The European Investment Trust plc

30 SEPTEMBER 2018

Annual Report
and Financial
Statements

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ENCLOSED SEPARATELY

	Form of Proxy

Objective

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 Alternative Investment Fund Manager (the "AIFM").

Strategic Report

Highlights

for the year ended/as at 30 September 2018

SHARE PRICE TOTAL RETURN[1]

1.2%

2017 32.2%

NAV TOTAL RETURN[1]

(2.1)%

2017 29.9%

INDEX RETURN[1,2]

2.4%

2017 22.6%

SHARE PRICE DISCOUNT TO NAV[1]

9.6%

2017 12.3%

ORDINARY DIVIDEND

27.0p

2017 21.5p

TOTAL DIVIDEND

27.0p

2017 23.0p

HIGH CONVICTION PORTFOLIO

NUMBER OF HOLDINGS

40

2017 37

DIFFERENT FROM THE INDEX[2]

ACTIVE SHARE[1]

80%

2017 79%

LONG-TERM FOCUS

PORTFOLIO TURNOVER[1]

23%

2017 22%

ONGOING CHARGES[1]

0.61%

2017 0.59%

1 Further details regarding alternative performance measures can be found in the Glossary on page 71.
2 FTSE All-World Europe ex UK Index.

Financial Summary

Results for year	30 September 2018	30 September 2017	Change
Shareholders' funds	**£414.3m**	£440.2m	(5.9)%
Net asset value per ordinary share ("NAV")	**1004.3p**	1047.9p	(4.2)%
Share price per ordinary share	**908.0p**	919.5p	(1.3)%
Share price discount to NAV	**9.6%**	12.3%	

	Year to 30 September 2018	Year to 30 September 2017
Revenue return per ordinary share [1]	**27.4p**	25.8p
Capital return per ordinary share [1]	**(50.3)p**	219.7p
Total return per ordinary share [1]	**(22.9)p**	245.5p
Interim dividend per ordinary share	**9.0p**	8.0p
Special interim dividend per ordinary share	–	1.5p
Final dividend per ordinary share	**18.0p**[2]	13.5p
Total dividend per ordinary share	**27.0p**	23.0p

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

Year's high/low		Year to 30 September 2018	Year to 30 September 2017
NAV	– high	**1069.6p**	1061.8p
	– low	**971.9p**	833.9p
Share price	– high	**974.0p**	940.0p
	– low	**866.0p**	705.0p
Share price discount to NAV	– low	**7.1%**	8.3%
	– high	**12.1%**	17.8%

Performance	Year to 30 September 2018	Year to 30 September 2017
NAV total return [1]	**(2.1)%**	29.9%
FTSE All-World Europe ex UK Index total return [1]	**2.4%**	22.6%

1 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.

Cost of running the Company	Year to 30 September 2018	Year to 30 September 2017
Ongoing charges [1]	**0.61%**	0.59%

1 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.

Past performance is not a guide to future performance.

Chairman's Statement

PERFORMANCE

In the year to 30 September 2018, the NAV total return was -2.1% compared to a total return of 2.4% for the FTSE All-World Europe ex UK Index, adjusted to sterling. The share price total return over the year was 1.2%, boosted by the reduction in the share price discount to NAV from 12.3% to 9.6%. Markets have seen a return to sporadic volatility. This is a change after some years of fairly uninterrupted appreciation for higher growth companies. Longer-term returns are more important than any one year's performance and the Company's longer-term record can be reviewed in the Ten Year Record on pages 14 and 15.

Our Investment Manager, Edinburgh Partners, adopts a consistent, long-term approach to investing which is focused on company valuations. This results in a high conviction approach, with a concentrated portfolio, low turnover and high active share. At the year end, there were 40 holdings and turnover for the year was 23%. Active share was 80% at the year end and was around this level during the year under review. Active share, as defined in the Glossary on page 71, 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. Whilst these features, together, are no guarantor of investment success, they demonstrate that our Investment Manager is acting in accordance with its stated style and philosophy. 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 27.4p, an increase of 6.2% over the prior year figure of 25.8p. Over half of the increase can be attributed to the revenue per share benefitting from the change in the allocation of the management fee and finance costs relating to borrowings from 1 October 2017. Two-thirds of these costs are now charged to capital to reflect more accurately the expected future (and observed past) returns from capital and income. In addition, dividend income increased from £12.2 million in 2017 to £13.8 million in the year ended 30 September 2018, mainly attributable to dividend increases from companies in the portfolio.

An interim dividend of 9.0p was paid in July 2018 and the Board is now recommending a final dividend of 18.0p per share to give a total dividend for the year of 27.0p per share. This represents a 25.6% increase compared to the previous year's figure of 21.5p per share, which excludes the special interim dividend of 1.5p per share from exceptional income relating to historic overseas withholding tax reclaims. Subject to the approval of shareholders at the Annual General Meeting ("AGM") of the Company to be held on Tuesday, 22 January 2019, the dividend will be paid on Thursday, 31 January 2019 to shareholders on the register at Friday, 4 January 2019. The ex-dividend date will be Thursday, 3 January 2019.

BORROWINGS

The Company has a €30 million bank overdraft facility with The Northern Trust Company. At the year end, the facility was partially utilised, with €14.2 million having been drawn down. 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 should be well-suited to help determine an appropriate level of gearing within strategic parameters set by the Board.

Chairman’s Statement continued

COSTS

The ongoing charges figure for the year was 0.61%, which compares favourably with other actively-managed investment funds and particularly well against other European focused investment trusts. The comparable figure for last year was 0.59%.

DISCOUNT AND SHARE BUY BACKS

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 750,500 shares at an average share price discount to NAV of 10.3% at a total cost of £6.9 million. This enhanced the NAV by 1.9p. The discount at the end of the year was 9.6%, a reduction from 12.3% at the start of the year. Since the year end, we have bought back a further 90,000 shares at a total cost of £746,000, at an average discount of 9.9%.

OBJECTIVE AND INVESTMENT POLICY

At the AGM held on 11 January 2018, shareholders approved changes to the Company’s objective and investment policy. As detailed in the prior year Annual Report, the objective needed updating to reflect developments in the markets in which the Company invests. The investment policy was also revised, 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 revised objective is detailed on page 1 and the investment policy on page 2.

INVESTMENT MANAGER

In January 2018, Franklin Resources, Inc. announced the acquisition of Edinburgh Partners Limited, our Investment Manager. The acquisition completed on 1 May 2018. Importantly, there has been no change in the individuals responsible for the investment management of your Company, nor to the investment process or the way that Edinburgh Partners itself is managed.

MANAGEMENT FEE

Following negotiation with the AIFM, Edinburgh Partners AIFM Limited, the Board agreed a revised management fee structure. Prior to 1 June 2018, the management fee was 0.55% per annum of the Company’s equity market capitalisation, irrespective of the level of the equity market capitalisation. From 1 June 2018, the annual management fee has been calculated at 0.55% per annum of the Company’s equity market capitalisation up to £500 million, reducing to 0.50% per annum of the equity market capitalisation which exceeds this amount. The Board continues to 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.

REGULATION

As a consequence of the revised rules under the Markets in Financial Instruments Directive II (“MiFID II”), research costs were required to be unbundled from trading commission on the purchase and sale of investments with effect from 3 January 2018. During the year ended 30 September 2018, the Company agreed to pay £12,000 as a contribution to research costs incurred by the Investment Manager. The cost has been included in other expenses as detailed in note 4 to the Financial Statements on page 55, with £4,000 allocated to revenue and £8,000 to capital. The additional expense incurred on research costs has been more than offset by a reduction in trading commissions which, despite an increase in trading activity, have reduced by £42,000 to £133,000 in 2018 from £175,000 in 2017, as detailed in note 10 to the Financial Statements.

NEW ZEALAND SHARE DELISTING

In September 2017, the Company announced the cancellation of its share listing in New Zealand. The costs outweighed the benefits to the Company, given the small and decreasing number of shareholders on the New Zealand share register and the reduced number of trades being undertaken. The cancellation occurred on 2 November 2017 and the New Zealand listed shares were transferred to the Company's UK share register.

Chairman's Statement continued

ANNUAL REPORT/WEBSITE/FACTSHEET

Last year, there was an upgrading of the Company's Annual Report and it is pleasing to note that the Company received a special mention in the Best Report and Accounts – Specialist section at the AIC Shareholder Communication Awards in May 2018. As a continuation of this process of developing the Company's shareholder communications, with a view to improved ease of use and clarity, the Board has reviewed both the Company's website and factsheet and considered both should be updated. Operating in conjunction with Edinburgh Partners and a website developer, the projects are progressing well and we anticipate that both the updated website and factsheet will be available in early 2019.

THE BOARD

Bill Eason is to retire from the Board at the AGM. The Board wishes to thank Bill wholeheartedly for his wise counsel, experience and commitment to the Company over 11 years of service. In conjunction with an independent external consultancy, the Directors conducted a detailed search for candidates to join the Board. Following an extensive review process, the Board interviewed a number of potential candidates and we are delighted to welcome two new non-executive Directors with effect from 1 January 2019, who will also become members of the Audit Committee. Sue Inglis, until June 2018 a senior corporate financier in Cantor Fitzgerald's investment companies team, is chair-elect of The Bankers Investment Trust PLC, and a director of Baillie Gifford US Growth Trust plc and BMO Managed Portfolio Trust plc. Andrew Watkins, until his retirement in June 2017, was head of client relations, sales and marketing for Invesco Perpetual's listed investment funds business; he is currently chairman of Ashoka India Equity Investment Trust plc, and a director of BMO UK High Income Trust plc and Chelverton UK Dividend Trust plc. We are delighted to welcome two such experienced Directors to the Board. Between them, Sue and Andrew offer comprehensive experience of the investment trust market, and we look forward enormously to exploiting their talents on behalf of shareholders, who will be asked to approve their appointments at the AGM. For a short period, the Board will thus consist of six non-executive Directors.

ANNUAL GENERAL MEETING

The AGM will be held at 11.00am on Tuesday, 22 January 2019 at Brewers' Hall, Aldermanbury Square, London EC2V 7HR. I look forward to meeting shareholders who are able to attend.

