The European Investment Trust plc

(to be renamed Baillie Gifford European Growth Trust plc[1])

30 SEPTEMBER 2019

Annual Report and Financial Statements

1 The Company changed its name by resolution of the Board to Baillie Gifford European Growth Trust plc to take effect following the appointment of Baillie Gifford & Co Limited, subject to the registration of the relevant Companies House filings.

Contents

Objective[1]

To achieve capital growth over the long term from a diversified portfolio of European securities.

1 Subject to the approval of shareholders at the Annual General Meeting to be held on 23 January 2020.

The Company's current objective is detailed on page 21.

Investment Policy[1]

The Board believes that investment in European growth companies provides the opportunity for long term capital growth. It further considers that the structure of the Company as a UK listed investment trust, with an independent Board, is well suited to meeting this aim.

The Company is invested in a diversified portfolio of between 30 to 60 European securities.

The Company may not invest more than 10% of total assets 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. The Company has the ability to invest in securities that are listed in countries which are not included in the FTSE Europe ex UK Index, where these securities have a meaningful connection with continental Europe.

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.

Up to 10% of total assets, as measured at the time of initial investment, can be invested in unlisted investments.

The level of gearing within the portfolio is agreed by the Board and the absolute amount of any gearing should not exceed 20% of net assets at time of drawdown, excluding any unlisted investments in the calculation of net assets.

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").

1 Subject to the approval of shareholders at the Annual General Meeting to be held on 23 January 2020.

The Company's current investment policy is detailed on page 21.

Strategic Report

Highlights

for the year ended/as at 30 September 2019

SHARE PRICE TOTAL RETURN[1]	NAV TOTAL RETURN[1]	INDEX TOTAL RETURN[2,3]
(7.6)%	(4.6)%	6.9%
2018 1.2%	2018 (2.1)%	2018 2.4%

SHARE PRICE DISCOUNT TO NAV[1]	FINAL DIVIDEND[4]	TOTAL DIVIDEND
12.8%	21.5p	31.0p
2018 9.6%	2018 18.0p	2018 27.0p

HIGH CONVICTION PORTFOLIO	DIFFERENT FROM THE INDEX[2]	LONG-TERM FOCUS
NUMBER OF HOLDINGS	ACTIVE SHARE[1]	PORTFOLIO TURNOVER[1]
39	82%	21%
2018 40	2018 80%	2018 23%

ONGOING CHARGES[1,5]
0.62%
2018 0.61%

1 Further details regarding alternative performance measures can be found in the Glossary on page 76.
2 FTSE All-World Europe ex UK Index. The index performance figures are sourced from Refinitiv Datastream.
3 In sterling.
4 Proposed final dividend for the year.
5 Based on total expenses, excluding finance costs and certain non-recurring items, for the year and average monthly net asset value.

Past performance is not a guide to future performance.

Financial Summary

Results for year	30 September 2019	30 September 2018	Change
Shareholders' funds	**£373.9m**	£414.3m	(9.8)%
Net asset value per ordinary share ("NAV")	**929.0p**	1004.3p	(7.5)%
Share price per ordinary share	**810.0p**	908.0p	(10.8)%
Share price discount to NAV	**12.8%**	9.6%	

	Year to 30 September 2019	Year to 30 September 2018
Revenue return per ordinary share[1]	**31.0p**	27.4p
Capital return per ordinary share[1]	**(82.8)p**	(50.3)p
Total return per ordinary share[1]	**(51.8)p**	(22.9)p
Interim dividend per ordinary share	**9.5p**	9.0p
Final dividend per ordinary share	**21.5p**[2]	18.0p
Total dividend per ordinary share	**31.0p**	27.0p

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 2019	Year to 30 September 2018
NAV	– high	**996.0p**	1069.6p
	– low	**845.9p**	971.9p
Share price	– high	**906.0p**	974.0p
	– low	**754.0p**	866.0p
Share price discount to NAV	– low	**6.6%**	7.1%
	– high	**14.5%**	12.1%

Performance	Year to 30 September 2019	Year to 30 September 2018
NAV total return[1]	**(4.6)%**	(2.1)%
Share price total return[1]	**(7.6)%**	1.2%
FTSE All-World Europe ex UK Index total return[2, 3]	**6.9%**	2.4%

1 The NAV total returns and share price total returns are sourced from Edinburgh Partners Limited ("Edinburgh Partners" or the "Investment Manager") and include dividends reinvested.
2 In sterling.
3 The index performance figures are sourced from Refinitiv Datastream.

Cost of running the Company	Year to 30 September 2019	Year to 30 September 2018
Ongoing charges[1]	**0.62%**	0.61%

1 Based on total expenses, excluding finance 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 2019, the NAV total return was -4.6% compared to a total return of 6.9% for the FTSE All-World Europe ex UK Index, adjusted to sterling. The share price total return over the year of -7.6% was lower than the NAV total return, as a consequence of the share price discount to NAV increasing from 9.6% to 12.8%. The Board continues to believe that longer term returns are more important than any one year's performance. That notwithstanding, it must be conceded that medium and longer term investment results have also been disappointing: over the three and five years to 30 September 2019, the NAV total returns were 21.4% and 31.7% respectively, against 34.2% and 60.4% for the Index.

Our Investment Manager, Edinburgh Partners, has maintained a concentrated portfolio with low turnover and high active share (low overlap with the benchmark index), consistent with its philosophy. Consistency does not, unfortunately, guarantee success, though it almost invariably accompanies it. The Investment Manager's Report on pages 11 to 13 contains detailed commentary on the economic background, the portfolio and performance for the year.

CHANGE OF INVESTMENT MANAGER

In view both of disappointing long and medium term results and the Board's diminishing confidence in our Investment Manager's process, on 23 May 2019 the Company announced that it would undertake a review of the Company's investment management arrangements. A wide range of prospective investment managers, in addition to Edinburgh Partners, were asked to submit proposals. After careful consideration and subsequent inquisition of a short list, the Board decided to appoint Baillie Gifford & Co Limited ("Baillie Gifford") as the Company's new alternative investment fund manager ("AIFM"), company secretary and administrator. Our overriding concern in making this decision is to optimise the chances of generating strong absolute and relative future investment returns and for the Company to offer a distinctive and attractive proposition to both existing and prospective shareholders.

On 9 October 2019, the Board served notice on Edinburgh Partners, terminating its appointment as the Company's AIFM, company secretary and administrator with effect from 9 January 2020, or earlier should the Company elect. The intention is for the appointment of Baillie Gifford to take effect from 29 November 2019. Following the appointment of Baillie Gifford, the Company's registered office will be changed to Grimaldi House, 28 St James's Square, St James's, London, SW1Y 4JH.

Baillie Gifford is an independent fund manager with approximately £206bn under management (as at 30 September 2019) and is the largest manager of UK-listed investment trusts and companies by assets, managing nine investment trusts and one investment company. The Company's portfolio will be co-managed by Stephen Paice and Moritz Sitte.

Baillie Gifford will be paid an annual management fee of 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million; and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million. Currently the management fee is paid on market capitalisation only. Baillie Gifford has agreed to waive its management fee for a period of six months as a contribution to costs borne by the Company for the change of management arrangements.

Past performance is not a guide to future performance.

Chairman's Statement continued

The Board wishes to thank Edinburgh Partners and their staff for all their efforts in managing the Company since 1 February 2010 and wishes them well for the future. The Board also acknowledges the input from Link Alternative Fund Administrators Limited, who provide accounting, administrative and secretarial support services to Edinburgh Partners.

OBJECTIVE AND INVESTMENT POLICY

Subject to the approval of shareholders at the Annual General Meeting ("AGM") of the Company, to be held on 23 January 2020, the objective and investment policy of the company will change, targeting investment returns primarily from capital growth, rather than capital and income growth, to reflect better the style, process and stock-picking of the incoming Investment Manager and correspond, therefore, with the likely nature of future investment returns. The proposed new objective and investment policy are detailed in full on pages 2, 3 and 21 and a summary of the proposed changes is detailed on page 38.

COMPANY NAME

Following the appointment of Baillie Gifford, the name of the Company will change to Baillie Gifford European Growth Trust plc and its London Stock Exchange ticker will change to BGEU.

TENDER OFFER

Following discussion with the Company's largest shareholders in connection with the appointment of Baillie Gifford, the Board is proposing a tender offer for up to 10% of its ordinary shares in issue at a 2% discount to the prevailing NAV. The tender offer will require the approval of Shareholders at a General Meeting of the Company to be held on 23 January 2020 following the AGM and a separate circular will be issued to shareholders in the course of December 2019.

REVENUE, DIVIDEND AND DIVIDEND POLICY

Revenue per share for the year was 31.0p, an increase of 13.1% over the prior year figure of 27.4p. The principal reason for the increase was that dividend income increased from £13.8 million in 2018 to £14.5 million in 2019, attributable to a combination of a move into higher yielding stocks, dividend increases from portfolio companies and the weakness of sterling against European currencies during the year under review.

An interim dividend of 9.5p was paid in July 2019 and the Board is now recommending a final dividend of 21.5p per share to give a total dividend for the year of 31.0p per share. This represents a 14.8% increase compared to the previous year's figure of 27.0p per share. Subject to the approval of shareholders at the AGM of the Company to be held on Tuesday, 23 January 2020, the dividend will be paid on Friday, 31 January 2020 to shareholders on the register at Friday, 3 January 2020. The ex-dividend date will be Thursday, 2 January 2020.

