

The net asset value per ordinary share is based on net assets of £440,200,000 (2016: £350,659,000) and on 42,006,769 (2016: 42,053,550) ordinary shares, being the number of ordinary shares in issue at the year end.

Notes to the Financial Statements continued

at 30 September 2017

16. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Currency profile

The currency profile of the Company's financial assets and liabilities were:

	Equity shares £'000	Cash at bank and short-term deposits £'000	Debtors £'000	Borrowings £'000	Creditors £'000	Total £'000
2017						
Euro	**325,033**	**10,067**	**908**	**–**	**(2,862)**	**333,146**
Swiss franc	**50,503**	**–**	**473**	**–**	**–**	**50,976**
Norwegian krone	**22,688**	**–**	**173**	**–**	**–**	**22,861**
Danish kroner	**20,258**	**–**	**137**	**–**	**–**	**20,395**
Swedish krona	**13,055**	**–**	**–**	**–**	**–**	**13,055**
Sterling	**–**	**62**	**20**	**–**	**(306)**	**(224)**
NZ dollar	**–**	**–**	**9**	**–**	**(18)**	**(9)**
Total	**431,537**	**10,129**	**1,720**	**–**	**(3,186)**	**440,200**
2016						
Euro	280,359	45	905	(10,216)	(1,542)	269,551
Swiss franc	34,138	–	318	–	–	34,456
Norwegian krone	15,150	–	178	–	–	15,328
Danish kroner	14,942	–	70	–	–	15,012
Swedish krona	16,476	–	–	–	–	16,476
Sterling	–	60	59	–	(290)	(171)
NZ dollar	–	–	8	–	(1)	7
Total	361,065	105	1,538	(10,216)	(1,833)	350,659

	2017	2016
Foreign exchange rates		
Euro	**1.1349**	1.1559
Swiss franc	**1.2981**	1.2593
Norwegian krone	**10.6800**	10.3820
Danish kroner	**8.4454**	8.6072
Swedish krona	**10.9510**	11.1290
NZ dollar	**1.8560**	1.7863

Notes to the Financial Statements continued

at 30 September 2017

17. RISK ANALYSIS

The Company is an investment company, whose shares are traded on the London Stock Exchange. It conducts its affairs so as to qualify in the UK as an investment trust under the provisions of Sections 1158 and 1159 of the CTA. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

As an investment trust, the Company invests in equities and makes other investments so as to achieve its objective. In pursuing its objective, the Company is exposed to risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. The Board, together with the AIFM, is responsible for the Company's risk management, as set out on pages 20 and 21 of the Strategic Report.

The principal risks the Company faces are:

- Investment and strategy risk
- Discount volatility risk
- Market risk (comprising: interest rate risk, currency risk and price risk)
- Liquidity risk
- Credit risk
- Gearing risk

The AIFM monitors the risks affecting the Company on an ongoing basis within the policies and guidelines determined by the Board. The Directors receive financial information, which is used to identify and monitor risk, quarterly. The Company may enter into derivative contracts to manage risk but has not done so to date. A description of the principal risks the Company faces is detailed below and on page 20 of the Strategic Report.

Investment and strategy risk

There can be no guarantee that the objective of the Company will be achieved due to the possibility of poor stock selection or as a result of being geared in a falling market.

The Investment Manager meets regularly with the Board to discuss the portfolio performance and strategy. The Board receives regular reports from the Investment Manager detailing all portfolio transactions and any other significant changes in the market or stock outlooks. Details of the investment policy are given on page 17.

Discount volatility risk

The Board recognises that it is in the long-term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is investment performance. The Company is permitted to employ gearing, a process whereby funds are borrowed principally for the purpose of purchasing securities, should the Board consider that it is appropriate to do so. The use of gearing can magnify discount volatility.

The Board actively monitors the discount at which the Company's shares trade but it does not intend to issue a precise discount target at which shares will be bought back as it believes that the announcement of specific targets is likely to hinder rather than help the successful execution of a buy back policy. Equally, the Company will issue shares in order to meet demand as it arises.