OUTLOOK

This has been a challenging period for European investment and Europe in general. Slightly improved economic growth does not tell the story very well. Tectonic plates appear to be shifting. Underlying stresses within the European Union and the populations comprising it have come increasingly to the surface, as has been the case elsewhere. Diverging economic outcomes between nations and within them remain quite extreme. Trends within stock markets have been equally marked and every bit as apparent. Lowly valued companies have been swept aside by fervour for more clearly rapidly growing businesses. The combination of low interest rates, low discount rates and high assumed future revenue and profits growth has dominated other factors. Your Company's portfolio, to some degree, represents the view that mean reversion in both interest rates and stock markets has not entirely disappeared, that slow and steady does it over time, and that banks, oil companies, telecommunications and pharmaceuticals businesses, for example, are still capable of generating worthwhile absolute long-term returns for their shareholders from a position of some competitive strength and undemanding initial valuations.

Michael MacPhee
Chairman

28 November 2018

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. 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 a NAV total return of -2.1% compared to 29.9% in the previous year. We lagged our benchmark by 4.5% compared to the previous year when we exceeded the benchmark by 7.3%. While disappointed with this outcome, we believe the performance should be seen in the context of a significant market shift.

Since 2008, central banks have focused on supporting and stimulating economic growth through a policy approach described as quantitative easing. By purchasing financial assets, such as government bonds, they have kept interest rates artificially low and provided support to asset prices. As evidence of economic recovery has become more solid, the process of unwinding this policy has begun, led by the US Federal Reserve. This represents unknown territory for investors and volatility is to be expected. What we do know, however, is that higher interest rates reduce the discounted cash flows generally used to value growth stocks and they raise the risk profile of companies with weak balance sheets.

During the year, we have seen periodic bouts of volatility as the market has reacted to political risks such as US trade policy and Italian budget deficits. These periods of volatility have tended to weigh heavily on cyclical sectors such as financials, particularly banking stocks, and industrials.

Within our overall framework of risk management, we focus on individual stocks. Therefore, we have analysed the performance for the year in terms of significant contributors and detractors, at both a sector and individual stock level.

SIGNIFICANT CONTRIBUTIONS TO ABSOLUTE PERFORMANCE – YEAR TO 30 SEPTEMBER 2018

Sectors	Contribution
Oil & Gas	+4.2%
Health Care	+0.4%
Technology	+0.3%
Consumer Services	-1.6%
Industrials	-1.6%
Financials	-2.9%

Stocks	Contribution
Petroleum Geo-Services	+2.0%
Total	+0.9%
Airbus	+0.8%
Leoni	-0.9%
Bayer	-1.0%
DIA	-1.3%

Investment Manager’s Report continued

The largest contribution from an individual sector came from Oil & Gas where our holdings in the major energy companies Total, ENI and Royal Dutch Shell all performed well. Demand has continued to rise while supply has been pressurised by a range of factors, including US sanctions on Iran and shortfalls from individual countries such as Venezuela and Libya. The best performing stock was seismic specialist, Petroleum Geo-Services, which continued to recover thanks to reductions in industry capacity and improving demand for data.

Health Care stocks made a positive contribution to performance led by Getinge and BB Biotech. These positive contributions were offset by a sharp fall in the share price of Bayer towards the end of the period. Bayer has completed the acquisition of Monsanto, strengthening its crop science division which represents c.40% of the pro forma profits of the group and now has leading positions in both seeds and treatments. A recent jury decision in the US found that RoundUp, a well-known Monsanto product containing Glyphosate used to kill weeds, was linked to cancer and awarded punitive damages to the plaintiff. Bayer believes that RoundUp is a safe and effective product which farmers need and that the weight of scientific evidence supports this position and, accordingly, is appealing this decision. We believe that the valuation now discounts an extremely pessimistic outcome.

Within the Financials sector, in the previous year, banks performed very well whereas this year, they have lagged. Banks are beneficiaries of rising interest rates and were impacted when the rise in bond yields, which was evident in 2017, stalled in 2018. Banking stocks represent our largest exposure at 20.7% of net assets and their weak performance this year was a major factor in our performance. Within the Financials sector, we did however achieve a significant contribution from the venture capital specialist, Rocket Internet. Following public listings for three of its portfolio holdings, the company has a strong balance sheet with around half of its market capitalisation in cash.

Industrial stocks performed poorly in aggregate, reversing the good performance of the prior year. There was a positive contribution from Airbus where increasing production from the core A320 models is driving profitability higher. However, there were negative contributions from a number of cyclical stocks including auto supplier Leoni. The auto sector is grappling with a number of issues, including the diesel slowdown and a new emissions testing regime as well as an increase in US tariffs and slowing Chinese growth. As the leading provider of wiring harnesses for the European auto sector, Leoni is directly affected by these issues. However, we believe Leoni will navigate the short-term market weakness and benefit from long-term structural growth in electronic content in cars, boosted by the growth of electric and hybrid vehicles which require more complex systems.

In the Consumer Services sector, good performance from our holding in Ahold Delhaize was more than offset by a significant deterioration in the performance of food retailer Distribuidora Internacional (“DIA”). In its main market in Spain, DIA is facing increased competition and its South American businesses have been hit by currency weakness. An external investor has taken a 25% stake in the business and instigated management change, which could lead to a change of control. However, the business is performing poorly and after a profits warning probably requires a fresh injection of capital. We sold our holding after the year end.

TRANSACTIONS

During the year, we disposed of four holdings and took positions in seven new stocks. The stocks we sold were Telecom Italia, where we considered the strategy had become unclear amidst boardroom division, and Ubisoft Entertainment, where the valuation had become stretched. Both Gemalto and TDC were the subject of takeovers. The purchases were Cyfrowy Polsat, Mediobanca, Glanbia, Orange, ISS, Getinge and Indra Sistemas. Detailed below are comments on two of the purchases, Glanbia and Getinge.

Glanbia has completed a transition from being a traditional dairy business to a protein nutrition specialist with its own suite of branded products. Its largest market is North America where demand for whey protein in food and beverages is growing strongly, especially in sports nutrition. Underlying growth has been obscured by currency movements which do not impact the long-term growth prospects.

Investment Manager's Report continued

Getinge supplies medical equipment with a focus on instruments and tools used in the operating theatre. After several years of underperformance, a new management team is undertaking a restructuring of the business to improve profitability, which sits well below its competitors. If the profitability does not improve, we believe it is possible that the company could become a takeover target for larger medical device groups.

PORTFOLIO

Over the course of the year, the composition of the portfolio has not altered significantly. Our Telecommunications exposure reduced with the sale of TDC, while Health Care increased with the addition of Getinge. We have reduced our cyclical exposure slightly but retain a procyclical bias, principally through our holdings in the Financials, Industrials and Oil & Gas sectors. At the year end, the Company had net borrowings amounting to 2.7% of net assets, compared to a cash balance of 2.0% at the start of the financial year. This borrowing position was temporary and the sale of two holdings in early October 2018 restored the net cash position which we had held for most of the year.

OUTLOOK

Economic fundamentals remain positive in Europe. Employment is growing and wage inflation is in evidence. The European Central Bank has confirmed the end of monetary easing with asset purchases to cease in December 2018 and that interest rates are likely to rise in the second half of 2019. However, there are a number of threats to this positive growth outlook. In Italy, an unusual alliance of the political left and right is proposing to increase government spending and reverse some of the structural reforms of the previous government. These policies put Italy at odds with the European Commission and could lead to renewed sovereign debt fears. The unresolved Brexit process represents another threat, particularly to countries and sectors with substantial trading links with the UK. However, the most significant risk comes from US trade policy, where the imposition of protectionist trade tariffs is bound up with an aggressive approach to China, which is adversely impacting industrial stocks and companies with emerging market exposures.

Our central investment case is for ongoing recovery and modest economic growth in Europe, supporting a rise in the cost of money. This should lead to a reduction in the valuations of highly rated growth stocks and an improvement in the performance of stocks with lower growth expectations and starting valuations. However, with growing threats to the growth outlook, it is essential to maintain a focus on risk as well as reward.

Craig Armour
Edinburgh Partners

28 November 2018

Portfolio of Investments

as at 30 September 2018

Rank 2018	Rank 2017	Company	Sector	Country	Valuation £'000	% of net assets 2018	% of net assets 2017
1	15	Roche [1]	Health Care	Switzerland	16,510	4.0	2.9
2	5	Sanofi	Health Care	France	14,873	3.6	3.3
3	1	PostNL	Industrials	Netherlands	14,113	3.4	3.7
4	4	Novartis	Health Care	Switzerland	13,978	3.4	3.4
5	8	Royal Dutch Shell [2]	Oil & Gas	Netherlands	13,951	3.4	3.1
6	–	Getinge	Health Care	Sweden	12,954	3.1	–
7	13	Total	Oil & Gas	France	12,345	3.0	3.0
8	14	Nokia	Technology	Finland	12,299	3.0	2.9
9	18	ING	Financials	Netherlands	12,268	3.0	2.8
10	10	ENI	Oil & Gas	Italy	12,141	2.9	3.0
11	11	Telefonica	Telecommunications	Spain	12,066	2.9	3.0
12	7	Commerzbank	Financials	Germany	11,997	2.9	3.1
13	12	Nordea Bank	Financials	Sweden	11,983	2.9	3.0
14	–	ISS	Industrials	Denmark	11,886	2.9	–
15	2	BNP Paribas	Financials	France	11,681	2.8	3.7
16	34	Ahold Delhaize	Consumer Services	Netherlands	11,351	2.7	2.0
17	28	Deutsche Post	Industrials	Germany	11,199	2.7	2.3
18	–	Glanbia	Consumer Goods	Ireland	11,086	2.7	–
19	25	Ryanair	Consumer Services	Ireland	10,662	2.6	2.4
20	6	BBVA	Financials	Spain	10,435	2.5	3.2
21	–	Indra Sistemas	Technology	Spain	10,403	2.5	–
22	33	Ipsos	Consumer Services	France	10,354	2.5	2.2
23	3	Bayer	Health Care	Germany	10,214	2.5	3.5
24	35	Siemens	Industrials	Germany	10,185	2.4	1.8
25	23	E.ON	Utilities	Germany	9,920	2.4	2.4
26	24	Rocket Internet	Financials	Germany	9,602	2.3	2.4
27	32	Danske Bank	Financials	Denmark	9,526	2.3	2.2
28	17	DNB	Financials	Norway	9,457	2.3	2.9
29	30	Adecco	Industrials	Switzerland	9,064	2.2	2.3
30	22	Michelin	Consumer Goods	France	9,030	2.2	2.4
31	29	Petroleum Geo-Services	Oil & Gas	Norway	8,850	2.1	2.3
32	9	Airbus	Industrials	France	8,701	2.1	3.1
33	19	Leoni	Industrials	Germany	8,574	2.1	2.7
34	16	BB Biotech	Health Care	Switzerland	8,528	2.0	2.9
35	–	Orange	Telecommunications	France	8,460	2.0	–
36	–	Mediobanca	Financials	Italy	8,307	2.0	–
37	–	Cyfrowy Polsat	Consumer Services	Poland	7,939	1.9	–
38	31	Outotec	Industrials	Finland	7,336	1.8	2.3
39	37	Ontex	Consumer Goods	Belgium	7,008	1.7	0.7
40	26	DIA	Consumer Services	Spain	4,257	1.0	2.4
Prior year investments sold during the year							8.7
Total equity investments					425,493	102.7	98.0
Cash and other net current assets					1,481	0.4	2.0
Borrowings [3]					(12,655)	(3.1)	–
Net assets					414,319	100.0	100.0