Following the payment of the proposed final dividend for the year to 30 September 2019 detailed above, the Company will change its dividend policy such that no interim dividend will be paid and any annual dividend will be paid only to the extent needed for the Company to maintain its investment trust status.

The Board intends to review the allocation of the management fee and finance costs related to borrowings following the change of AIFM.

BORROWINGS

The Company currently has a €30 million bank overdraft facility with The Northern Trust Company. At the year end, the facility was unutilised. Under normal circumstances, your Board believes that the portfolio should have a modest level of gearing and the current facility has provided the Investment Manager with flexibility to take advantage of opportunities when they arise. It is therefore intended to maintain similar lending arrangements following the appointment of Baillie Gifford as AIFM.

Chairman's Statement continued

COSTS

The ongoing charges figure for the year was 0.62%, 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 0.61%.

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. During the year, we purchased for cancellation 1,011,900 shares at an average share price discount to NAV of 11.4% at a total cost of £8.2 million. This enhanced the NAV by 2.4p.

The increase in the share price discount to NAV from 9.6% at the start of the year to 12.8% at the end of the year was in part a result of the suspension of share buy backs between 23 May 2019 and 10 October 2019 when the Company's investment management arrangements were being reviewed. As at 22 November 2019, the discount was 10.0%.

THE BOARD

As detailed in the Annual Report for the year ended 30 September 2018 and the Half-Yearly Report to 31 March 2019, the Company announced a number of changes to the Board. Following the conclusion of the AGM held on 22 January 2019, William Eason retired as a non-executive Director of the Company. Mr Eason joined the Board in 2007 and the Board wishes to thank him wholeheartedly for his wise counsel, experience and commitment to the Company over his 11 years of service.

On 1 January 2019, Sue Inglis and Andrew Watkins became Directors of the Company and members of the Audit Committee. We were delighted to welcome two such experienced directors to the Board. Sue Inglis, until June 2018, was a senior corporate financier in Cantor Fitzgerald's investment companies team. She is non-executive chairman of The Bankers Investment Trust PLC, the senior independent director of Baillie Gifford US Growth Trust plc and a non-executive director BMO Managed Portfolio Trust plc, Next Energy Solar Fund Limited and Seneca Global Income & Growth 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 non-executive chairman of Ashoka India Equity Investment Trust plc and a non-executive director of BMO UK High Income Trust plc, Chelverton UK Dividend Trust plc and Consistent Unit Trust Management Company Limited.

Sue Inglis has informed the Company that, owing to her position as the senior independent director of Baillie Gifford US Growth Trust plc, she will step down from the Board of the Company prior to Baillie Gifford's appointment becoming effective. She further recused herself for this reason from the Board's decision to appoint Baillie Gifford as AIFM to the Company. It is a source of considerable regret to the Board that we are to lose Sue's excellent services after such a short time. The Board would like to thank her profusely for her hard work and expertise.

Michael Moule, our longest serving director, was due to retire at the 2020 AGM; however, given the move to Baillie Gifford and consequent loss of Sue Inglis we feel it would be beneficial to retain his expertise for one further year so that we are not rushed into finding immediate replacements. The Board intends to appoint at least one new Director in 2020.

STOCKBROKER

In 2019, the Board completed a review of the Company's stockbroking arrangements. A number of stockbrokers were invited to tender and there then followed a transparent and competitive process, which included written submissions, presentations and discussions with a selected shortlist of candidate firms. The Board decided that, with effect from 1 March 2019, Peel Hunt LLP, who have extensive experience in the investment trust sector, be appointed as the Company's sole corporate broker. The Board wishes to thank J.P. Morgan Securities who, with their predecessor companies, had been the stockbroker to the Company since its launch in 1972.

Chairman's Statement continued

NEW WEBSITE AND FACTSHEET

In February 2019 the Company launched its new website at www.eitplc.com, incorporating improved features and additional functionality. At the same time, the Company updated its monthly factsheet which was subsequently awarded the Best Factsheet in the AIC Shareholder Communication Awards in May 2019. In the previous year's AIC Awards, following an upgrading of the Company's Annual Report, the Company received a special mention in the Best Report and Accounts – Specialist section. We would like to thank all concerned, including Edinburgh Partners and the Union Advertising Agency, for their efforts on the Company's behalf in achieving these improvements. The Board anticipates that, with the appointment of Baillie Gifford, the Company's online presence will be further expanded and enhanced. The Company's new website will be www.bgeuropeangrowth.com

ANNUAL GENERAL MEETING

The AGM will be held at 11.00am on Thursday, 23 January 2020 at The Institute of Directors, 116 Pall Mall, London, SW1Y 5ED. Baillie Gifford will make a presentation and I look forward to meeting shareholders who are able to attend.

OUTLOOK

Economic conditions remain fragile. Debt outstanding has reached new highs. Inflation continues to be muted despite fairly full employment in the developed world. Monetary conditions remain extreme, with persistent sub-zero interest rates and Central Banks reaching the limits of easing potential. Politics and trade relationships are up in the air. Fiscal stimulus may be required next. How does this translate to the stock market?

Human ingenuity as reflected in corporate endeavour is being sorely tested, though has not yet proved wanting. Corporate profits are high. Disruption and innovation are everywhere increasingly apparent. Some of the very largest companies are yet surprisingly young. Large sectors with legacy assets and limited scope to react to change are under sustained attack. This is an unsettling though natural process that seems most unlikely to have yet run its course. The change in the business landscape or, for example, in the physical landscape of our high streets is driven by factors largely unrelated to the monetary conditions by which we are unsurprisingly transfixed. This business change relates to underlying shifts in competitive advantage. Imaginative, intelligent analysis of that in each specific instance is likely, as ever, to be more reliably rewarding to investors than disquisitions on economics or other generalities.

Michael MacPhee
Chairman

27 November 2019

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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.

Since the financial crisis of 2008, our valuation-led approach has been out of favour. The monetary policies adopted by central banks were designed to support economic growth and avoid recession and, in this respect, they appear to have succeeded. However, markets have become reliant on monetary policy and valuations have become distorted by artificially suppressed interest rates. In this environment, investment strategies focussed on perceived "growth" and "quality" have worked well, whereas "value" strategies have lagged. This has led to investors crowding into areas of the market such as consumer staples which are regarded as defensive irrespective of the absolute valuation levels. We have avoided these stocks, as we believe they are trading on expensive valuations which represent a significant risk to shareholders' capital.

PERFORMANCE

The year under review to 30 September 2019 delivered a NAV total return of -4.6% compared to -2.1% in the previous year. We lagged our benchmark by 11.5%. While our contrarian style often leads to periods of over and under performance against the index, we are naturally disappointed with this outcome.

Performance this year has been heavily influenced by the evolution of the US/China trade and technology conflict. The uncertainty over the outcome has weighed on investor sentiment and raised fears that a slowdown in growth could lead to a global recession. Central banks responded by resorting to monetary easing again and estimates of negative yielding debt of US$17 trillion across the world indicate the extent of investors' fears about where the global economy is heading. Equity markets, which are reliant on monetary policy response are certainly vulnerable to poor economic data and geopolitical uncertainty. The debate over whether there will be an economic slowdown or a recession continues, but we remain of the view that in the long term valuations matter. Owning so-called defensive stocks or "bond proxies" at premium valuations does not provide protection in a world of either slower growth or an economic downturn.

Within our overall framework of risk management we focus on individual stocks. An analysis of the performance in the year ended 30 September 2019 in terms of significant contributors and detractors, at both a sector and individual stock level, is set out on page 12.

Past performance is not a guide to future performance.

Investment Manager's Report continued

SIGNIFICANT CONTRIBUTIONS TO ABSOLUTE PERFORMANCE – YEAR TO 30 SEPTEMBER 2019

Sectors	Contribution
Health Care	+3.4%
Communication Services	+1.9%
Utilities	+0.2%
Industrials	-2.2%
Energy	-2.4%
Financials	-3.1%

Stocks	Contribution
Roche	+1.1%
Getinge	+1.1%
Sopra Steria	+0.9%
Commerzbank	-1.3%
Leoni	-1.6%
Petroleum Geo-Services	-1.7%

The largest positive sector contribution came from Health Care, which now comprises two industrial groupings, the first is: Pharmaceuticals, Biotechnology & Life Sciences; and the second is: Health Care Equipment & Services. The best performing stock was Roche, the Swiss-based industry leader, where pipeline success has filtered through to the earnings outlook. Close behind was Swedish-based medical equipment supplier, Getinge, where there is increasing evidence that a recovery in operating margins is underway. After the year end, Getinge's share price continued to rise and, with the valuation now discounting a robust margin recovery, we sold the shares. Within the Communication Services sector, the Polish-based Cyfrowy Polsat performed well. In the Information Technology sector, Sopra Steria, the French-based group, was another good performer as it continued to deliver growth in its core IT services business.

Banking stocks were an area of continuing weakness as the combination of low interest rates and recessionary fears weighed on their prospects. Commerzbank was the most severely impacted, reflecting its acute interest rate sensitivity and weakness within the German Industrial sector, where it is a significant lender. All of the portfolio's bank holdings delivered negative returns, apart from Italian financial conglomerate, Mediobanca. As noted below, we sold a number of bank holdings during the period, but at the end of year under review 9.7% of the portfolio was held in banking stocks, reflecting our belief that the stocks still held remain undervalued.