The Board's commitment to allot or repurchase ordinary shares is subject to the Directors being satisfied that any offer to allot or to purchase shares is in the best interests of shareholders of the Company as a whole.

During the year ended 30 September 2017, 46,781 (2016: 15,821) ordinary shares were purchased and cancelled at a total cost of £353,000 (2016: £113,000).

Notes to the Financial Statements continued

at 30 September 2017

17. RISK ANALYSIS continued

Market Risk

Interest rate risk

The Company's assets and liabilities, excluding short-term debtors and creditors, may comprise financial instruments which include investments in fixed interest securities.

Details of the Company's interest rate exposure as at 30 September 2017 are disclosed in note 16 of these Financial Statements on page 61.

The majority of the Company's assets were non-interest bearing during the year ended and as at 30 September 2017. Some of the Company's cash at bank and short-term deposits were subject to a negative interest charge during the year ended and as at 30 September 2017. There was exposure to interest bearing liabilities during the year ended 30 September 2017 through the bank overdraft facility agreement.

If interest rates had reduced by 0.25% (2016: 0.25%) from those obtained as at 30 September 2017, it would have the effect, with all other variables held constant, of decreasing the net revenue return before taxation and therefore decreasing net assets on an annualised basis by £25,000 (2016: an increase of £26,000). If there had been an increase in interest rates of 0.25% (2016: 0.25%), there would have been an equal and opposite effect in the net revenue return before taxation. The calculations are based on cash at bank, short-term deposits and bank overdrafts as at 30 September 2017 and these may not be representative of the year as a whole. This level of change is considered to be reasonable based on observation of current market conditions.

Currency risk

The base currency of the Company is sterling. The international nature of the Company's investment activities gives rise to a currency risk which is inherent in the performance of its overseas investments. The Company's overseas income is also subject to currency fluctuations.

It is not the Company's policy to hedge this risk on a continuing basis.

Details of the Company's foreign currency risk exposure as at 30 September 2017 are disclosed in note 16 of these Financial Statements on page 61.

If sterling had strengthened by 10% against all other currencies on 30 September 2017, with all other variables held constant, it would have had the effect of reducing the net capital return before taxation by £44,042,000 (2016: £35,085,000) and the net revenue return before taxation by £1,254,000 (2016: £1,055,000) and therefore would have reduced net assets by £45,296,000 (2016: £36,140,000). If sterling had weakened by 10% against all other currencies, there would have been an equal and opposite effect on both the net capital return and net revenue return before taxation. This level of change is considered to be reasonable based on observation of current market conditions.

Price risk

The Company is exposed to market risk due to fluctuations in the market prices of its investments. Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Investment Manager monitors the prices of financial instruments held by the Company on an ongoing basis.

Notes to the Financial Statements continued

at 30 September 2017

17. RISK ANALYSIS continued

Market Risk continued

Price risk continued

The Investment Manager actively monitors market and economic data and reports to the Board, which considers investment policy on a regular basis. The NAV of the Company is issued daily to the London Stock Exchange and is also available on the Company's website at www.theeuropeaninvestmenttrust.com and on the website of Edinburgh Partners at www.edinburghpartners.com.

Fixed asset investments are valued at their fair value. Details of the Company's investment portfolio as at 30 September 2017 are disclosed on page 11. In addition, an analysis of the investment portfolio by sector and geographical distribution is detailed on page 12.

The maximum exposure to price risk at 30 September 2017 is the fair value of investments of £431,537,000 (2016: £361,065,000).

If the investment portfolio valuation fell by 20% from the amount detailed in the Financial Statements as at 30 September 2017, it would have the effect, with all other variables held constant, of reducing the net capital return before taxation and therefore reducing net assets by £86,307,000 (2016: £72,213,000). An increase of 20% in the investment portfolio valuation would have an equal and opposite effect on the net capital return before taxation. The calculations are based on the Company's price risk at 30 September 2017 and may not be representative of the year as a whole. This level of change is considered to be reasonable based on observation of current market conditions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's policy with regard to liquidity is to ensure continuity of funding. Short-term flexibility is achieved through cash management and increased borrowing, including the use of overdraft facilities.