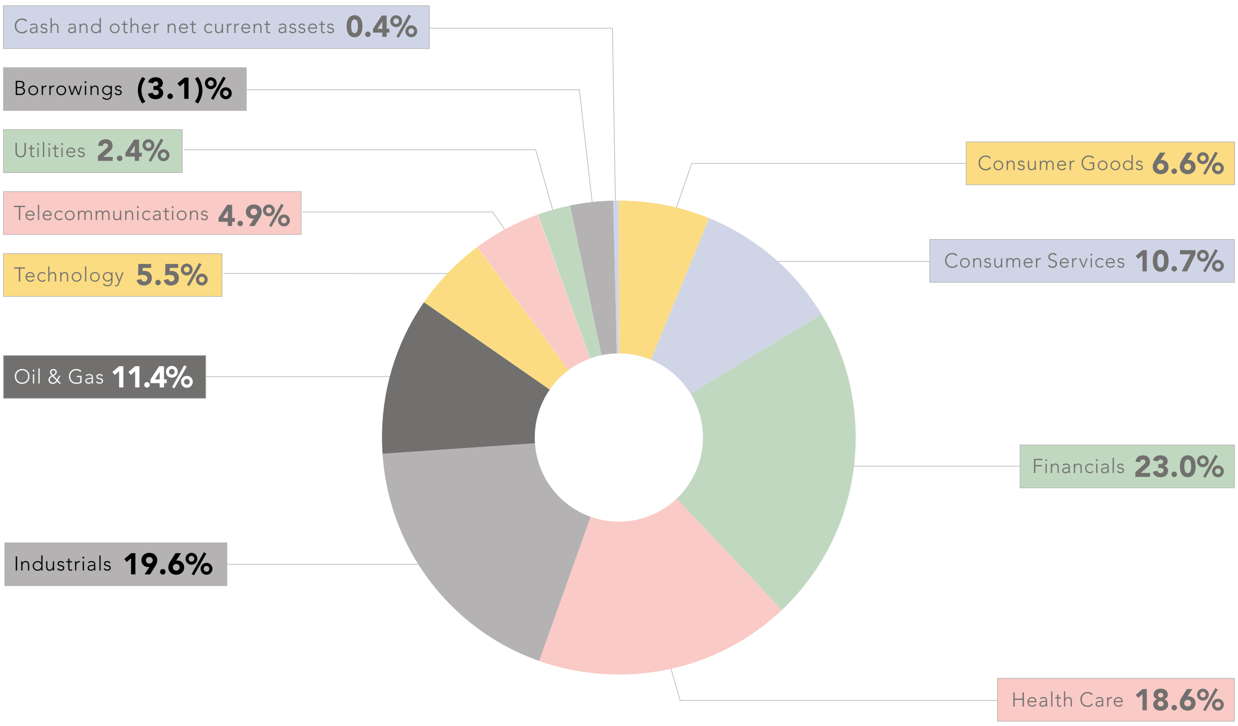
1 The investment is in non-voting preference shares.
2 The investment is in A shares.
3 For details regarding the Company's borrowings, please see note 6 to the Financial Statements.

Of the ten largest portfolio investments as at 30 September 2018, the valuations at the previous year end, 30 September 2017, were Roche £12,739,000; Sanofi £14,577,000; PostNL £16,490,000; Novartis £14,937,000; Royal Dutch Shell £13,658,000; Getinge £nil; Total £13,007,000; Nokia £12,862,000; ING £12,514,000 and ENI £13,274,000.

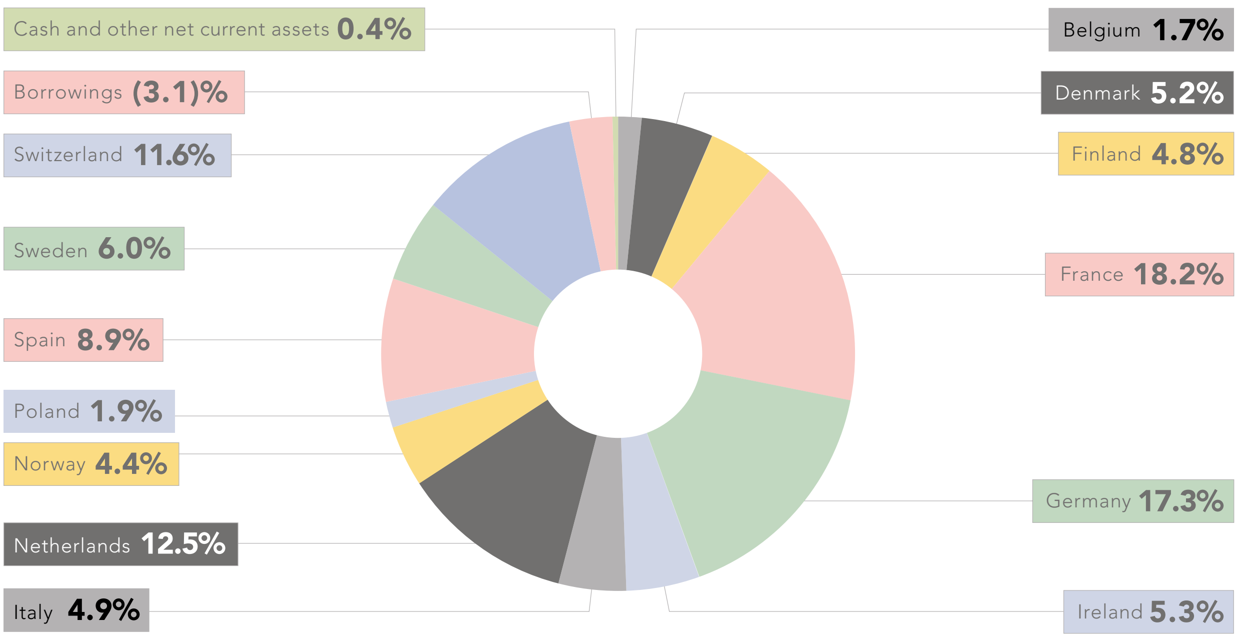
Distribution of Investments

as at 30 September 2018 (% of net assets)

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



As at 30 September 2018, the net assets of the Company were £414,319,000.

Ten Year Record

CAPITAL

At 30 September	Total assets[1] £'000	Shareholders' funds £'000	NAV p	Share price p	Share price discount to NAV %	Gearing[2] %
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	–
2018	**426,974**	**414,319**	**1004.3**	**908.0**	**9.6**	**3.1**

1 See the Glossary on page 71 for definition.
2 Borrowings as a percentage of shareholders' funds.

REVENUE

Year to 30 September	Income £'000	Available for 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] %
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	1.5	23.0	0.6
2018	**13,792**	**11,461**	**27.4**	**27.0[1]**	**0.0**	**27.0**	**0.6**

1 Includes proposed final dividend of 18.0p.
2 Ongoing charges figure ("OCF") is detailed for the years 2011 to 2018. 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 2008 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 2008)

At 30 September	NAV	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
2008	100	100	100	100	100	100	100	100	100
2009	106	109	111	116	107	110	93	91	99
2010	109	114	110	118	105	111	96	94	103
2011	93	100	92	102	89	97	119	107	109
2012	102	112	99	115	98	110	108	107	112
2013	128	145	122	146	132	153	126	121	115
2014	134	154	124	154	145	171	104	101	118
2015	124	146	119	151	130	157	112	107	119
2016	139	167	139	184	139	172	133	148	121
2017	175	217	166	226	178	228	180	154	126
2018	**168**	**213**	**164**	**231**	**175**	**230**	**192**	**181**	**130**

COMPOUND ANNUAL RETURNS

(to 30 September 2018)

% change	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
5 years	5.5	8.0	6.2	9.6	5.8	8.6	8.7	8.4	2.4
Since 1 February 2010[3]	6.1	8.4	5.2	8.9	6.7	9.4	8.8	8.2	3.1
10 years	5.3	7.8	5.1	8.7	5.8	8.7	6.7	6.1	2.7

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 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, and a director of Atlantis Japan Growth Fund Limited. 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. In May 2018, Edinburgh Partners was acquired by Franklin Resources, Inc. Edinburgh Partners 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 acted as the back-up portfolio manager. He joined Edinburgh Partners in 2009 and is an Investment Partner with research responsibility for the global consumer sector. He 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

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ALTERNATIVE INVESTMENT FUND MANAGER

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27-31 Melville Street
Edinburgh EH3 7JF

DEPOSITARY

Northern Trust Global Services Limited
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Canary Wharf
London E14 5NT

INVESTMENT MANAGER

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CUSTODIAN

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INDEPENDENT AUDITOR

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STOCKBROKER

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Canary Wharf
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REGISTRAR

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www.computershare.co.uk

Strategic Overview

STRATEGY AND BUSINESS MODEL

The current objective and investment policy of the Company is detailed below and on pages 1 and 2:

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.

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.

Business and status of the Company

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

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 as amended (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 as amended ("CTA"), subject to there being no subsequent serious breaches of the regulations. In the opinion of the Board, 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.

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.

Strategic Overview continued

Portfolio analysis

A detailed review of how the Company's assets have been invested is contained in the Investment Manager's Report on pages 9 to 11. A detailed list of all the Company's investments is contained in the Portfolio of Investments on page 12. The portfolio consisted of 40 investments, excluding cash and other net current assets and borrowings, as at 30 September 2018, thus ensuring that the Company has a suitable spread of investment risk. A sector and geographical distribution of investments is shown on page 13.