Energy stocks were weak, in contrast to the previous year. The share price of Petroleum Geo-Services fell sharply when it delayed its planned bank refinancing. After the year end, the company announced good results and the share price staged a sharp recovery.

The weakness in the Industrials sector was largely driven by PostNL, due to regulatory uncertainty over its proposed takeover of its main competitor in mail delivery, Sandd. The Dutch Government approved the transaction in October 2019 and the share price has started to recover. There was continued weakness in the share price of auto supplier, Leoni, despite the appointment of a new chief executive officer who has implemented a recovery plan which appears to be stabilising the business.

TRANSACTIONS

During the year, we disposed of seven holdings and acquired positions in six new stocks. The stocks that were sold were DNB, Airbus, Alcon, Mediobanca, DIA, Danske Bank and Nordea Bank.

DNB had benefitted from the recovery in energy prices and we took advantage of this and disposed of the holding. Airbus was sold on valuation grounds after strong performance, as was Alcon, a spin out from the holding in Novartis. Mediobanca's share price had recovered, despite weak domestic growth and a highly unstable political situation, and the holding was sold. As detailed in last year's Annual Report, we sold the holding in DIA at the start of the year under review, ahead of an anticipated cash call which duly emerged. We sold the holding in Danske Bank due to concerns over its involvement in money laundering activities in the Baltic region and its potential exposure to the associated financial penalties. We considered that the valuation of Nordea Bank might be impacted, given its presence in the region, and therefore sold the position.

The purchases made during the year were Sopra Steria, Gerresheimer, Valeo, Stora Enso, United Internet and Fresenius Medical Care. These stocks all contributed positively to the year's results since purchase, particularly Sopra Steria, which we bought after the market over-reacted to news of delays in the roll-out of its banking software. Detailed below are brief comments on these stocks.

Sopra Steria is a French-based IT services business. The principal focus is on traditional IT services, but it also develops software for banking, human resources and property markets. The company should benefit from the current structural tailwind underpinning IT spending.

Investment Manager's Report continued

Gerresheimer is a manufacturer of glass and plastic packaging (e.g. inhalers, insulin pens, syringes) for the Health Care sector. This is a growing market, where high quality standards and regulatory expertise create barriers to entry.

Valeo is an auto parts supplier which is well positioned in growth areas such as emissions reduction, safety and hybrid/electric vehicles, which should allow it to grow revenues and profits despite a weak vehicle market.

Stora Enso is an integrated paper and packaging producer, based in Finland, which also owns significant forestry assets. The company has shifted its operations from the declining paper market to the growing packaging market and provides clear exposure to structural growth in demand for renewable alternatives to replace non-renewable materials.

United Internet is a German telecommunications and internet services provider. Its key subsidiary, 1&1 Drillisch, has carved out a solid competitive position in the German telecommunications market, underpinned by a long-term wholesale access agreement with Telefonica Deutschland. It is now planning to establish a physical 5G network. The company's valuation had fallen sharply on fears that this transition would be poorly executed, despite the strong track record of the experienced management team, and we took advantage of the share price weakness to acquire a holding.

Fresenius Medical Care is a leading provider of equipment and services for kidney dialysis. Its major market is currently North America but there are significant growth opportunities around the world, especially in China. There will be a partial shift towards services being provided at home rather than in clinics. Following the purchase of NxStage Medical, based in the USA, Fresenius Medical Care is well positioned for this shift.

A common feature of the purchases made this year has been a combination of strong balance sheets and sustainable dividends. Going forward we expect this feature to become even more important for the existing portfolio[1].

PORTFOLIO

Over the course of the year, the most significant change in the composition of the portfolio has been the reduction in exposure to Banking stocks, which represented 9.7% of the portfolio at year end, a reduction from 20.7% a year earlier, primarily due to the sale of four holdings. The Communication Services exposure increased over the year to 14.1%, principally due to the purchase of United Internet and our Health Care exposure rose slightly to reach 19.8%. We continued to reduce our Cyclical exposure and our portfolio changes were heavily influenced by balance sheet strength and dividend sustainability.

At the year end, the Company had net cash balances amounting to 1.3% of net assets, compared to net borrowings of 2.7% at the start of the financial year. We believe this is a prudent position to adopt given the uncertainties facing equity markets.

OUTLOOK[1]

Uncertainty over the US/China trade and technology conflict continues to weigh on investor sentiment and confidence. Economic data has highlighted a weaker economic outlook and in Europe many areas of the Industrial sector are in recession. The global economy seems set for a period of lower growth, despite the best efforts of central banks to stimulate activity through monetary easing. Positive news on political issues such as the trade conflict or Brexit would provide a boost to investor sentiment. However, in the longer-term, we have concerns about the levels of accumulated debt and the increasing ineffectiveness of monetary easing without meaningful fiscal stimulus. It seems likely that governments will need to invest more to support growth and in Europe this represents a challenge which Germany is reluctant to embrace.

We continue to adhere to our principles regarding valuation, avoiding popular widely-owned stocks with high valuations. We have become increasingly cautious about the economic outlook and have been gradually reducing risk in the portfolio. Whether or not the current slowdown deteriorates into a downturn, we believe that the valuation anomalies in the market will unwind. Hindsight is likely to view the issuance of negative yielding debt as the peak of the bond market and for equity market equivalents. Hence, we believe that the premium valuations being attached to growth stocks will deflate and that the attractions of value stocks will become self-evident. We believe that the improvement in recent performance of the existing portfolio provides an indication of how this shift will unfold.

Craig Armour
Edinburgh Partners

27 November 2019

1 These comments apply in relation to the portfolio as managed by Edinburgh Partners prior to the termination of its appointment as the Company's AIFM, and should be read accordingly. From termination the portfolio will be managed by a new AIFM applying a different investment approach, following which there are likely to be significant changes to the portfolio.

Past performance is not a guide to future performance.

Portfolio of Investments

as at 30 September 2019

Rank 2019	Rank 2018	Company	Sector	Country	Valuation £'000	% of net assets 2019	% of net assets 2018
1	2	Sanofi	Health Care	France	16,414	4.4	3.6
2	1	Roche[1]	Health Care	Switzerland	13,028	3.5	4.0
3	17	Deutsche Post	Industrials	Germany	12,862	3.4	2.7
4	5	Royal Dutch Shell[2]	Energy	Netherlands	12,607	3.4	3.4
5	11	Telefonica	Communication Services	Spain	12,312	3.3	2.9
6	8	Nokia	Information Technology	Finland	11,872	3.2	3.0
7	35	Orange	Communication Services	France	11,464	3.1	2.0
8	29	Adecco	Industrials	Switzerland	11,324	3.0	2.2
9	–	Gerresheimer	Health Care	Germany	10,885	2.9	–
10	–	Stora Enso	Materials	Finland	10,803	2.9	–
11	22	Ipsos	Communication Services	France	10,728	2.9	2.5
12	7	Total	Energy	France	10,518	2.8	3.0
13	9	ING	Financials	Netherlands	10,467	2.8	3.0
14	4	Novartis	Health Care	Switzerland	10,408	2.8	3.4
15	10	ENI	Energy	Italy	10,397	2.8	2.9
16	–	Sopra Steria	Information Technology	France	10,378	2.8	–
17	30	Michelin	Consumer Discretionary	France	9,941	2.7	2.2
18	15	BNP Paribas	Financials	France	9,837	2.6	2.8
19	37	Cyfrowy Polsat	Communication Services	Poland	9,418	2.5	1.9
20	3	PostNL	Industrials	Netherlands	9,278	2.5	3.4
21	20	BBVA	Financials	Spain	9,025	2.4	2.5
22	24	Siemens	Industrials	Germany	9,018	2.4	2.4
23	21	Indra Sistemas	Information Technology	Spain	8,867	2.4	2.5
24	14	ISS	Industrials	Denmark	8,828	2.4	2.9
25	–	Valeo	Consumer Discretionary	France	8,705	2.3	–
26	25	E.ON	Utilities	Germany	8,665	2.3	2.4
27	23	Bayer	Health Care	Germany	8,576	2.3	2.5
28	–	United Internet	Communication Services	Germany	8,527	2.3	–
29	19	Ryanair	Industrials	Ireland	8,476	2.3	2.6
30	16	Ahold Delhaize	Consumer Staples	Netherlands	8,396	2.2	2.7
31	26	Rocket Internet	Consumer Discretionary	Germany	8,393	2.2	2.3
32	6	Getinge	Health Care	Sweden	7,731	2.1	3.1
33	18	Glanbia	Consumer Staples	Ireland	7,239	1.9	2.7
34	12	Commerzbank	Financials	Germany	7,071	1.9	2.9
35	38	Outotec	Industrials	Finland	6,922	1.8	1.8
36	39	Ontex	Consumer Staples	Belgium	6,692	1.8	1.7
37	–	Fresenius Medical Care	Health Care	Germany	6,621	1.8	–
38	31	Petroleum Geo-Services	Energy	Norway	3,588	0.9	2.1
39	33	Leoni	Consumer Discretionary	Germany	2,783	0.7	2.1
Prior year investments sold during the year					–	–	14.6
Total equity investments					369,064	98.7	102.7
Cash and other net current assets					4,793	1.3	0.4
Borrowings[3]					–	–	(3.1)
Net assets					373,857	100.0	100.0