Liquidity risk is not considered significant as the Company's assets comprise of readily realisable securities which are industrially and geographically diverse and which can be sold freely to meet funding requirements if necessary. Securities listed on a recognised stock exchange have been valued at bid prices and exchange rates ruling at the close of business on 30 September 2017. In certain circumstances, the market prices at which investments are valued may not represent the realisable value of those investments, taking into account both the size of the Company's holding and the frequency with which such investments are traded. The Company does not normally invest in derivative products. The Investment Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

Credit risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

The carrying amounts of cash and debtors best represent the maximum credit risk exposure at the Balance Sheet date. There are no financial assets which are either past due or impaired.

The Company's listed investments are held on its behalf by The Northern Trust Company acting as the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal controls reports.

Notes to the Financial Statements continued

at 30 September 2017

17. RISK ANALYSIS continued

Credit risk continued

Investment transactions are carried out with a number of brokers, whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian ensures that the counterparty to any transaction entered into by the Company has delivered in its obligations before any transfer of cash or securities away from the Company is completed.

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality. As at 30 September 2017, The Northern Trust Company London Branch had a long-term rating from Standard and Poor's of AA-.

The maximum exposure to credit risk as at 30 September 2017 was £11,849,000 (2016: £1,643,000). The calculation is based on the Company's credit risk exposure as at 30 September 2017 and this may not be representative of the year as a whole.

Gearing risk

The aim of gearing is to enhance long-term returns to shareholders by investing borrowed funds in equities and other assets. The Company is permitted to employ gearing should the Board consider it appropriate to do so. The Board's policy is that the level of gearing should not exceed 20% in normal market conditions. The use of gearing can cause both gains and losses in the asset value of the Company to be magnified.

As detailed in notes 5 and 6, during the year ended 30 September 2017, the Company utilised a borrowing facility.

The Board undertakes an annual assessment and review of all the risks stated in this note 17 and in the Strategic Report on page 20 together with a review of any new risks which may have arisen during the year. These risks are formalised within the Company's risk assessment matrix.

18. CAPITAL MANAGEMENT POLICIES

The Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought-forward revenue reserves.

The Company is subject to externally imposed capital requirements, including the requirement as a public company to have a minimum share capital of £50,000, which have been met throughout the year.

Notes to the Financial Statements continued

at 30 September 2017

18. CAPITAL MANAGEMENT POLICIES continued

Any changes to the ordinary share capital are set out in note 14 of these Financial Statements on page 60. Dividend payments are set out in note 8 of these Financial Statements on page 56.

The Company's capital comprises:

	2017 £'000	2016 £'000
Called-up share capital	**10,501**	10,513
Share premium account	**123,749**	123,749
Capital redemption reserve	**8,310**	8,298
Capital reserve	**287,758**	195,838
Revenue reserve	**9,882**	12,261
Total shareholders' funds	**440,200**	350,659

The capital reserve consists of realised capital reserves of £225,924,000 and unrealised capital gains of £61,834,000 (2016: realised capital reserves of £204,414,000 and unrealised capital losses of £8,576,000). The unrealised capital gains consist of unrealised investment holding gains of £61,846,000 (2016: losses of £8,570,000) and unrealised foreign exchange losses of £12,000 (2016: losses of £6,000).

The realised capital reserve, net of any unrealised losses, is distributable by way of a dividend. Unrealised gains are non-distributable.

The Company's objectives for managing capital are the same as the previous year and have been complied with throughout the year.