RESULTS AND DIVIDENDS

The results for the year are set out in the Income Statement on page 49 and the Statement of Changes in Equity on page 51.

For the year ended 30 September 2018, the net revenue return attributable to shareholders was £11.5 million (2017: £10.9 million) and the net capital return was a negative £21.0 million (2017: a positive £92.3 million). Total shareholders' funds decreased by 5.9% to £414.3 million (2017: £440.2 million).

Details of the interim dividend paid and the final dividend recommended by the Board are set out on page 6 and the column opposite on this page.

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 2018, the NAV decreased by 4.2% from 1047.9p to 1004.3p. After taking account of dividends paid in the year of 22.5p, the NAV total return was -2.1% (2017: 29.9%) as detailed in the Investment Manager's Report on page 9. This compares with the total return of 2.4% (2017: 22.6%) from the FTSE All-World Europe ex UK Index, adjusted to sterling.

The NAV total return since the appointment of Edinburgh Partners as Investment Manager on 1 February 2010 to 30 September 2018 was 101.8%. This compares with the total return of 109.1% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Share price

In the year to 30 September 2018, the Company's share price decreased by 1.3% from 919.5p to 908.0p. The share price total return, taking account of the 22.5p of dividends paid in the year, was 1.2% (2017: 32.2%).

The share price total return since the appointment of Edinburgh Partners as Investment Manager on 1 February 2010 to 30 September 2018 was 117.3%. This compares with the total return of 109.1% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Share price discount to NAV

The share price discount to NAV narrowed from 12.3% to 9.6% in the year to 30 September 2018.

Revenue return per ordinary share

There was an increase in the revenue per share in the year to 30 September 2018 of 6.2% from 25.8p to 27.4p.

Dividends per ordinary share

The Directors are recommending a final dividend of 18.0p per ordinary share. After including the interim dividend of 9.0p per ordinary share, this makes a total dividend of 27.0p per ordinary share for the year. This compares to the previous year's figure of 21.5p per ordinary share, which excludes the special interim dividend of 1.5p per ordinary share from exceptional income relating to historic overseas withholding tax reclaims.

Subject to approval by shareholders at the AGM to be held on Tuesday, 22 January 2019, the final dividend will be payable on Thursday, 31 January 2019 to all shareholders on the register at the close of business on Friday, 4 January 2019. The ex-dividend date will be Thursday, 3 January 2019.

Ongoing charges

The Company continues to have low expenses. The ongoing charges figure was 0.61% in the year to 30 September 2018 (2017: 0.59%).

The longer-term records of the key performance indicators are shown in the Ten Year Record on pages 14 and 15.

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

Strategic Overview continued

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 Board, the AIFM appointed Edinburgh Partners as Investment Manager to the Company pursuant to a delegation agreement with effect from 17 July 2014.

As set out in the Chairman's Statement on page 7, with effect from 1 June 2018, the AIFM receives a management fee of 0.55% per annum of the Company's equity market capitalisation up to £500 million and 0.50% per annum on the equity market capitalisation above £500 million, payable quarterly in arrears. Prior to this, the management fee was set at a rate of 0.55% per annum of the Company's equity market capitalisation, irrespective of the level of the equity market capitalisation.

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.

As a consequence of the revised rules under MiFID II, research costs were required to be unbundled from trading commission on the purchase and sale of investments with effect from 3 January 2018. During the year ended 30 September 2018, the Company agreed to pay £12,000 as a contribution to research costs incurred by the Investment Manager (2017: £nil). This cost has been included in other expenses as detailed in note 4 to the Financial Statements on page 55, with £4,000 allocated to revenue and £8,000 to capital.

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. The Investment Manager adopts a consistent, long-term approach to investing which is focused on company valuations. This results in a high conviction approach, with a concentrated portfolio, low turnover and high active share. However, this approach can lead to material differences in terms of the Company's investment performance relative to its benchmark index and peer group. In the Directors' opinion, the remuneration of the AIFM is reasonable both in absolute terms and compared to that of managers of comparable investment companies. Further, 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. Accordingly, following a review of the key performance indicators and other relevant factors, 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.

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.

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.

Strategic Overview continued

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 to the Financial Statements on pages 64 to 67.

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

Regulatory risk

Relevant legislation and regulations which apply to the Company include, but are not limited to, the Act, the CTA, the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA, the AIFMD, the General Data Protection Regulation ("GDPR"), the Foreign Account Tax Compliance Act and the Common Reporting Standard.

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 trading of the Company's shares on the London Stock Exchange.

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

The implementation of GDPR provides for greater data privacy. While the risk to the Company is deemed to be low, the impact of fines should they occur could be significant. The Directors are satisfied that all necessary steps have been taken to prevent any breach of GDPR, including ensuring that all third party service providers have appropriate GDPR policies in place.

At each Board meeting, the status of the Company is considered and discussed, so as to ensure that all applicable 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.

Although not considered to be a principal risk for the Company, the Board continues to monitor developments around the UK's departure from the European Union. Any portfolio of European equities will be exposed to the outcome of the Brexit negotiations, positively and negatively. We believe the Company's portfolio has a relatively modest exposure to the UK, but the Board and Investment Manager remain alert to developments at both a macro-economic level and a stock-specific level.

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 and the Disclosure Guidance and Transparency Rules of the FCA, are met. In addition, the Company's service providers are exposed to the possibility of cyber security and fraud risks.

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 utilises the services of 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 above summary of risks does not purport to be an exhaustive list of all the risk factors relating to an investment in the Company. Various other risks may apply and investors may wish to obtain independent financial advice in this regard.

Strategic Overview continued

The Board undertakes a robust annual assessment and review of all the risks stated above and in note 17 to the Financial Statements on pages 64 to 67, together with a review of any new risks which may have arisen during the year, including those that could threaten its business model, future performance, solvency or liquidity. These risks are formalised within the Company's risk assessment matrix.

INTERNAL FINANCIAL CONTROL

In accordance with the 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 2018, as set out on pages 28 and 29. 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 the Chairman's Statement on page 6 and notes 5 and 6 to the Financial Statements on page 56, during the year ended and as at 30 September 2018, the Company utilised a borrowing facility. The Company did not use any derivative instruments during the year ended 30 September 2018.

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 2018, the Company's Gross ratio was 1.03 and its Commitment ratio was 1.03. 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 8 and the Investment Manager's Report on pages 9 to 11. 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

Strategic Overview continued

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; and
- the Company's success in managing its assets and business to mitigate the impact of the above factors.

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 the Strategic Report 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.

GENDER DIVERSITY

As at 30 September 2018, the Board of Directors of the Company comprised four male Directors. The appointment of any new Director is made on the basis of merit.

As detailed in the Chairman's Statement on page 8, following the retirement of William Eason and subject to the election of Sue Inglis and Andrew Watkins at the forthcoming Annual General Meeting, the Board will comprise four male Directors and one female Director.

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, and 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. The ESG policy statement, which can be found on the website at www.edinburghpartners.com, describes the manner in which the principles of the UK Stewardship Code are incorporated within the investment process. The ESG policy is fully consistent with the guidance and principles set out within the UK Stewardship Code and the United Nations-backed Principles for Responsible Investment.

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.

APPROVAL

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

Michael MacPhee
Chairman

28 November 2018

Governance

Corporate Governance Statement

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") published in July 2016, 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 2018 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 36 to 39 provides information on the remuneration arrangements for the Directors of the Company. The Chairman is available to engage with shareholders on issues relating to Directors' remuneration where required.
- The Board is formed entirely of non-executive Directors and, being small in size, operates without a nomination committee.
- Given the small size of the Board and the fact that all Directors are independent, the Company does not have a management engagement committee. The Company's management functions are delegated to the AIFM, who has delegated the management of the Company's investment portfolio to the Investment Manager. The Board reviews at least annually the performance of the AIFM, the terms of its engagement and the continued appointment of the AIFM. The Board also reviews the performance of the Investment Manager and other third party service providers on a regular basis.

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

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 16.

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.

Corporate Governance Statement continued

A process of performance evaluation, including a review of the independence of the Directors and their ability to commit sufficient time to the Company's activities, 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 2018. 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 are independent, contribute effectively, have the skills and experience relevant to the leadership and direction of the Company and can commit sufficient time to the Company's activities. 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 is on the basis of a candidate's merits.

The Board has determined that some refreshment of the Board would be beneficial and the Directors considered the desired background and expertise to complement the skills currently on the Board. As explained in the Chairman's Statement on page 8, after evaluating a number of prospective candidates, the Board is recommending the election of Sue Inglis and Andrew Watkins by shareholders at the forthcoming Annual General Meeting. Trust Associates Limited, an independent external search consultancy, was engaged to assist with the search for candidates.

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, performance, financial, marketing, operational, 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, performance, financial, marketing, operational matters, administration, risks and regulatory updates. 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.

ELECTION/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.

Sue Inglis and Andrew Watkins will be standing for election at the forthcoming Annual General Meeting. The Board believes that Ms Inglis and Mr Watkins have the skills and experience required to meet the future opportunities and challenges facing the Company and therefore recommends that shareholders vote in favour of their election.

In accordance with the Board's policy, all the other Directors, with the exception of William Eason who is retiring, will stand for re-election at the forthcoming Annual General Meeting. Following formal performance evaluation, the Board strongly recommends the re-election of each of

Corporate Governance Statement continued

the Directors on the basis that they have made a valuable and effective contribution to your Company and can continue to commit sufficient time to the Company's activities. 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 14 years and 11 years respectively, are independent in character and judgement.

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 three times 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 40 and 41.

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
Michael Moule	5	5	3	3
Michael Woodward	5	5	3	3

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 or she 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 or her 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

Corporate Governance continued

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.

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 2018 and up to the date the Financial Statements were approved, and the process 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 2018 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;
- assurances that appropriate steps have been taken to prevent the facilitation of tax evasion; and
- assurances that appropriate steps have been taken to ensure compliance with GDPR.

Corporate Governance continued

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 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 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 2018 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 or she 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.

Corporate Governance continued

THE DEPOSITARY

As detailed on page 29, 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 73 to 78, whilst further details regarding the resolutions are set out in the Directors' Report on pages 33 to 35. 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.

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

By order of the Board
Kenneth J Greig
Company Secretary

28 November 2018

Directors' Report

The Directors present their Annual Report and Financial Statements for the year ended 30 September 2018. In accordance with the Act, 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 16.