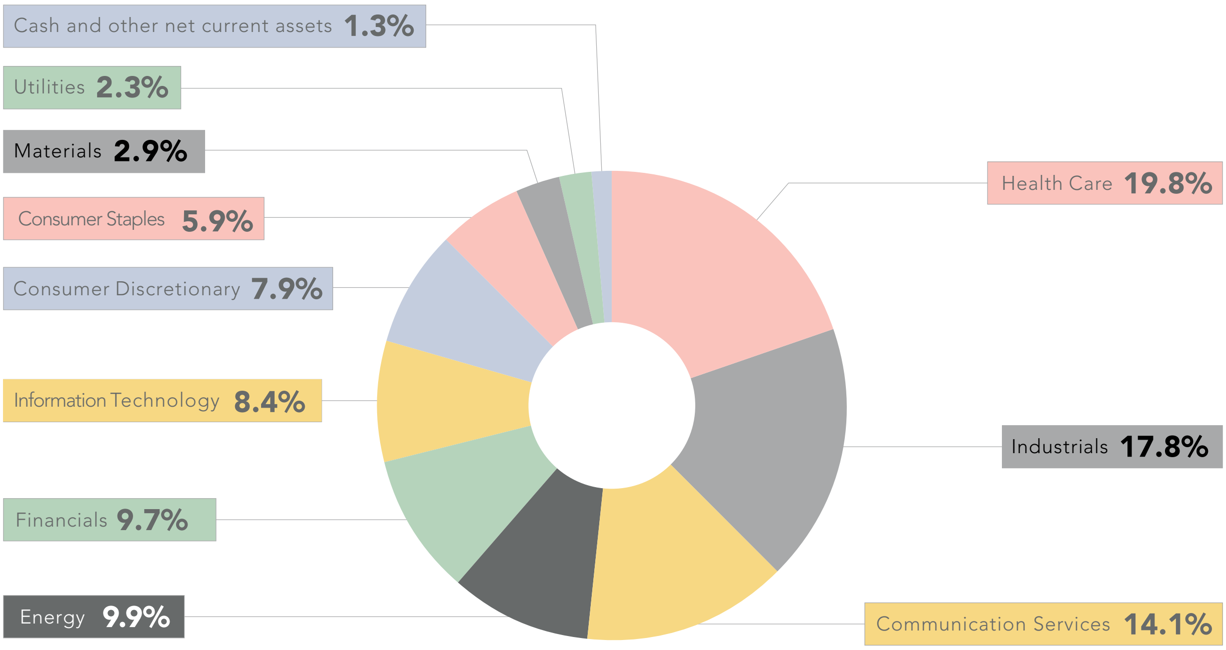
1 The investment is in non-voting preference shares.
2 The investment is in A shares.
3 For details regarding the Company's borrowings, please see note 6 to the Financial Statements on page 62.

Of the ten largest portfolio investments as at 30 September 2019, the valuations at the previous year end, 30 September 2018, were Sanofi £14,873,000; Roche £16,510,000; Deutsche Post £11,199,000; Telefonica £12,066,000; Nokia £12,299,000, Orange £8,460,000; Adecco £9,064,000; Gerresheimer £nil and Stora Enso £nil.

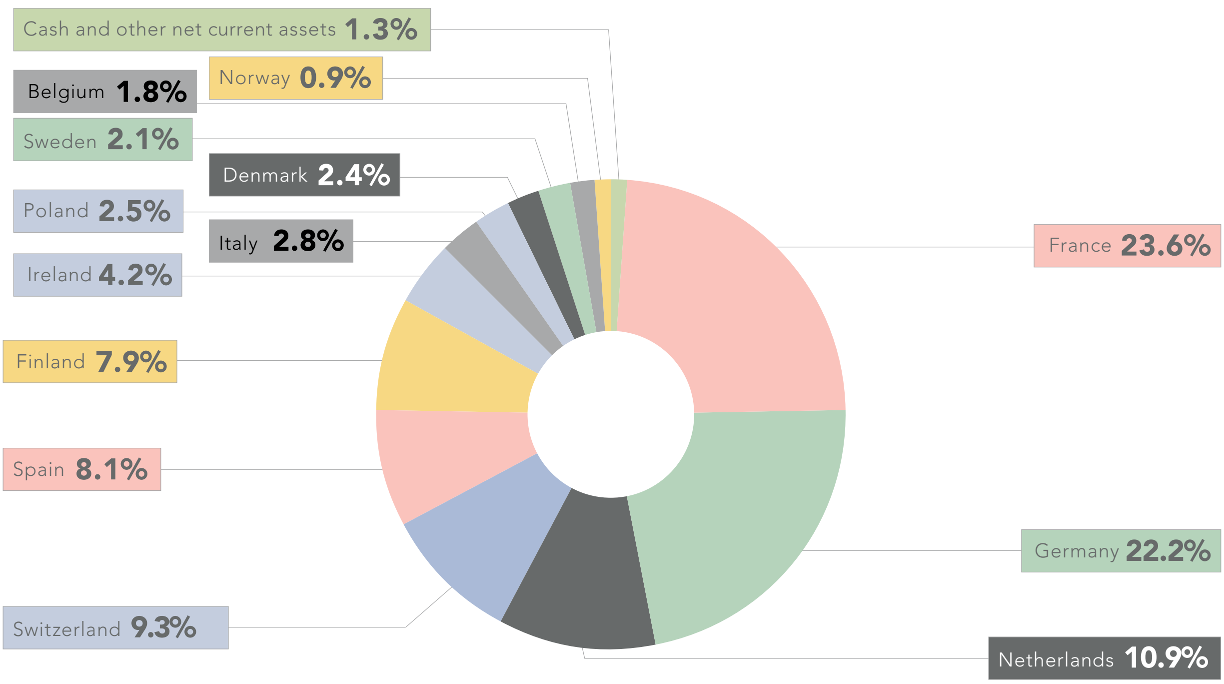
Distribution of Investments

as at 30 September 2019 (% of net assets)

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



As at 30 September 2019 the net assets of the Company were £373,857,000.

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] %
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
2019	**373,857**	**373,857**	**929.0**	**810.0**	**12.8**	**–**

1 See the Glossary on page 76 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[2,3,4] %
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	13,775	11,461	27.4	27.0	0.0	27.0	0.6
2019	**14,523**	**12,605**	**31.0**	**31.0**[1]	**0.0**	**31.0**	**0.6**

1 Includes proposed final dividend of 21.5p.
2 Ongoing charges figure ("OCF") is detailed for the years 2011 to 2019. 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 2009 and 2010. The TER is based on total expenses for the year, excluding finance costs, as a percentage of the average monthly net asset value.
4 Excluding VAT recovered in respect of management fees.

Past performance is not a guide to future performance.

Ten Year Record continued

CUMULATIVE PERFORMANCE

(rebased to 100 at 30 September 2009)

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
2009	100	100	100	100	100	100	100	100	100
2010	103	105	99	102	98	101	104	103	105
2011	88	92	83	88	83	88	128	118	110
2012	96	103	89	99	92	100	116	118	113
2013	121	133	109	126	124	138	136	132	117
2014	126	142	112	133	135	155	112	110	120
2015	117	134	107	131	121	142	120	118	121
2016	131	154	125	159	130	156	144	162	123
2017	165	200	149	195	166	206	195	169	128
2018	158	195	148	200	164	209	207	199	132
2019	**146**	**186**	**153**	**213**	**146**	**193**	**234**	**228**	**135**

COMPOUND ANNUAL RETURNS

(to 30 September 2019)

% 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	3.9	7.0	6.9	11.0	3.4	6.9	11.5	11.5	2.9
Since 1 February 2010[3]	4.2	6.4	4.6	8.0	4.3	6.9	8.5	8.2	2.8
10 years	3.9	6.4	4.3	7.9	3.9	6.8	8.9	8.6	3.1

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

Past performance is not a guide to future performance.

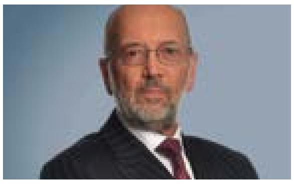
Directors

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.

Michael Moule (Senior Independent Director)



Michael Moule is a member of The Open University investment committee 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.

Sue Inglis

Sue Inglis, until June 2018 a senior corporate financier in Cantor Fitzgerald's investment companies team, is chairman of The Bankers Investment Trust PLC, the senior independent director of Baillie Gifford US Growth Trust plc and a director of BMO Managed Portfolio Trust plc, Seneca Global Income & Growth Trust plc and NextEnergy Solar Fund Limited. She was appointed a Director of the Company in 2019.

Owing to her position as senior independent director of Baillie Gifford US Growth Trust plc, she will step down from the Board of the Company prior to Baillie Gifford's appointment becoming effective.

Andrew Watkins
Andrew Watkins, until his retirement in June 2017, was head of client relations, sales and marketing for Invesco Perpetual's listed investment funds business and is currently chairman of Ashoka India Equity Investment Trust plc and a non-executive director of BMO UK High Income Trust plc, Chelverton UK Dividend Trust plc and Consistent Unit Trust Management Company Limited. He was appointed a Director of the Company in 2019.

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

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.

Craig Armour LLB, CA

Craig Armour was appointed as 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.

Change of Investment Manager

On 23 May 2019, the Company announced that it would undertake a review of the Company's investment management arrangements. A wide range of prospective investment managers was asked to submit proposals. Following careful consideration, the Board decided to appoint Baillie Gifford & Co Limited as the Company's new alternative investment fund manager, company secretary and administrator. The Board served notice on Edinburgh Partners in respect of its appointment as Investment Manager and AIFM to the Company on 9 October 2019 with effect from 9 January 2020, or earlier should the Company elect. The intention is for the appointment of Baillie Gifford to take effect from 29 November 2019.