19. TRANSACTIONS WITH THE AIFM AND THE INVESTMENT MANAGER

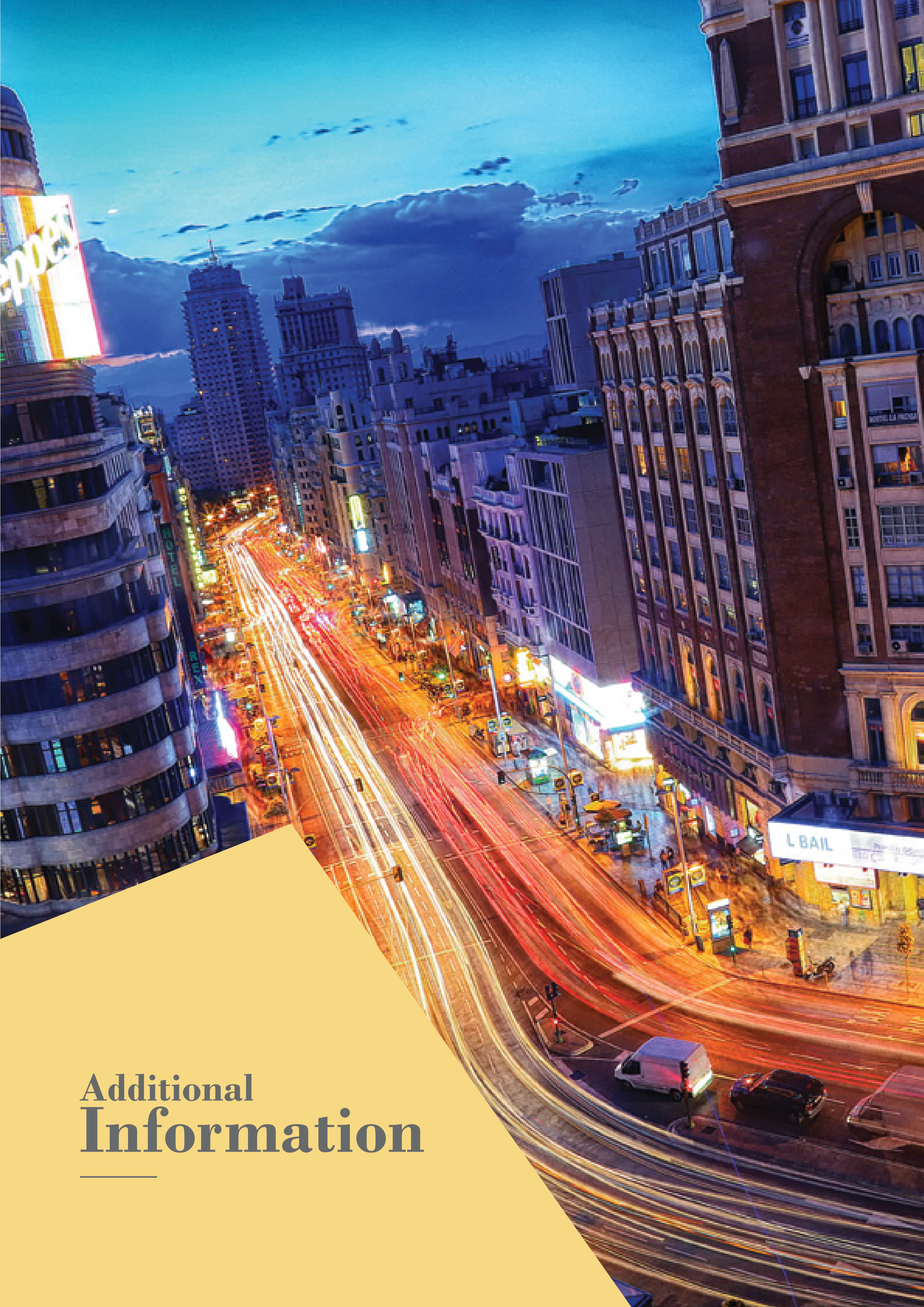
Information with respect to transactions with the AIFM and the Investment Manager is detailed in note 3 of these Financial Statements on page 53 and on page 19 in the Strategic Report.

20. RELATED PARTIES

The Directors, who are considered to be key management personnel, received fees for the year as detailed in the Directors' Remuneration Report on page 36. Under the AIC SORP, an investment manager is not considered to be a related party of the Company.

21. POST BALANCE SHEET EVENTS

As detailed in the Strategic Overview on page 18, trading of the Company's shares on NZX Limited's Main Board ceased on 31 October 2017 and the shares ceased to be listed on the NZX Main Board at the close of business on 2 November 2017 (New Zealand time). Following cancellation, the New Zealand listed shares were transferred to the Company's UK share register.