DIVIDENDS

Details of the final 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 25 to 30, and forms part of this report. It includes details of the Directors' and officers' liability insurance and qualifying third party indemnity provisions on page 29.

SHARE CAPITAL

As at 30 September 2018, the Company had 41,256,269 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 2018, the Company purchased in the stock market 750,500 ordinary shares (with a nominal value of £187,625) for cancellation, at a total cost of £6,884,000. This represented 1.79% of the issued share capital at 30 September 2017.

Subsequent to the year end, and up to the date of this report, the Company purchased 90,000 ordinary shares (with a nominal value of £22,500) for cancellation, at a total cost of £746,000, representing 0.22% of the issued share capital as at 30 September 2018.

SUBSTANTIAL SHARE INTERESTS

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

	28 November 2018		30 September 2018	
	No of shares	% of voting rights	No of shares	% of voting rights
Wells Capital Management, Inc.	7,022,781	17.06	6,724,146	16.30
1607 Capital Partners, LLC	6,612,727	16.06	6,347,727	15.38
Investec Wealth & Investment Limited	4,195,735	10.19	4,195,735	10.10
City of London Investment Management Company Limited	2,193,791	5.33	2,193,791	5.32

As at 30 September 2018, the Company had 41,256,269 ordinary shares in issue and as at 28 November 2018, the date of this report, the Company had 41,166,269 ordinary shares in issue.

Directors' Report continued

RELATED PARTIES

There were no related party transactions in the year ended 30 September 2018. The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 37. 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 31;
- details of the substantial shareholders in the Company are detailed on page 31;
- 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 buy back shares and proposals for their renewal are detailed on page 34;
- details of the rules regarding the appointment and replacement of Directors are set out in the Corporate Governance Statement on page 26 and the Directors' Remuneration Report on page 39; 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 21 and 22. In addition, notes 17 and 18 to the Financial Statements on pages 64 to 68 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 Overview on pages 21 and 22. 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 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 AIC 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 pages 21 and 22 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; and
- that the Company has no employees and all Directors are non-executive and consequently do not have redundancy or other employment-related liabilities or responsibilities.

The Board's assessment was based on the following assumptions:

- 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 Directors to determine their remuneration will be put to shareholders at the forthcoming AGM to be held on 22 January 2019.

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.

BDO LLP was appointed as Auditor on 24 January 2017.

FINANCIAL RISK MANAGEMENT

Information about the Company's financial risk management objectives and policies is set out in the Strategic Report on pages 21 and 22 and in note 17 to the Financial Statements on pages 64 to 67.

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-sixth AGM to be held on Tuesday, 22 January 2019 is set out on pages 73 to 78.

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 2018;
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 9	– the election/re-election of Directors; and
Resolution 10	– 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:

SHARE BUY BACK AUTHORITY

At the AGM held on 11 January 2018, 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 2018 can be found on page 31. As at 28 November 2018, the Company may purchase up to 5,456,314 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 6,170,823 ordinary shares (being 14.99% of the issued share capital as at 28 November 2018 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 higher of 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 2020).

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 £3,430,522, representing 13,722,088 ordinary shares (being approximately one-third of the issued share capital as at 28 November 2018) in accordance with statutory pre-emption rights. 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 2020). 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 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 (ii) to persons other than existing shareholders up to an aggregate nominal value of £514,578, representing 2,058,313 ordinary shares (being approximately 5% of the issued share capital as at 28 November 2018) without first having to offer such shares to existing shareholders. The authority, if given, will, unless renewed, varied or revoked by the Company in general meeting, 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 2020). 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 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.

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.

POST BALANCE SHEET EVENTS

Details of post Balance Sheet events are set out in note 21 to the Financial Statements on page 68.

By order of the Board
Kenneth J Greig
Company Secretary

28 November 2018

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2018.

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 2018, the annual fees were set at the rate of £33,500 for the Chairman and £22,500 for the other Directors, with an additional payment of £3,000 to the Chairman of the Audit Committee.

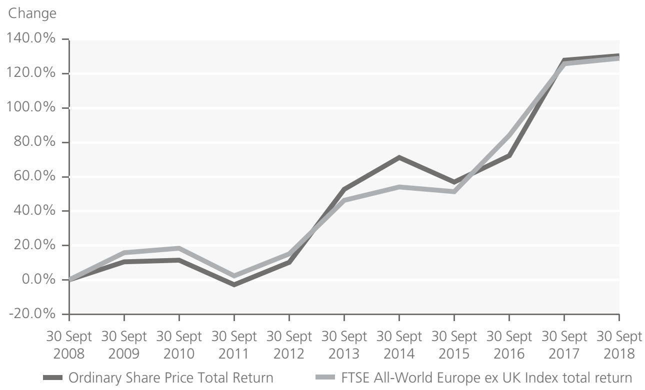
The fees payable to the Directors in respect of subsequent financial periods will be determined following an annual review, as detailed in the Directors' Remuneration Policy on page 39. Directors' fees were last increased on 1 October 2017. Following the annual review, no increase to Directors' fees is proposed for the year ending 30 September 2019.

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. The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. 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 total return of the FTSE All-World Europe ex UK 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.

10 YEAR PERFORMANCE[1]



Source: Edinburgh Partners

1 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 2018 (audited)
The Directors who served during the year were entitled to the following emoluments in the form of fees:

	Fees	
	Year to 30 September 2018	Year to 30 September 2017
Michael MacPhee (Chairman) [1]	**£33,500**	£26,859
William Eason	**£22,500**	£20,000
Douglas McDougall [2]	–	£9,934
Michael Moule	**£22,500**	£20,000
Michael Woodward [3]	**£25,500**	£21,029
	£104,000	£97,822

1 Appointed Chairman 24 January 2017.
2 Retired 24 January 2017.
3 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 2018 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 2018	Year ended 30 September 2017	Change
Total remuneration	**£104,000**	£97,822	6.3%
Dividend	**£9,426,000**	£13,232,000	(28.8%)
Ordinary shares purchased for cancellation	**£6,884,000**	£353,000	1,850.1%
Management fee and other expenses	**£2,630,000**	£2,388,000	10.1%

As the Company has no employees and undertakes all its operations through the AIFM, Investment Manager and other service providers, the spend on management fees, alongside dividends and share buy backs, was chosen to assist the shareholders in understanding the relative importance of spend on Directors’ fees.

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 2018 Beneficial	30 September 2017 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 2018 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 2017 and the Directors' Remuneration Policy were approved by shareholders at the AGMs held on 11 January 2018 and 24 January 2017 respectively. 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	20,548,465	98.62	19,241,461	98.67
Against	253,376	1.21	220,753	1.13
At Chairman's discretion	34,576	0.17	39,263	0.20
Total votes cast	20,836,417	100.00	19,501,477	100.00
Number of votes withheld	143,314		58,547	

Directors' Remuneration Report continued

DIRECTORS' REMUNERATION POLICY

The Company follows the recommendation of the AIC Code 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 2019	Fees for year to 30 September 2018
Chairman basic fee	**£33,500**	£33,500
Non-executive Director basic fee	**£22,500**	£22,500
Additional fee for Chairman of the Audit Committee	**£3,000**	£3,000
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

28 November 2018

Audit Committee Report

The Audit Committee Report for the year ended 30 September 2018 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 could threaten its business model, future performance, solvency or liquidity, and to assess the going concern and the prospects of the Company for a period longer than twelve 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.

MATTERS CONSIDERED DURING THE YEAR

During the year ended 30 September 2018, the Committee met three times and each Director's attendance at these meetings is set out in the table on page 27. 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 recommended these to the Board accordingly.

The Committee has direct access to the Auditor, BDO LLP, who attends 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 Committee maintains a risk assessment document, which is reviewed on a six-monthly basis and updated where appropriate.

The Committee receives a report from the Investment Manager on a six-monthly basis summarising the significant compliance and operational risk matters impacting the AIFM and the Investment Manager, particularly those that are relevant to the Company, and discusses this with Edinburgh Partners. No significant issues or concerns arose from these discussions during the year.

During the year, the Committee conducted a risk assessment in relation to the prevention of the facilitation of tax evasion following the introduction of the corporate offence of failure to prevent tax evasion. The level of risk that the Company faces in this regard has been determined to be low.

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 NAV, as detailed in the Balance Sheet on page 50.

Audit Committee Report continued

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.

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 2018 (2017: £16,000). Details of the fees paid to the Auditor are set out in note 4 to the Financial Statements on page 55.

All non-audit work proposed to be carried out by the Auditor is 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 fees were paid during the year ended 30 September 2018 (2017: 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 2018 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

BDO LLP has been Auditor to the Company since 2017. At the AGM of the Company held on 11 January 2018, shareholders approved the re-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 an 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

28 November 2018

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 16, confirms that, to the best of his knowledge:

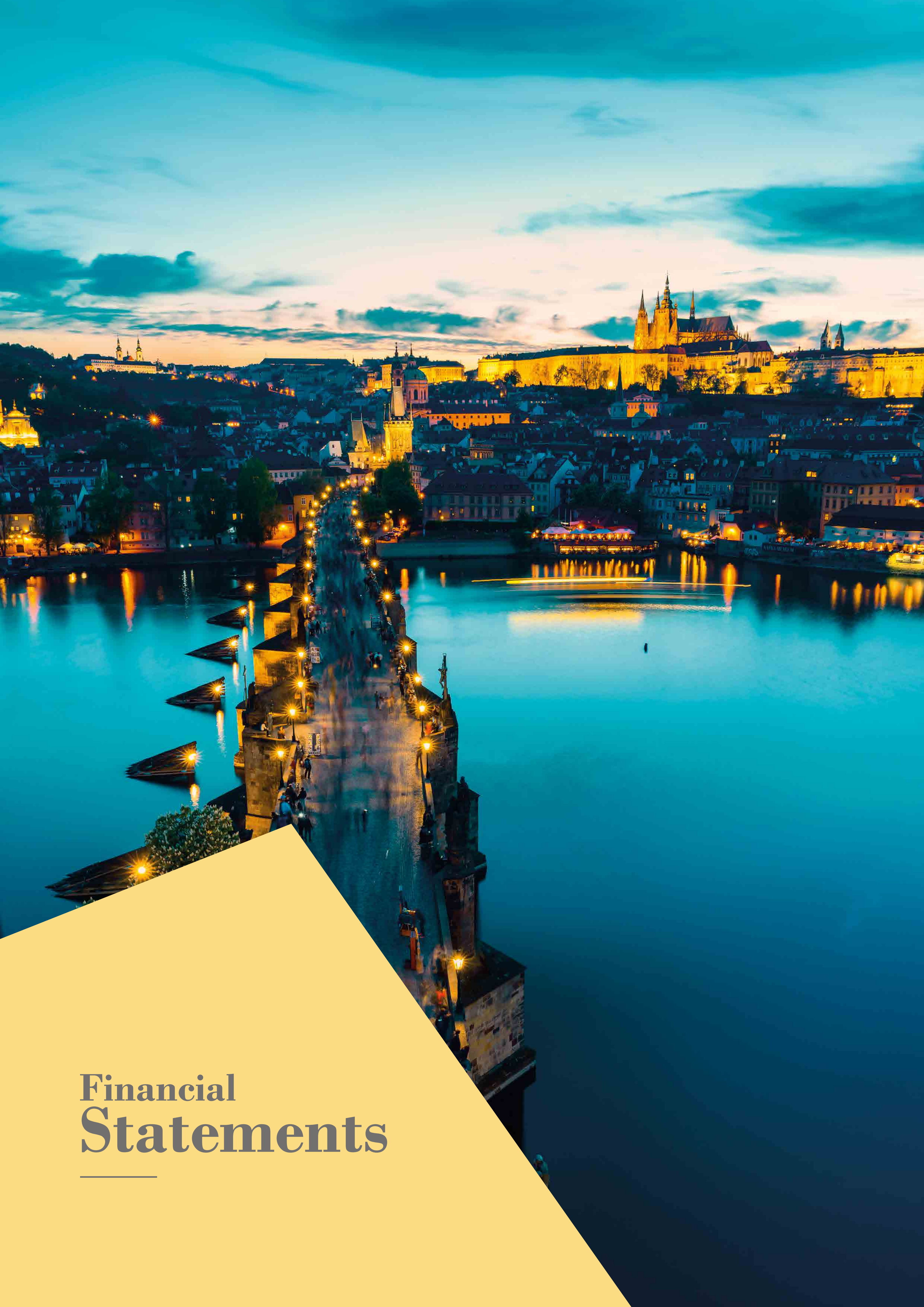
- the Financial Statements, which have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance 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 to 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

28 November 2018



Financial Statements

Independent Auditor's Report

to the Members of The European Investment Trust plc for the year ended 30 September 2018

OPINION

We have audited the financial statements of The European Investment Trust plc (the "Company") for the year ended 30 September 2018, 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 2018 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 pages 21 and 22 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 22 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 32 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 pages 32 and 33 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

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, including 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 £425,492,835 (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. We also consider the valuation of investments with respect to unrealised gains/losses to be a significant area (see page 68).	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 100% of the quoted investment valuations (being 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; and • 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/losses, we tested the valuation of the portfolio at the year end (see page 68), 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.

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 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 Company’s accounting policy for income recognition for compliance with accounting standards, United Kingdom Generally Accepted Accounting Practice, FRS 102 and the AIC SORP to check that income had been accounted for in accordance with the stated accounting policy. We also tested the allocation and presentation of dividend income between the revenue and capital columns of the Income Statement in line with the requirements set out in the AIC SORP. Testing was also undertaken to confirm the completeness and accuracy of the revenue recognised in the year. The testing performed consisted of the utilisation of data analytics to gain assurance over the completeness and accuracy of 100% of dividend income recognised in the year. 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 appropriate dividends had been received in the year by reference to independent data of dividends declared on investment holdings in the portfolio.

OUR APPLICATION OF MATERIALITY

- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.
- Materiality for the Financial Statements as a whole was £4,200,000 (2017: £4,300,000), which was based on 1% (2017: 1%) of the value of the portfolio of investments, rounded down to the nearest £100,000. In setting materiality, we had regard to the nature and disposition of the investment portfolio.
- Performance materiality for the Financial Statements as a whole was set at £3,150,000 (2017: £2,800,000), which was based on 75% (2017: 65%) of Financial Statement materiality. This lower level of materiality is applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions. In setting performance materiality, we had regard to the Financial Statement materiality and the risk and control environment. The level of performance materiality was set at a lower level in the prior year due to the increased audit risk associated with a first year audit.
- We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £84,000 (2017: £80,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds. This reporting threshold has been set at 2% of materiality.

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 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.

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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 42 – 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 position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 40 – 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 25 – 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; and
- 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditor's Report continued

- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- 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 42, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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. The period of total uninterrupted engagement is two years, covering the years ended 30 September 2017 and 30 September 2018.

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.

USE OF OUR REPORT

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of
BDO LLP, Statutory Auditor
London, UK
28 November 2018

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

Income Statement

for the year ended 30 September 2018

	Notes	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(Losses)/gains on investments at fair value	10	–	(19,648)	(19,648)	–	92,580	92,580
Foreign exchange gains/(losses)		37	47	84	35	(307)	(272)
Income	2	13,775	–	13,775	12,591	–	12,591
Management fee	3	(706)	(1,412)	(2,118)	(1,958)	–	(1,958)
Other expenses	4	(504)	(8)	(512)	(430)	–	(430)
Net return before finance costs and taxation		12,602	(21,021)	(8,419)	10,238	92,273	102,511
Finance costs	5	(20)	(11)	(31)	(50)	–	(50)
Net return before taxation		12,582	(21,032)	(8,450)	10,188	92,273	102,461
Tax on ordinary activities	7	(1,121)	–	(1,121)	665	–	665
Net return attributable to shareholders		11,461	(21,032)	(9,571)	10,853	92,273	103,126
		pence	pence	pence	pence	pence	pence
Net return per ordinary share [1]	9	27.4	(50.3)	(22.9)	25.8	219.7	245.5

1 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 52 to 68 form part of these Financial Statements.

Balance Sheet

as at 30 September 2018

	Notes	2018 £'000	2017 £'000
Fixed asset investments:			
Investments at fair value through profit or loss	10	**425,493**	431,537
Current assets:			
Debtors	12	**2,177**	1,720
Cash at bank and short-term deposits		**63**	10,129
		2,240	11,849
Current liabilities:			
Creditors	13	**759**	3,186
Bank overdraft	6	**12,655**	–
		13,414	3,186
Net current (liabilities)/assets		**(11,174)**	8,663
Net assets		**414,319**	440,200
Capital and reserves:			
Called-up share capital	14	**10,314**	10,501
Share premium account		**123,749**	123,749
Capital redemption reserve		**8,497**	8,310
Capital reserve		**259,842**	287,758
Revenue reserve		**11,917**	9,882
Total shareholders' funds		**414,319**	440,200
		pence	pence
Net asset value per ordinary share	15	**1004.3**	1047.9

The Financial Statements on pages 49 to 68 were approved and authorised for issue by the Board of Directors of The European Investment Trust plc on 28 November 2018 and were signed on its behalf by:

Michael MacPhee
Chairman

Registered in England and Wales No. 01055384

The notes on pages 52 to 68 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 30 September 2018

	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 2018							
At 1 October 2017		**10,501**	**123,749**	**8,310**	**287,758**	**9,882**	**440,200**
Net return after taxation for the year		**–**	**–**	**–**	**(21,032)**	**11,461**	**(9,571)**
Dividends paid	8	**–**	**–**	**–**	**–**	**(9,426)**	**(9,426)**
Shares purchased for cancellation	14	**(187)**	**–**	**187**	**(6,884)**	**–**	**(6,884)**
At 30 September 2018		**10,314**	**123,749**	**8,497**	**259,842**	**11,917**	**414,319**
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

The notes on pages 52 to 68 form part of these Financial Statements.

Notes to the Financial Statements

for the year ended 30 September 2018

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 2018.

The principal accounting policies detailed below have been applied consistently throughout the period. As detailed on page 32, the Directors consider that it is appropriate for the Financial Statements to be prepared on a going concern basis, being a period of at least twelve months from the date these Financial Statements were approved.

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. With effect from 1 October 2017, management fees, detailed in note 3, and finance costs related to borrowings, detailed in note 5, are apportioned between revenue and capital in the Income Statement, with one-third to revenue and two-thirds to capital. Prior to 1 October 2017, management fees and finance costs related to borrowings were all apportioned to revenue. No performance fees are charged by the AIFM.

All other operating expenses are charged to revenue in the Income Statement, except the Company's contribution to the Investment Manager's research costs, as detailed in note 4, which are charged between capital and revenue in the Income Statement on the same basis as the management fees and finance costs. Other transaction costs are included within the gains and losses on investment sales, as disclosed in the Income Statement.

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

for the year ended 30 September 2018

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 and non-monetary items that are measured at fair value in a foreign currency 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.

Share premium

The share premium reserve represents the excess of the issue price over the nominal value of shares issued less transaction costs incurred on the issue of the shares.

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

for the year ended 30 September 2018

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;
- two-thirds of the management fee and finance costs related to borrowings;
- two-thirds of the Company's contribution to the Investment Manager's research costs;
- 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

	2018 £'000	2017 £'000
Income from investments:		
Overseas dividends	13,775	12,224
Other income	–	367
Total income	13,775	12,591

Other income in the year ended 30 September 2017 related to interest received on successful reclaims of withholding tax previously written off as detailed in note 7(c).

3. MANAGEMENT FEE

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	706	1,412	2,118	1,958	–	1,958

On 17 July 2014, the Company appointed Edinburgh Partners AIFM Limited as its AIFM. With effect from 1 June 2018, the AIFM receives a management fee of 0.55% per annum of the Company's equity market capitalisation up to £500 million and 0.50% per annum on the equity market capitalisation above £500 million, payable quarterly in arrears. Prior to this, the management fee was set at a rate of 0.55% per annum of the Company's equity market capitalisation, irrespective of the level of the equity market capitalisation.

Notes to the Financial Statements continued

for the year ended 30 September 2018

3 MANAGEMENT FEE continued

With effect from 1 October 2017, management fees are apportioned between revenue and capital, on the basis of one-third to revenue and two-thirds to capital. Prior to 1 October 2017, management fees were all apportioned to revenue.

During the year ended 30 September 2018, the management fees payable to the AIFM totalled £2,118,000 (2017: £1,958,000). At 30 September 2018, there was £346,000 outstanding payable to the AIFM (2017: £175,000) in relation to management fees.