Baillie Gifford is an independent fund manager and is the manager of nine other investment trusts. The Company's portfolio will be co-managed by Stephen Paice and Moritz Sitte.

Corporate Information

DIRECTORS (ALL NON-EXECUTIVE)

Michael MacPhee (Chairman)
William Eason (resigned 22 January 2019)
Sue Inglis (appointed 1 January 2019)
Michael Moule
Andrew Watkins (appointed 1 January 2019)
Dr Michael Woodward

SOLICITORS

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COMPANY SECRETARY AND REGISTERED OFFICE[1]

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www.eitplc.com
www.bgeuropeangrowth.com[2]

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Senningerberg
1748 Grand-Duché de Luxembourg

ALTERNATIVE INVESTMENT FUND MANAGER[1]

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Edinburgh EH3 7JF

CUSTODIAN

The Northern Trust Company
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Canary Wharf
London E14 5NT

INVESTMENT MANAGER[1]

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e-mail: enquiries@edpam.com
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REGISTRAR

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Bristol BS99 6ZZ

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

1 For further details of proposed changes see the Chairman's Statement on pages 7 to 10.
2 With effect from 29 November 2019.

Strategic Overview

STRATEGY AND BUSINESS MODEL

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

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%.

Changes to the objective and investment policy
As detailed in the Chairman's Statement on page 8, the Board is proposing to change the Company's objective and investment policy. If resolution 11 is approved at the AGM, the objective and investment policy will be as follows:

Objective
The objective of the Company is to achieve capital growth over the long term from a diversified portfolio of European securities.

Investment policy
The Company is invested in a diversified portfolio of between 30 to 60 European securities.

The Company may not invest more than 10% of total assets 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. The Company has the ability to invest in securities that are listed in countries which are not included in the FTSE Europe ex UK Index, where these securities have a meaningful connection with continental Europe.

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.

Up to 10% of total assets, as measured at the time of initial investment, can be invested in unlisted investments.

The level of gearing within the portfolio is agreed by the Board and the absolute amount of any gearing should not exceed 20% of net assets at time of drawdown, excluding any unlisted investments in the calculation of net assets.

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

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

Strategic Overview continued

Investment strategy

Following the appointment of Baillie Gifford as the Company's new alternative investment fund manager, the Board expects the investment strategy to be to select high quality companies with strong competitive positions which have the prospect of delivering strong earnings growth over a number of years. Baillie Gifford believes that companies providing a combination of revenue growth, margin expansion and reinvestment of surplus cash flows at attractive rates of return offer the best chance of outperforming over long periods of time.

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's Financial Conduct Authority ("FCA") 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.

Portfolio analysis

A detailed review of how the Company's assets have been invested is contained in the Investment Manager's Report on pages 11 to 13. A detailed list of all the Company's investments is contained in the Portfolio of Investments on page 14. The portfolio consisted of 39 investments, excluding cash and other net current assets, as at 30 September 2019, thus ensuring that the Company has a suitable spread of investment risk. The sector and geographical distributions of investments as at 30 September 2019 are detailed on page 15.

Past performance is not a guide to future performance.

RESULTS AND DIVIDENDS

The results for the year are set out in the Income Statement on page 55 and the Statement of Changes in Equity on page 57.

For the year ended 30 September 2019, the net revenue return attributable to shareholders was £12.6 million (2018: £11.5 million) and the net capital return was a negative £33.7 million (2018: a negative £21.0 million). Total shareholders' funds decreased by 9.8% to £373.9 million (2018: £414.3 million).

Details of the interim dividend paid and the final dividend recommended by the Board are set out on pages 8 and 23.

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 2019, the NAV decreased by 7.5% from 1004.3p to 929.0p. After taking account of dividends paid in the year of 27.5p, the NAV total return was -4.6% (2018: -2.1%) as detailed in the Investment Manager's Report on page 11. This compares with the total return of 6.9% (2018: 2.4%) 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 2019 was 92.6%. This compares with the total return of 123.5% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Share price

In the year to 30 September 2019, the Company's share price decreased by 10.8% from 908.0p to 810.0p. The share price total return, taking account of the 27.5p of dividends paid in the year, was -7.6% (2018: 1.2%).

The share price total return since the appointment of Edinburgh Partners as Investment Manager on 1 February 2010 to 30 September 2019 was 100.8%. This compares with the total return of 123.5% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Strategic Overview continued

Share price discount to NAV
The share price discount to NAV widened from 9.6% to 12.8% in the year to 30 September 2019.

As a consequence of the review of the management arrangements, as detailed in the Chairman's Statement on page 9, from 23 May 2019 to 10 October 2019 the Company suspended buying back shares.

Revenue return per ordinary share
There was an increase in the revenue per share in the year to 30 September 2019 of 13.1% from 27.4p to 31.0p.

Dividends per ordinary share
The Directors are recommending a final dividend of 21.5p per ordinary share. After including the interim dividend of 9.5p per ordinary share, this makes a total dividend of 31.0p per ordinary share for the year. This compares to the previous year's figure of 27.0p per ordinary share.

Subject to approval by shareholders at the AGM to be held on Thursday, 23 January 2020, the final dividend will be payable on Friday, 31 January 2020 to all shareholders on the register at the close of business on Friday, 3 January 2020. The ex-dividend date will be Thursday, 2 January 2020.

Following the payment of the proposed final dividend for the year to 30 September 2019 detailed above, the Company will change its dividend policy such that no interim dividend will be paid and any annual dividend will be paid only to the extent needed for the Company to maintain its investment trust status.

Ongoing charges
The Company continues to have low expenses. The ongoing charges figure was 0.62% in the year to 30 September 2019 (2018: 0.61%).

The longer-term records of the key performance indicators are shown in the Ten Year Record on pages 16 and 17.

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

Past performance is not a guide to future performance.

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 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.

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 monthly in arrears. Prior to 1 June 2018, 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 2019, the Company agreed to pay £9,000 as a contribution to research costs incurred by the Investment Manager (2018: £12,000). This cost has been included in other expenses as detailed in note 4 to the Financial Statements on page 61, with £3,000 (2018: £4,000) allocated to revenue and £6,000 (2018: £8,000) to capital.

Change of Investment Manager
On 23 May 2019, the Company announced that it would undertake a review of the Company's investment management arrangements. A wide range of prospective investment managers was asked to submit proposals. Following careful consideration, the Board decided to appoint Baillie Gifford & Co Limited as the Company's new alternative investment fund manager, company secretary and administrator. The Board served notice on Edinburgh Partners in respect of its appointment as Investment Manager and AIFM to the Company on 9 October 2019 with effect from 9 January 2020, or earlier should the Company elect. The intention is for the appointment of Baillie Gifford to take effect from 29 November 2019.

Strategic Overview continued

Baillie Gifford is an independent fund manager and is the manager of nine other investment trusts. The Company's portfolio will be co-managed by Stephen Paice and Moritz Sitte.

As set out in the heads of terms signed by the Company and Baillie Gifford, Baillie Gifford will be paid an annual management fee of 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million; and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million.

In order to offset any payment to the existing AIFM in respect of the termination of its appointment and to contribute towards the other costs of implementing the proposals set out in the heads of terms (including portfolio transition costs), Baillie Gifford has agreed to waive the management fee payable to it for the aggregate period of six months from its appointment as AIFM.

Baillie Gifford will also contribute £100,000 in relation to the Company's approximate contribution to the marketing programme undertaken by Baillie Gifford for all of its managed investment trusts (for the period to 31 December 2020) and has committed to directly spending a minimum of £100,000 on marketing the Company during this period. The Company shall bear all the remaining costs associated with the change of investment manager.

The new investment management agreement shall be terminable by either party serving three months' notice.

CONTINUING APPOINTMENT OF THE AIFM

The Board keeps the performance of the AIFM under review on a regular basis. As the AIFM had delegated the investment management function to Edinburgh Partners, the performance of the Investment Manager is also regularly reviewed. Following an extensive review of the Company's investment management arrangements, the Board resolved to terminate the arrangements with the AIFM and to appoint Baillie Gifford & Co Limited as the Company's new alternative investment fund manager, company secretary and administrator. It is the opinion of the Directors that the appointment of Baillie Gifford & Co Limited 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.

Baillie Gifford's AIFM remuneration policy is incorporated within a group policy which is available at www.bailliegifford.com/en/uk/about-us/important-disclosures/

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.

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 69 to 72.

Strategic Overview continued

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 or negatively. The Company's portfolio has a relatively modest indirect exposure to the UK, but the Board and Investment Manager remain alert to developments at both a macro-economic 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.

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 69 to 72, together with a review of any new risks which may have arisen during the year, including those that could threaten the Company's business model, future performance, solvency or liquidity. These risks are formalised within the Company's risk assessment matrix.

Strategic Overview continued

INTERNAL FINANCIAL CONTROL

In accordance with 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 2019, as set out on pages 32 and 33. 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 8 and notes 5 and 6 to the Financial Statements on page 62, during the year ended 30 September 2019, the Company utilised a borrowing facility. The Company did not use any derivative instruments during the year ended 30 September 2019.