Additional Information

Shareholder Information

INVESTING IN THE COMPANY

The Company's ordinary shares are traded on the London Stock Exchange and can be bought or sold through a stockbroker or financial adviser. The ordinary shares are eligible for inclusion in ISAs and SIPPs. The Company's shares are also available on various share trading platforms.

FREQUENCY OF NAV PUBLICATION

The Company's NAV is released daily to the London Stock Exchange and published on the Company's website at www.theeuropeaninvestmenttrust.com and on the website of Edinburgh Partners at www.edinburghpartners.com.

PORTFOLIO HOLDINGS

The Company's portfolio holdings report, detailing a list of all investments, including sectoral and geographical analyses, is released monthly to the London Stock Exchange. It is also published on the Company's website at www.theeuropeaninvestmenttrust.com and on the website of Edinburgh Partners at www.edinburghpartners.com.

SHARE PRICE AND SOURCES OF FURTHER INFORMATION

The Company's ordinary share price is quoted daily in the Financial Times, the Daily Telegraph and the Times under "Investment Companies". Previous day closing price, daily NAV and other portfolio information is published on the Company's website at www.theeuropeaninvestmenttrust.com and on the website of Edinburgh Partners at www.edinburghpartners.com. Other useful information on investment trusts, such as prices, NAVs and company announcements, can be found on the websites of the London Stock Exchange at www.londonstockexchange.com and the AIC at www.theaic.co.uk.

SHARE REGISTER ENQUIRIES

The register for the ordinary shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 889 4086 or email: web.queries@computershare.co.uk. Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 16. You can check your shareholding and find practical help on transferring shares or updating your details at www.investorcentre.co.uk.

KEY DATES

Company's year end	30 September
Annual results announced	November
AGM	January
Annual dividend paid	January
Company's half-year end	31 March
Half-yearly results announced	May
Interim dividend paid	July

CITY PHOTOGRAPHS

Cover	Paris
Strategic Report	Venice
Governance	Frankfurt
Financial Statements	Stockholm
Additional Information	Madrid
Annual General Meeting	Budapest

RISK WARNING

This document is not a recommendation, offer or invitation to buy, sell or hold shares of the Company. If you wish to deal in shares of the Company, you may wish to contact an authorised professional investment adviser. The value of the Company's shares may fluctuate and investors may not get back the full value of their investment. Past performance is no guarantee of future performance. The Company invests in overseas securities; changes in the rates of exchange may also cause the value of your investment (and any income received) to go down or up.

Glossary

ACTIVE SHARE

Active Share is a measure of how actively the portfolio of investments is managed compared to the benchmark index. The Active Share can vary between 0% and 100%. If the portfolio is managed exactly in line with the benchmark index then the Active Share will be 0%. The higher the Active Share, the less resemblance the portfolio has to the benchmark index.

The Active Share is calculated by taking 100% less Coverage. Coverage is the total of the portfolio of investments that overlaps with the benchmark index. For the calculation of Coverage, for each stock the smaller of either its weight in the portfolio or the benchmark index weight is used and these numbers are then summed.

DISCOUNT/PREMIUM

If the share price of an investment trust is lower than the net asset value ("NAV") per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

GEARING

Gearing is the process whereby changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the presence of borrowings.

ISAS AND SIPPS

Individual Savings Accounts and Self-Invested Personal Pensions.

NET ASSET VALUE PER SHARE

The NAV per share is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of a company's assets, at current market value, having deducted all prior charges at their par value (or at their market value).

ONGOING CHARGES

As recommended by the AIC in its guidance issued in May 2012, ongoing charges are the company's annualised revenue and capitalised expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of the company during the year.

PORTFOLIO TURNOVER

Portfolio Turnover is a measure of average investment horizon. It highlights how actively the portfolio of investments is managed compared to an appropriate benchmark index. The higher the Portfolio Turnover, the shorter the average investment horizon might be considered to be. The lower the Portfolio Turnover, the longer the average investment horizon might be considered to be. The implied figure produced by the Portfolio Turnover calculation may differ from the actual investment horizon.