As a consequence of the new MiFID II regulations which became effective on 3 January 2018, an unbundling of research costs from trading commission on the purchase and sale of investments was required to be made. During the year ended 30 September 2018, the Company agreed to pay £12,000 as a contribution to research costs incurred by the Investment Manager (2017: £nil). The cost has been included in other expenses as detailed below, with £4,000 allocated to revenue and £8,000 to capital.

4. OTHER EXPENSES

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Audit fees and expenses [1]	17	–	17	17	–	17
Directors' remuneration [2]	104	–	104	98	–	98
Directors' national insurance	8	–	8	9	–	9
Directors' expenses	2	–	2	3	–	3
Depositary and custodian fees	119	–	119	103	–	103
Marketing and website costs	54	–	54	32	–	32
Printing costs	35	–	35	23	–	23
Registrar fee	32	–	32	30	–	30
Legal and professional fees	29	–	29	12	–	12
Irrecoverable VAT	27	–	27	29	–	29
London Stock Exchange and FCA fees	23	–	23	22	–	22
AIC membership fee	20	–	20	20	–	20
New Zealand listing fee [3]	8	–	8	12	–	12
Other costs [4]	26	8	34	20	–	20
	504	8	512	430	–	430

1 Comprises an Audit fee of £16,000 (2017: £16,000) and expenses incurred during the audit of £1,000 (2017: £1,000).
2 See the Directors' Remuneration Report on pages 36 to 39.
3 The Company delisted from the New Zealand stock exchange on 2 November 2017.
4 Includes the Company's contribution to the Investment Manager's research costs of £4,000 to revenue and £8,000 to capital.

Notes to the Financial Statements continued

for the year ended 30 September 2018

5. FINANCE COSTS

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Negative interest on cash balances	15	–	15	9	–	9
Loan arrangement fee	1	2	3	3	–	3
Revolving credit facility interest	4	9	13	38	–	38
	20	11	31	50	–	50

With effect from 1 October 2017, finance costs related to borrowings are apportioned between revenue and capital, on the basis of one-third to revenue and two-thirds to capital. Prior to 1 October 2017, finance costs related to borrowings were all apportioned to revenue.

6. BORROWINGS

	2018 £'000	2017 £'000
Bank overdraft	12,655	–

The Company has a euro 30,000,000 bank overdraft credit facility agreement with The Northern Trust Company (the "Bank") for the purpose of pursuing its investment objective. As at 30 September 2018, euro 14,208,000, the equivalent of £12,655,000, had been drawn down under the facility (2017: nil). The facility is uncommitted. Interest, detailed in note 5, is charged at 1% above the euro overnight index average ("EONIA") rate.

The maximum aggregate principal amount which may be outstanding under the facility at any time is the lower of euro 30,000,000 or 20% of the aggregated value of unencumbered assets acceptable to the Bank. The facility contains covenants preventing the Company from creating any security interest over any assets of the Company held by the Bank or incurring any other financial indebtedness without the express permission of the Bank. The Company is required to maintain its status as an investment trust authorised by HMRC and to maintain the appointments of Northern Trust Global Services Limited, Edinburgh Partners AIFM Limited and Edinburgh Partners Limited as its Depositary, AIFM and Investment Manager, respectively. The facility also demands automatic repayment in the event of an unremedied breach by the Company or should the Company become insolvent or subject to insolvency, winding-up or administrative proceedings.

Notes to the Financial Statements continued

for the year ended 30 September 2018

7. TAX ON ORDINARY ACTIVITIES

a) Analysis of charge for the year

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
UK corporation tax	–	–	–	–	–	–
Overseas tax suffered	1,140	–	1,140	933	–	933
Overseas tax recovered previously written off	(19)	–	(19)	(1,598)	–	(1,598)
	1,121	–	1,121	(665)	–	(665)

The Company has nil corporation tax liability for the year ended 30 September 2018 (2017: nil).

b) The standard rate of corporation tax in the UK ("corporation tax rate") was 19% in the year to 31 March 2018 and is 19% in the year to 31 March 2019. It was 20% in the year to 31 March 2017. Accordingly, the Company's profits for the year ended 30 September 2018 are taxed at an effective rate of 19% (2017: 19.5%). The corporation tax rate is expected to remain at 19% for the year beginning 1 April 2019 and, as a consequence, the effective rate of corporation tax for the Company for the year ending 30 September 2019 would be 19%.

The taxation charge for the Company for the year ended 30 September 2018 is lower (2017: lower) than the enacted rate of 19% (2017: 19.5%). The differences are explained below:

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	12,582	(21,032)	(8,450)	10,188	92,273	102,461
Theoretical tax at UK corporation tax rate of 19% (2017: 19.5%)	2,391	(3,996)	(1,605)	1,986	17,993	19,979
Effects of:						
– Foreign dividends that are not taxable	(2,624)	–	(2,624)	(2,390)	–	(2,390)
– Non-taxable investment losses/ (gains)	–	3,724	3,724	–	(17,993)	(17,993)
– Disallowable expenses	1		1	1	–	1
– Deferred tax not recognised	232	272	504	403	–	403
– Overseas tax suffered	1,140	–	1,140	933	–	933
– Overseas tax recovered previously written off	(19)	–	(19)	(1,598)	–	(1,598)
– Accrued income taxable on receipt	–	–	–	–	–	–
	1,121	–	1,121	(665)	–	(665)

Notes to the Financial Statements continued

for the year ended 30 September 2018

7 TAX ON ORDINARY ACTIVITIES continued

c) Overseas tax recovered

During the year ended 30 September 2018, the Company received amounts totalling £19,000 on withholding tax previously written off.

During the year ended 30 September 2017, the Company received amounts totalling euro 2,226,000, equivalent to £1,965,000, 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 is interest of euro 414,000 equivalent to £367,000, recognised within other income detailed in note 2.

d) Factors that may affect future tax charges

At 30 September 2018 the Company had unrelieved management expenses of £13,091,000 (2017: £10,438,000) that are available to offset future taxable revenue. A deferred tax asset of £2,225,000 (2017: £1,774,000) 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.

Notes to the Financial Statements continued

for the year ended 30 September 2018

8. DIVIDENDS

Declared and paid	Payment date	2018 £'000	2017 £'000
Interim dividend for the year ended 30 September 2018 of 9.0p	31 July 2018	**3,755**	–
Final dividend for the year ended 30 September 2017 of 13.5p	31 January 2018	**5,671**	–
Interim dividend for the year ended 30 September 2017 of 8.0p	31 July 2017	**–**	3,361
Interim special dividend for the year ended 30 September 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
		9,426	13,232

The Directors recommend a final dividend in respect of the year ended 30 September 2018 of 18.0p which is payable on Thursday, 31 January 2019 to all shareholders on the register at the close of business on Friday, 4 January 2019. The ex-dividend date will be Thursday, 3 January 2019. The recommended final dividend is subject to approval by shareholders at the AGM to be held on Thursday, 22 January 2019. At the date of this report, the total dividend payment will amount to £7,410,000 as detailed below.

Proposed	2018 £'000	2017 £'000
2018 final dividend of 18.0p (2017: 13.5p) per ordinary share[1]	**7,410**	5,671

1 Based on 41,166,269 shares in issue at 28 November 2018.

The total dividend for the year ended 30 September 2018 is 27.0p (2017: 23.0p), consisting of the interim dividend of 9.0p and the proposed final dividend of 18.0p (2017: interim dividend of 8.0p, special interim dividend of 1.5p and final dividend of 13.5p).

9. RETURN PER ORDINARY SHARE

	2018			2017		
	Net return £'000	Ordinary shares[1]	Per share pence	Net return £'000	Ordinary shares[1]	Per share pence
Net revenue return after taxation	**11,461**	**41,849,606**	**27.4**	10,853	42,011,049	25.8
Net capital return after taxation	**(21,032)**	**41,849,606**	**(50.3)**	92,273	42,011,049	219.7
Total return	**(9,571)**	**41,849,606**	**(22.9)**	103,126	42,011,049	245.5

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

Notes to the Financial Statements continued

for the year ended 30 September 2018

10. LISTED INVESTMENTS

	2018 £'000	2017 £'000
Analysis of investment portfolio movements		
Opening book cost	**369,691**	369,635
Opening investment holdings gains/(losses)	**61,846**	(8,570)
Opening valuation	**431,537**	361,065
Movements in the year:		
Purchases at cost	**115,182**	86,202
Sales – proceeds	**(101,578)**	(108,310)
– realised gains on sales	**22,502**	22,164
Investment holding (losses)/gains	**(42,150)**	70,416
Closing valuation	**425,493**	431,537
Closing book cost	**405,797**	369,691
Closing investment holding gains	**19,696**	61,846
Closing valuation	**425,493**	431,537

	2018 £'000	2017 £'000
Analysis of capital gains/(losses)		
Gains on sales	**22,502**	22,164
Investment holding (losses)/gains	**(42,150)**	70,416
(Losses)/gains on investments	**(19,648)**	92,580

Notes to the Financial Statements continued

for the year ended 30 September 2018

10 LISTED INVESTMENTS continued

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

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 on pages 52 to 54. 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 2018, the Company incurred transaction costs of £76,000 (2017: £79,000) and £57,000 (2017: £96,000) on purchases and sales of investments respectively. During the year ended 30 September 2018, additional costs of £177,000 (2017: £9,000) relating to stamp duty and financial transaction taxes was charged on purchases of investments. These amounts are included in (losses)/gains on investments at fair value, as disclosed in the Income Statement on page 49.

11. SIGNIFICANT HOLDINGS

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

12. DEBTORS

	2018 £'000	2017 £'000
Taxation recoverable	**1,935**	1,514
Prepayments and accrued income	**242**	206
	2,177	1,720

Notes to the Financial Statements continued

for the year ended 30 September 2018

13. CREDITORS

	2018 £'000	2017 £'000
Due to brokers	–	2,861
Other creditors and accruals	413	150
Management fee accrued	346	175
	759	3,186

14. CALLED-UP SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, called-up and fully paid:		
Brought forward	10,501	10,513
Cancelled ordinary shares of 25p	(187)	(12)
41,256,269 (2017: 42,006,769) ordinary shares of 25p each	10,314	10,501

During the year ended 30 September 2018, 750,500 (2017: 46,781) ordinary shares were purchased and cancelled at a total cost of £6,884,000 (2017: £353,000).