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 2019, the Company's Gross ratio was 1.00 and its Commitment ratio was 1.00. 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 appointed Northern Trust Global Services Limited to act as its depositary (the "Depositary") with effect from 18 July 2014. On 3 April 2018, Northern Trust Global Services Limited was re-registered under the Companies Act 2006 as a public limited company under the name of Northern Trust Global Services PLC. Northern Trust Global Services PLC subsequently converted to a Societas Europaea on 8 October 2018 and its name was changed to Northern Trust Global Services SE ("NTGS SE"). On 1 March 2019, NTGS SE transferred its corporate headquarters from the United Kingdom to Luxembourg. As a result of the re-domicile, NTGS SE is now an authorised credit institution in Luxembourg under Chapter 1 of Part 1 of the Luxembourg law of 5 April 1993 on the financial sector. It is authorised by the European Central Bank ("ECB") and subject to the prudential supervision of the ECB and the Luxembourg Commission de Surveillance du Secteur Financier. The UK offices of NTGS SE have become a UK branch of NTGS SE and the branch continues to be regulated by the UK Financial Conduct Authority in the conduct of its UK depositary activities. 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 7 to 10 and the Investment Manager's Report on pages 11 to 13. 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

Strategic Overview continued

forward-looking statements involve risk and uncertainty because they relate to future events that are beyond the Company's control. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to:

- global economic conditions and equity market performance and prices, particularly those in Europe;
- changes in government policies and monetary and interest rate policies worldwide, particularly those in Europe;
- changes to regulations and taxes worldwide, particularly in Europe;
- currency exchange rates;
- use of gearing; 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 2019, the Board of Directors of the Company comprised four male Directors and one female Director. The appointment of any new Director is made on the basis of merit.

SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

The Investment Manager on behalf of 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.

Baillie Gifford's governance and sustainability report, environmental policy and UK Stewardship Code compliance document are available at www.bailliegifford.com/en/uk/about-us/governance-sustainability/

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

27 November 2019

Past performance is not a guide to future performance.

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 2019 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 40 to 44 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.

The Board notes the publication of the revised AIC Code in February 2019, which is applicable to the Company for the year ending 30 September 2020. The Board is developing its response to the new requirements and will report further in next year's Annual Report.

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 five 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 18.

Corporate Governance Statement continued

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

A process of performance evaluation, including a review of the independence of the Directors 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 2019; this process consisted of the completion of questionnaires by each Director. 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, in the context of skills, knowledge and experience that are needed for the Board to be effective.

Sue Inglis and Andrew Watkins were appointed as Directors on 1 January 2019. Trust Associates Limited, an independent external search consultancy, was engaged to assist with the search for candidates. Following this process, Ms Inglis and Mr Watkins were appointed to the Board, being the strongest candidates with relevant skills, knowledge and experience.

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 investment, performance, financial, marketing, operational, administration, risk 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 a full range of relevant matters including investment, performance, financial, marketing, operational, administration, risk 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.

In accordance with the Board's policy, all Directors, with the exception of Sue Inglis 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 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.

Corporate Governance Statement continued

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 five non-executive Directors, including Michael Moule, who has served as a Director for 15 years, 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 45 and 46.

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[1]	2	2	1	1
Sue Inglis[2]	4	4	2	2
Michael Moule	5	5	3	3
Andrew Watkins[2]	4	4	2	2
Michael Woodward	5	5	3	3

1 Resigned as a Director on 22 January 2019.
2 Appointed as a Director on 1 January 2019.

In addition to the above formal meetings of the Board and Audit Committee, additional ad-hoc meetings have been held as required, including in connection with the review of management arrangements.

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 situational conflict 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 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.

Corporate Governance Statement continued

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 2019 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 2019 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 principal risks that the Board has identified are set out on pages 24 and 25.

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 Statement 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 SE 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 its 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 2019 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 Statement continued

THE DEPOSITARY

As detailed on page 33, the Company's Depositary is Northern Trust Global Services SE. 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 78 to 83, whilst further details regarding the resolutions are set out in the Directors' Report on pages 38 and 39. 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 available for downloading from the Company's website.

By order of the Board
Kenneth J Greig
Company Secretary

27 November 2019

Directors' Report

The Directors present their Annual Report and Financial Statements for the year ended 30 September 2019. 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 18.

Sue Inglis and Andrew Watkins were appointed as Directors on 1 January 2019. William Eason resigned as a Director on 22 January 2019 as detailed in the Chairman's Statement on page 9.

Details regarding the election/re-election of Directors are set out in the Corporate Governance Statement on page 30.

DIVIDENDS

Details of the final dividend recommended by the Board are set out in the Strategic Overview on page 23.

CORPORATE GOVERNANCE

The Company's corporate governance statement is set out on pages 29 to 34, and forms part of this Report. It includes details of the Directors' and officers' liability insurance and qualifying third party indemnity provisions on page 33.

SHARE CAPITAL

As at 30 September 2019, the Company had 40,244,369 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 2019, the Company purchased in the stock market 1,011,900 ordinary shares (with a nominal value of £252,975) for cancellation, at a total cost of £8,200,000. This represented 2.45% of the issued share capital at 30 September 2018.

As a consequence of the review of the management arrangements, as detailed in the Chairman's Statement on page 7, from 23 May 2019 to 10 October 2019 the Company suspended buying back shares.

Subsequent to the year end and up to the date of this Report, there have been no share buybacks.

Directors' Report continued

SUBSTANTIAL SHARE INTERESTS

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

	27 November 2019		30 September 2019	
	No of shares	% of voting rights	No of shares	% of voting rights
Wells Capital Management, Inc.	7,998,052	19.87	7,998,052	19.87
1607 Capital Partners, LLC	6,880,773	17.10	6,612,727	16.43
City of London Investment Management Company Limited	4,429,326	11.01	4,027,442	10.01
Investec Wealth & Investment Limited	4,195,735	10.42	4,195,735	10.42

As at 30 September 2019, the Company had 40,244,369 ordinary shares in issue and as at 27 November 2019, the date of this Report, the Company had 40,244,369 ordinary shares in issue.

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 35;
- details of the substantial shareholders in the Company are detailed in the table above;
- 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.

RELATED PARTIES

There were no related party transactions in the year ended 30 September 2019. The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 41. 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.

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 24 and 25. In addition, notes 17 and 18 to the Financial Statements on pages 69 to 73 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 24 and 25. 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 twelve months from the date this Annual Report is approved. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

Directors' Report continued

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 24 and 25 of the Strategic Report;
- 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

BDO LLP was appointed as Auditor on 24 January 2017 to audit the Financial Statements for the year ending 30 September 2017 and has been re-appointed for subsequent financial periods.

Resolutions 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 23 January 2020.

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 become aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

FINANCIAL RISK MANAGEMENT

Information about the Company's financial risk management objectives and policies is set out in the Strategic Report on pages 24 and 25 and in note 17 to the Financial Statements on pages 69 to 72.

Directors' Report continued

EXPENSES AND FINANCE COSTS

All expenses are accounted for on an accruals basis. Management fees, detailed in note 3 on pages 60 and 61, and finance costs related to borrowings, detailed in note 5 on page 62, are apportioned between revenue and capital in the Income Statement on page 55, with one-third to revenue and two-thirds to capital. The Board reviews the expense allocation policy on a yearly basis to consider whether it remains appropriate. Following the change of AIFM, the Board will undertake a review to determine whether the current allocation remains appropriate.

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-seventh AGM to be held on Thursday, 23 January 2020 is set out on pages 78 to 83.

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 2019;
Resolution 2	– the receipt and approval of the Directors' Remuneration Report;
Resolution 3	– the receipt and approval of the Directors' Remuneration Policy;
Resolution 4	– the re-appointment of BDO LLP as Auditor;
Resolution 5	– the authorisation of the Directors to determine the remuneration of the Auditor;
Resolutions 6 to 9	– the re-election of Directors; and
Resolution 10	– the approval of the final dividend recommended by the Board.

Special Business

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

APPROVAL OF OBJECTIVE AND INVESTMENT POLICY

Resolution 11 (an Ordinary Resolution) deals with the approval of the revised objective and investment policy.

The principal changes from the current objective and investment policy are;

- to focus on capital growth rather than capital and income growth;
- to increase the maximum number of securities from 50 to 60; and
- to allow investment in securities that have a meaningful connection with continental Europe
- to invest up to 10% of the assets, as measured at the time of initial investment, in unlisted investments.

Further details regarding this resolution are set out in the Chairman's Statement on page 8 and in the Strategic Overview on page 21.

SHARE BUY BACK AUTHORITY

At the AGM held on 22 January 2019, the Company was granted authority to purchase up to 14.99% of the Company's ordinary shares in issue at that date, being 6,151,336 ordinary shares. Details of the shares bought back during the year ended 30 September 2019 can be found on page 35. As at 27 November 2019, the Company may purchase up to 5,139,436 ordinary shares under the existing authority.

Resolution 12 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the Directors' authority to purchase up to 6,032,630 ordinary shares (being 14.99% of the issued share capital as at 27 November 2019 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.

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 held in treasury or 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 2021).

AUTHORITY TO ALLOT SHARES

Resolution 13 (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 £3,353,697, representing 13,414,788 ordinary shares (being approximately one-third of the issued share capital as at 27 November 2019) 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 2021). 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 14 (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 £1,006,109, representing 4,024,436 ordinary shares (being approximately 10% of the issued share capital as at 27 November 2019) 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 2021). 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 HOLD GENERAL MEETINGS AT SHORTER NOTICE

Resolution 15 (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 73.

By order of the Board
Kenneth J Greig
Company Secretary

27 November 2019

Directors' Remuneration Report

Statement from the Chairman
I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2019.