The Portfolio Turnover is calculated by dividing the total of purchases and sales of investments in a year by two, then dividing by the average monthly net assets of the Company in a year.

TOTAL ASSETS

Total assets less current liabilities, including bank overdrafts, before deducting prior charges. Prior charges include all loans used for investment purposes.

TOTAL RETURN

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested at the time the shares go ex-dividend in either additional shares of the investment trust (the share price total return) or in the assets of the investment trust at its NAV per share (the NAV total return). Total return per share statistics are calculated on the basis of the weighted average number of shares in issue.

Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in The European Investment Trust plc, please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTY-FIFTH ANNUAL GENERAL MEETING of the Company will be held at Brewers' Hall, Aldermanbury Square, London EC2V 7HR on Thursday, 11 January 2018 at 11.00am to transact the business set out in the resolutions below.

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

1 To receive and adopt the Strategic Report, Directors' Report, Auditor's Report and the audited Financial Statements for the year ended 30 September 2017.

2 To receive and approve the Directors' Remuneration Report for the year ended 30 September 2017.

3 To re-appoint BDO LLP as Auditor to the Company to hold office from the conclusion of the meeting until the conclusion of the next meeting at which Financial Statements are laid before the Company.

4 To authorise the Directors to determine the remuneration of the Auditor of the Company.

5 To re-elect William Eason as a Director of the Company.

6 To re-elect Michael MacPhee as a Director of the Company.

7 To re-elect Michael Moule as a Director of the Company.

8 To re-elect Dr Michael Woodward as a Director of the Company.

9 To declare a final dividend of 13.5p per ordinary share for the year ended 30 September 2017.

SPECIAL BUSINESS

10 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

THAT the revised objective and investment policy set out on page 17 of the Annual Report and Financial Statements of the Company, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the objective and investment policy of the Company, to the exclusion of all previous objectives and investment policies of the Company.

11 To consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the "Act"), to make one or more market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 25p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors of the Company shall from time to time determine, provided that:

(i) the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 6,296,814 (or, if less, 14.99% of the number of ordinary shares in issue immediately following the passing of this resolution);

(ii) the minimum price (exclusive of expenses) which may be paid by the Company for an ordinary share shall be 25p;

(iii) the maximum price (exclusive of expenses) which may be paid by the Company for an ordinary share shall be no more than the higher of (a) 105% of the average of the closing market value of such shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days prior to the date of the purchase; and (b) the amount stipulated by Article 5(6) of the Market Abuse Regulation;

(iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2019), unless previously renewed, varied or revoked by the Company in general meeting; and

(v) the Company may at any time make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or might be executed

Notice of Annual General Meeting continued

wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

12 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"):

(a) up to an aggregate nominal amount of £3,500,564 (being approximately one-third of the issued share capital as at 29 November 2017); and

(b) comprising equity securities (within the meaning of Section 560 of the Act) up to a further aggregate nominal amount of £3,500,564 (being approximately one-third of the issued share capital as at 29 November 2017) in connection with an offer by way of a rights issue:

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities (if any) as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts),

provided that the authorities conferred on the Directors by paragraph (a) and (b) above shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2019), save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so the Directors of the Company may allot shares or grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

13 To consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT, subject to the passing of Resolution 12 above (and in substitution for all subsisting authorities to the extent unused but without prejudice to the exercise of any such power prior to the date hereof), the Directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 12 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 12, by way of a rights issue only):

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities (if any) as required by the rights of those securities or as Directors otherwise consider necessary,

Notice of Annual General Meeting continued

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £525,084 (being approximately 5% of the issued share capital as at 29 November 2017),

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2019), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