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

	2018 pence	2017 pence
Net asset value per ordinary share	1004.3	1047.9

The net asset value per ordinary share is based on net assets of £414,319,000 (2017: £440,200,000) and on 41,256,269 (2017: 42,006,769) ordinary shares, being the number of ordinary shares in issue at the year end.

Notes to the Financial Statements continued

for the year ended 30 September 2018

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
2018						
Euro	**304,819**	**–**	**957**	**(12,655)**	**(5)**	**293,116**
Swiss franc	**48,079**	**–**	**878**	**–**	**–**	**48,957**
Swedish krona	**24,937**	**–**	**–**	**–**	**–**	**24,937**
Danish kroner	**21,412**	**–**	**186**	**–**	**–**	**21,598**
Norwegian krone	**18,307**	**–**	**129**	**–**	**–**	**18,436**
Polish zloty	**7,939**	**–**	**–**	**–**	**–**	**7,939**
Sterling	**–**	**63**	**27**	**–**	**(754)**	**(664)**
Total	**425,493**	**63**	**2,177**	**(12,655)**	**(759)**	**414,319**
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

	2018	2017
Foreign exchange rates		
Euro	**1.1227**	1.1349
Swiss franc	**1.2734**	1.2981
Swedish krona	**11.5986**	10.9510
Danish kroner	**8.3727**	8.4454
Norwegian krone	**10.6200**	10.6800
Polish zloty	**4.8064**	4.8889
NZ dollar	**1.9664**	1.8560

for the year ended 30 September 2018

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 to 22 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; and
- 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 pages 21 and 22 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 pages 2 and 18.

Discount volatility risk

The Board recognises that it is in the long-term interests of shareholders to reduce discount volatility in order to ensure that movements in the Company's share price reflect as closely as possible movements in the NAV 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 2018, 750,500 (2017: 46,781) ordinary shares were purchased and cancelled at a total cost of £6,884,000 (2017: £353,000). Subsequent to the year ended 30 September 2018 and up to the date of signing this report, 90,000 shares were bought back for cancellation at a total cost of £746,000.

Notes to the Financial Statements continued

for the year ended 30 September 2018

17. RISK ANALYSIS continued

Market Risk

Interest rate risk

The Company's interest rate exposure as at 30 September 2018 is disclosed in note 16 on page 63. It comprises cash at bank and short-term deposits, and borrowings (the euro bank overdraft credit facility). As at 30 September 2018, euro 14,208,000, the equivalent of £12,655,000, had been drawn down under the euro bank overdraft credit facility (2017: nil). As at 30 September 2018, this represented a borrowing level of 3.1% of the Company's net assets.

The majority of the Company's assets were non-interest bearing during the year ended and as at 30 September 2018. 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 2018. There was exposure to interest bearing liabilities during the year ended 30 September 2018 through the bank overdraft facility agreement.

If interest rates had reduced by 0.25% (2017: 0.25%) from those obtained as at 30 September 2018, it would have the effect, with all other variables held constant, of increasing the net return before taxation and therefore increasing net assets on an annualised basis by £31,000 (2017: £25,000). If there had been an increase in interest rates of 0.25% (2017: 0.25%), there would have been an equal and opposite effect in the net return before taxation. The calculations are based on cash at bank, short-term deposits and bank overdrafts as at 30 September 2018 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.

The Company's foreign currency risk exposure as at 30 September 2018 is disclosed in note 16 on page 63. It comprises equity shares, cash at bank and short-term deposits, debtors, borrowings (the euro bank overdraft credit facility) and creditors.

If sterling had strengthened by 10% against all other currencies on 30 September 2018, with all other variables held constant, it would have had the effect of reducing the net capital return before taxation by £41,498,000 (2017: £44,042,000) and the net revenue return before taxation by £1,376,000 (2017: £1,254,000) and therefore would have reduced net assets by £42,875,000 (2017: £45,296,000). 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

for the year ended 30 September 2018

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 released 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 2018 are disclosed on page 12. In addition, an analysis of the investment portfolio by sector and geographical distribution is detailed on page 13.

The maximum exposure to price risk at 30 September 2018 is the fair value of investments of £425,493,000 (2017: £431,537,000).

If the investment portfolio valuation decreased by 20% from the amount detailed in the Financial Statements as at 30 September 2018, 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 £85,099,000 (2017: £86,307,000). 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 2018 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 2018. 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

for the year ended 30 September 2018

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 2018, 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 2018 was £2,240,000 (2017: £11,849,000). The calculation is based on the Company's credit risk exposure as at 30 September 2018 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% of net assets 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 and as at 30 September 2018, 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 pages 21 and 22 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

for the year ended 30 September 2018

18. CAPITAL MANAGEMENT POLICIES continued

Any changes to the ordinary share capital are set out in note 14 on page 62 and in the Directors' Report on page 31. Dividend payments are set out in note 8 on page 59.

The Company's capital comprises:

	2018 £'000	2017 £'000
Called-up share capital	**10,314**	10,501
Share premium account	**123,749**	123,749
Capital redemption reserve	**8,497**	8,310
Capital reserve	**259,842**	287,758
Revenue reserve	**11,917**	9,882
Total shareholders' funds	**414,319**	440,200

The capital reserve consists of realised capital reserves of £240,146,000 and unrealised capital gains of £19,696,000 (2017: realised capital reserves of £225,924,000 and unrealised capital gains of £61,834,000). The unrealised capital gains of £19,696,000 consist wholly of unrealised investment holding gains (2017: investment holding gains of £61,846,000 and unrealised foreign exchange losses of £12,000).

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 on page 20 in the Strategic Report and in note 3 on pages 54 and 55.

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 37. 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 note 17 on page 64, subsequent to the year end of 30 September 2018 and up to the date of signing this report, 90,000 shares were bought back for cancellation at a cost of £746,000.

As detailed in the Chairman's Statement on page 8, Sue Inglis and Andrew Watkins will be appointed as Directors on 1 January 2019 and will be subject to election by shareholders at the AGM on 22 January 2019.

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 Individual Savings Accounts ("ISAs") and Self-Invested Personal Pensions ("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 17. 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	Geneva
Strategic Report	Oslo
Governance	Berlin
Financial Statements	Prague
Additional Information	Paris
Annual General Meeting	Vienna

ELECTRONIC COMMUNICATIONS FROM THE COMPANY

Shareholders now have the opportunity to be notified by email when the Company's annual report, half-yearly report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 17. Please have your Shareholder Reference Number to hand.

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.

CAPITAL RETURN PER ORDINARY SHARE

The capital return per ordinary share is the total capital gain or loss of the company divided by the weighted average number of shares in issue during the year, excluding own shares held in treasury.

DISCOUNT/PREMIUM

If the share price of an investment trust is lower than the NAV, 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 and is usually expressed as a percentage of the NAV. If the share price is higher than the NAV, 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.

NET ASSET VALUE PER SHARE

The NAV 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.

REVENUE RETURN PER ORDINARY SHARE

The revenue return per ordinary share is the total revenue of the company, divided by the weighted average number of shares in issue during the year, excluding own shares held in treasury.

TOTAL ASSETS

Total assets less current liabilities, including bank overdrafts arranged for operating activities, before deducting prior charges. Prior charges include all loans and overdrafts 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-SIXTH ANNUAL GENERAL MEETING of the Company will be held at Brewers' Hall, Aldermanbury Square, London EC2V 7HR on Tuesday, 22 January 2019 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 2018.

2 To receive and approve the Directors' Remuneration Report for the year ended 30 September 2018.

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 elect Sue Inglis as a Director of the Company.

6 To elect Andrew Watkins as a Director of the Company.

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

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

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

10 To declare a final dividend of 18.0p per ordinary share for the year ended 30 September 2018.

SPECIAL BUSINESS

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 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 6,170,823 (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 higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out;

(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 2020), unless previously renewed, varied or revoked by the Company in general meeting; and

Notice of Annual General Meeting continued

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

All ordinary shares purchased pursuant to the above authority shall be cancelled immediately upon completion of the purchase.

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 up to an aggregate nominal amount of £3,430,522 (being approximately one-third of the issued share capital as at 28 November 2018) provided that this authority 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 2020), save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and so the Directors of the Company may allot shares or grant rights to subscribe for, or to convert any security into, shares 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:

(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; and

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £514,578 (being approximately 5% of the issued share capital as at 28 November 2018),

and 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 2020), 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.

Notice of Annual General Meeting continued

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

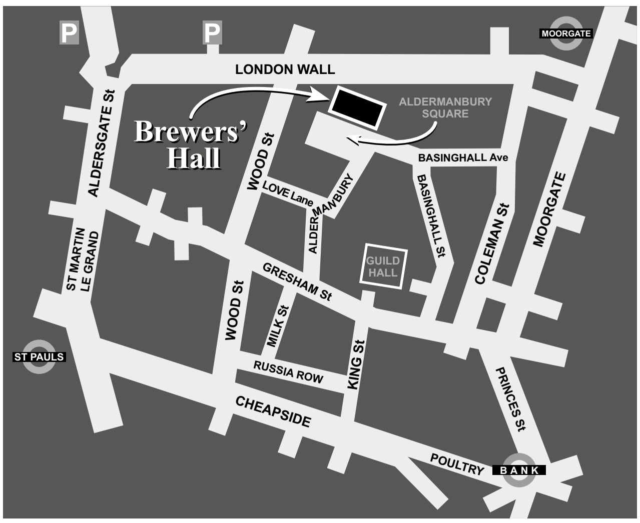
THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board
Kenneth J Greig
Company Secretary

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

28 November 2018

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 proxy appointments.

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.

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 28 November 2018, the Company's issued share capital amounted to 41,166,269 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 18 January 2019 (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: Members satisfying the thresholds in Section 338 of the Act may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless: (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.

Note 12: Members satisfying the thresholds in Section 338A of the Act may require the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.

Note 13: 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 14: 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.

Notes

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Shareholder warning

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These calls typically come from fraudsters operating in 'boiler rooms' offering investors shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. While high profits are promised, those who buy or sell shares in this way usually lose their money. These fraudsters can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

It is very unlikely that either the Company or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you have been contacted by an unauthorised firm regarding your shares, you can report this using the FCA helpline on 0800 111 6768 or by using the share fraud reporting form at www.fca.org.uk/consumers/scams.

The European Investment Trust plc

Registered in England and Wales Number 01055384

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