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.

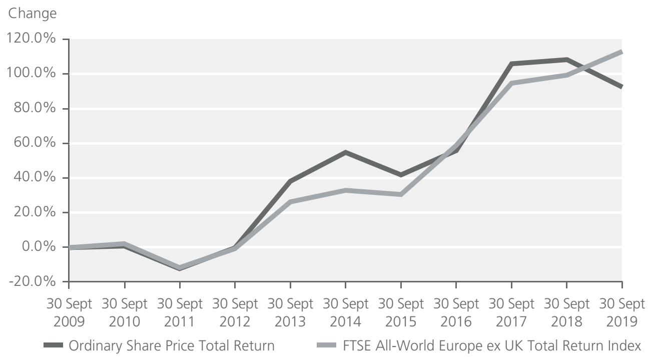
During the year ended 30 September 2019, the annual fees were set at the rate of £33,500 for the Chairman and £22,500 for the other Directors, with an additional payment of £3,000 to the Chairman of the Audit Committee.

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 43. 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 2020.

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. Ordinary Resolutions to approve the Directors' Remuneration Report and the Directors' Remuneration Policy 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 2019 (audited)

The Directors who served during the year were entitled to the following emoluments in the form of fees:

	Fees	
	Year to 30 September 2019	Year to 30 September 2018
Michael MacPhee	**£33,500**	£33,500
William Eason[1]	**£7,010**	£22,500
Sue Inglis[2]	**£16,875**	–
Michael Moule	**£22,500**	£22,500
Andrew Watkins[2]	**£16,875**	–
Michael Woodward	**£25,500**	£25,500
	£122,260	£104,000

1 Resigned as a Director on 22 January 2019.
2 Appointed as a Director on 1 January 2019.

Relative importance of spend on pay

The table below sets out, in respect of the financial year ended 30 September 2019 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 2019	Year ended 30 September 2018	Change
Total remuneration[1]	**£122,260**	£104,000	17.6%
Dividend	**£11,210,000**	£9,426,000	18.9%
Ordinary shares purchased for cancellation	**£8,200,000**	£6,884,000	19.1%
Management fee and other expenses[2]	**£2,289,000**	£2,630,000	(13.0)%

1 Increase in fees due to an increase in the number of Directors during the year.
2 Management fee based on equity market capitalisation which reduced during the year.

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 2019 (or date of resignation if earlier) Beneficial	30 September 2018 Beneficial
Michael MacPhee	10,000	10,000
William Eason[1]	10,000	10,000
Sue Inglis[2]	–	–
Michael Moule	9,000	9,000
Andrew Watkins[2]	1,500	–
Michael Woodward	5,000	5,000

1 Resigned as a Director on 22 January 2019.
2 Appointed as a Director on 1 January 2019.

There have been no changes to these holdings between 30 September 2019 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 2018 and the Directors' Remuneration Policy were approved by shareholders at the AGMs held on 22 January 2019 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	25,322,015	99.38	19,241,461	98.67
Against	124,681	0.49	220,753	1.13
At Chairman's discretion	33,743	0.13	39,263	0.20
Total votes cast	25,480,439	100.00	19,501,477	100.00
Number of votes withheld	77,013		58,547	

Directors' Remuneration Report continued

DIRECTORS' REMUNERATION POLICY

Introduction

The Directors' Remuneration Policy was previously approved by shareholders at the AGM held on 24 January 2017. It is required to be put to shareholders' vote every three years and in any year if there is to be a change in the Directors' Remuneration Policy. As it is the third year since the Directors' Remuneration Policy was last approved by shareholders, an Ordinary Resolution to approve the Directors' Remuneration Policy will be proposed at the AGM to be held on 23 January 2020. If approved, the proposed policy will take effect immediately following the AGM. No significant changes are proposed to the current Directors' Remuneration Policy. Any potential conflicts are disclosed by the Directors prior to any decision being taken on remuneration, including when determining the Directors' Remuneration Policy.

Details of how the Company implemented the existing policy for the year ended 30 September 2019 are provided on pages 41 and 42.

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 2020	Fees for year to 30 September 2019
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.

If any Director is called upon to perform extra or special services of any kind, under the Articles of Association, they shall be entitled to receive such extra remuneration as the Board may decide in addition to any remuneration they may be entitled to receive.

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.

Directors’ Remuneration Report continued

The terms of their appointment provide that all Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter, at each AGM any Director who has not stood for appointment or re-election at either of the two preceding AGMs is required to retire and offer themself for re-election. Beyond these requirements, it has been agreed that all Directors will seek annual re-election at the Company’s AGMs.

APPROVAL

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

Michael MacPhee
Chairman

27 November 2019

Audit Committee Report

The Audit Committee Report for the year ended 30 September 2019 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 and any formal statements relating to the Company's financial position;
- 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 emerging and 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 conduct the selection process of possible new appointees as external auditor;
- to review the adequacy and scope of the external audit;
- to monitor 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, terms of engagement and remuneration of the Auditor.

MATTERS CONSIDERED DURING THE YEAR

During the year ended 30 September 2019, the Committee met three times and each Director's attendance at these meetings is set out in the table on page 31. 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 56.

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 and earnings per share.

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, as detailed in the Corporate Governance Statement on pages 33 and 34. 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.

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 2019 (2018: £16,000). Details of the fees paid to the Auditor are set out in note 4 to the Financial Statements on page 61.

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 2019 (2018: 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 2019 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. The Committee also reviewed the latest FRC Audit Quality Inspection Report on the Auditor. No concerns were raised in respect of the year ended 30 September 2019.

INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

BDO LLP has been Auditor to the Company since 2017. At the AGM of the Company held on 22 January 2019, 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

27 November 2019

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 18, confirms that, to the best of his or her knowledge:

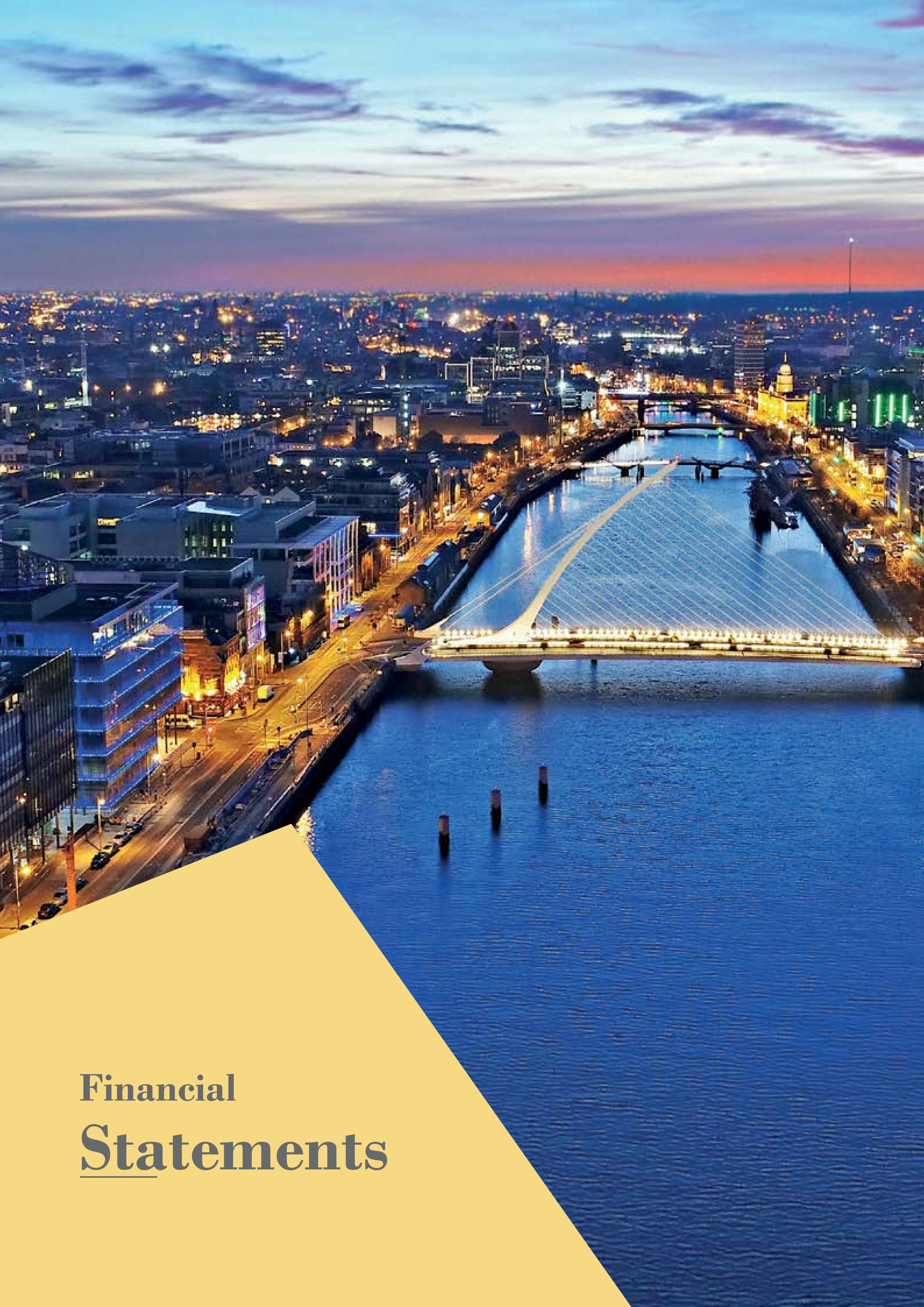
- the Financial Statements, which have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance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

27 November 2019



Financial Statements

Independent Auditor's Report

to the Members of The European Investment Trust plc for the year ended 30 September 2019

OPINION

We have audited the Financial Statements of The European Investment Trust plc (the 'Company') for the year ended 30 September 2019 which comprise the Income Statement, the Balance Sheet, the 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 2019 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 that describe the principal risks and explain how they are being managed or mitigated; or
- the Directors' confirmation 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; or
- the Directors' statement 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; or
- 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 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.