14 To consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

15 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

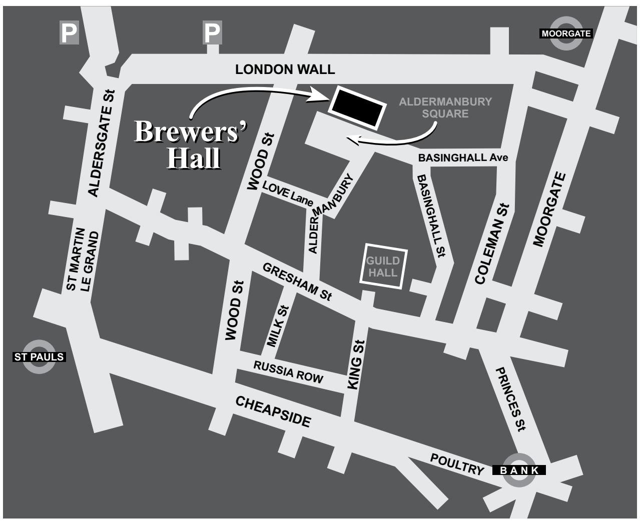
THAT, the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006, to send, convey, or supply all types of notices, documents or information to shareholders by electronic means, including making such notices, documents or information available on a website.

By order of the Board
Kenneth J Greig
Company Secretary

Registered Office:
Beaufort House
51 New North Road
Exeter
EX4 4EP

29 November 2017

Location of Meeting



Notice of Annual General Meeting continued

Note 1: Pursuant to Section 324 of the Companies Act 2006 (the "Act"), a member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy or proxies to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, should be lodged at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 48 hours (excluding non-business days) before the time of the meeting or any adjournment thereof. Alternatively, shareholders can appoint a proxy online at www.investorcentre.co.uk/eproxy. They will need to have their shareholder reference number, control number and pin, which are printed on the form of proxy. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing. Amended instructions must be received by the Company's Registrar by the deadline for receipt of proxies.

To appoint more than one proxy, shareholders will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares to which each proxy appointment relates or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appears in the Company's Register of Members in respect of the joint holders (the first named being the most senior).

Note 2: The "vote withheld" option on the proxy form is provided to enable a shareholder to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculations of the proportion of votes "for" or "against" a particular resolution.

Note 3: Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's Registrar not later than 48 hours (excluding non-business days) before the start of the meeting or any adjournment thereof. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/crest. Shareholders are advised that CREST is the only method by which completed proxies can be submitted electronically as required by Section 333A of the Act.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting and any adjournment thereof by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/crest). The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notice of Annual General Meeting continued

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Note 4: A person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.

Note 5: As at 29 November 2017, the Company's issued share capital amounted to 42,006,769 ordinary shares carrying one vote each.

Note 6: Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, as amended, and/or the purposes of Section 360B of the Act, the Company specifies that only those shareholders registered on the Register of Members of the Company as at close of business on 9 January 2018 (or, in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at close of business on the day which is two days (excluding non-business days) prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 7: In accordance with Section 319A of the Act, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:

a) to do so would:
   - (i) interfere unduly with the preparation for the meeting, or
   - (ii) involve the disclosure of confidential information;

b) the answer has already been given on a website in the form of an answer to a question; or

c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Note 8: A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of the same shares, they vote those shares in the same way). To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment. Corporate shareholders can also appoint one or more proxies in accordance with Note 1. On a vote on a resolution on a show of hands, each authorised person has the same voting rights to which the corporation would be entitled. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:

a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or

b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

Notice of Annual General Meeting continued

Note 9: Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's Financial Statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

Note 10: Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his/her proxy is to ensure that both he/she and his/her proxy comply with their respective disclosure obligations under the FCA's Disclosure Guidance and Transparency Rules.

Note 11: The following documents will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the AGM and on the date of the AGM at Brewers' Hall, Aldermanbury Square, London EC2V 7HR from 10.45 am until the conclusion of the meeting:

a) letters of appointment of the Directors of the Company; and

b) the Articles of Association of the Company.

Note 12: The Annual Report and Financial Statements incorporating this Notice of AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website: www.theeuropeaninvestmenttrust.com.

The European Investment Trust plc

Registered in England and Wales Number 1055384

An investment company as defined under
Section 833 of the Companies Act 2006