Key audit matter	How we addressed the key audit matter in the Audit
Valuation, existence and ownership of investments The investment portfolio at the year end comprised of listed equity investments valued at £369,064,000 (note 1 and 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 realised and unrealised gains/ losses to be a significant area as the reported performance of the portfolio is a key performance indicator of the entity and is therefore expected to be a key area of interest for the users of the Financial Statements. Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the Financial Statements.	We have responded to this matter by testing the valuation, existence and ownership of 100% of the portfolio of investments. We performed the following procedures: • checked the appropriateness of the valuation methodology applied by the Alternative Investment Fund Manager (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 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, 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. **Key observations** Based on our procedures performed we did not identify any exceptions with regards to valuation, existence or ownership of investments.

Independent Auditor's Report continued

Key audit matter	How we addressed the key audit matter in the Audit
Income from investments (note 1 and note 2) 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. Furthermore, returns achieved impact on the dividends payable and therefore income from investments is expected to be a key area of interest for the users of the Financial Statements.	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 has 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. 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 agreed 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. Key observations We noted no material exceptions through performing these procedures.

OUR APPLICATION OF MATERIALITY

- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effects 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 £3,690,000 (2018: £4,200,000), which was based on 1% (2018: 1%) of the value of the portfolio of investments, rounded down to the nearest £10,000. 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 £2,760,000 (2018: £3,150,000, which was based on 75% (2018: 75%) of Financial Statements' 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 Statements' materiality and the risk and control environment.
- We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £73,000 (2018: £84,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, FRS 102 accounting standards, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the Investment Manager, Administrator and the Board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of Board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of Financial Statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

Independent Auditor's Report continued

- **Directors' statement of compliance with the UK Corporate Governance Code** – 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
- 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, 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 controls as the Directors determine are 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 ending 30 September 2017 and have been re-appointed for subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 30 September 2017 to 30 September 2019.

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 and 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

27 November 2019

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

Income Statement

for the year ended 30 September 2019

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Losses on investments at fair value	10	–	(32,508)	(32,508)	–	(19,648)	(19,648)
Foreign exchange gains		24	80	104	37	47	84
Income	2	14,523	–	14,523	13,775	–	13,775
Management fee	3	(600)	(1,199)	(1,799)	(706)	(1,412)	(2,118)
Other expenses	4	(484)	(6)	(490)	(504)	(8)	(512)
Net return before finance costs and taxation		13,463	(33,633)	(20,170)	12,602	(21,021)	(8,419)
Finance costs	5	(21)	(24)	(45)	(20)	(11)	(31)
Net return before taxation		13,442	(33,657)	(20,215)	12,582	(21,032)	(8,450)
Tax on ordinary activities	7	(837)	–	(837)	(1,121)	–	(1,121)
Net return attributable to shareholders		12,605	(33,657)	(21,052)	11,461	(21,032)	(9,571)
		pence	pence	pence	pence	pence	pence
Net return per ordinary share [1]	9	31.0	(82.8)	(51.8)	27.4	(50.3)	(22.9)

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 net return for the year is also the total comprehensive income for the year.

The notes on pages 58 to 73 form part of these Financial Statements.

Balance Sheet

as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Fixed asset investments:			
Investments at fair value through profit or loss	10	**369,064**	425,493
Current assets:			
Debtors	12	**2,729**	2,177
Cash at bank and short-term deposits		**2,301**	63
		5,030	2,240
Current liabilities:			
Creditors	13	**237**	759
Bank overdraft	6	**–**	12,655
		237	13,414
Net current assets/(liabilities)		**4,793**	(11,174)
Net assets		**373,857**	414,319
Capital and reserves:			
Called-up share capital	14	**10,061**	10,314
Share premium account		**123,749**	123,749
Capital redemption reserve		**8,750**	8,497
Capital reserve		**217,985**	259,842
Revenue reserve		**13,312**	11,917
Total shareholders' funds		**373,857**	414,319
		pence	pence
Net asset value per ordinary share	15	**929.0**	1004.3

The Financial Statements on pages 53 to 73 were approved and authorised for issue by the Board of Directors of The European Investment Trust plc on 27 November 2019 and were signed on its behalf by:

Michael MacPhee
Chairman

Registered in England and Wales No. 01055384

Statement of Changes in Equity

for the year ended 30 September 2019

	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 2019							
At 1 October 2018		**10,314**	**123,749**	**8,497**	**259,842**	**11,917**	**414,319**
Net return after taxation for the year		**–**	**–**	**–**	**(33,657)**	**12,605**	**(21,052)**
Dividends paid	8	**–**	**–**	**–**	**–**	**(11,210)**	**(11,210)**
Shares purchased for cancellation	14	**(253)**	**–**	**253**	**(8,200)**	**–**	**(8,200)**
At 30 September 2019		**10,061**	**123,749**	**8,750**	**217,985**	**13,312**	**373,857**
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

Notes to the Financial Statements

for the year ended 30 September 2019

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 2019.

The principal accounting policies detailed below have been applied consistently throughout the period. As detailed in the Directors' Report on page 36, 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 or short fall 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. 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. 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 is charged between capital and revenue in the Income Statement on the same basis as the management fees and finance costs related to borrowings, being one-third to revenue and two-thirds to capital. With effect from 1 January 2019, the Investment Manager agreed to fund such payments out of its own resources. Other transaction costs are included within the gains and losses on investment sales, as disclosed in the Income Statement. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

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 2019

1. ACCOUNTING POLICIES continued

Investments continued

After initial recognition, investments are measured at fair value, with changes in the fair value 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 2019

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 represents the surplus of accumulated profits and 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

	2019 £'000	2018 £'000
Income from investments:		
Overseas dividends	**14,519**	13,775
Other income	**4**	–
Total income	**14,523**	13,775

Other income in the year ended 30 September 2019 relates to interest received on reclaims of withholding tax.

3. MANAGEMENT FEE

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	**600**	**1,199**	**1,799**	706	1,412	2,118

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 monthly 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 2019

3 MANAGEMENT FEE continued

Management fees are apportioned between revenue and capital, on the basis of one-third to revenue and two-thirds to capital.

During the year ended 30 September 2019, the management fees payable to the AIFM totalled £1,799,000 (2018: £2,118,000). At 30 September 2019, there was £152,000 outstanding payable to the AIFM (2018: £346,000) 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 2019, the Company agreed to pay £9,000 as a contribution to research costs incurred by the Investment Manager (2018: £12,000). The cost has been included in other expenses as detailed below, with £3,000 (2018: £4,000) allocated to revenue and £6,000 (2018: £8,000) to capital. With effect from 1 January 2019, the Investment Manager agreed to fund such payments out of its own resources.

4. OTHER EXPENSES

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Audit fees and expenses (net of VAT)[1]	17	–	17	17	–	17
Directors' remuneration[2]	122	–	122	104	–	104
Directors' national insurance	7	–	7	8	–	8
Directors' expenses	12	–	12	2	–	2
Depositary and custodian fees	108	–	108	119	–	119
Marketing and website costs	54	–	54	54	–	54
Legal and professional fees	30	–	30	29	–	29
Irrecoverable VAT	26	–	26	27	–	27
London Stock Exchange and FCA fees	26	–	26	23	–	23
Registrar fees	21	–	21	32	–	32
AIC membership fee	21	–	21	20	–	20
Printing costs	12	–	12	35	–	35
New Zealand listing fee[3]	–	–	–	8	–	8
Other costs[4]	28	6	34	26	8	34
	484	6	490	504	8	512

1 Comprises an audit fee of £16,000 (2018: £16,000) and expenses incurred during the audit of £1,000 (2018: £1,000).
2 See the Directors' Remuneration Report on pages 40 to 44.
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 £3,000 (2018: £4,000) to revenue and £6,000 (2018: £8,000) to capital.

Notes to the Financial Statements continued

for the year ended 30 September 2019

5. FINANCE COSTS

	2019			2018		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Negative interest on cash balances	**9**	**–**	**9**	15	–	15
Loan arrangement fee	**1**	**2**	**3**	1	2	3
Revolving credit facility interest	**11**	**22**	**33**	4	9	13
	21	**24**	**45**	20	11	31

Finance costs related to borrowings are apportioned between revenue and capital, on the basis of one-third to revenue and two-thirds to capital.

6. BORROWINGS

	2019 £'000	2018 £'000
Bank overdraft	**–**	12,655

The Company currently 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 2019, none of the facility had been drawn down (2018: £12,655,000). The facility is uncommitted. Interest, detailed in note 5, is charged at 1.25% 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 appointment of Northern Trust Global Services SE as its Depositary. 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 2019

7. TAX ON ORDINARY ACTIVITIES

a) Analysis of charge for the year

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
UK corporation tax	–	–	–	–	–	–
Overseas tax suffered	837	–	837	1,140	–	1,140
Overseas tax recovered previously written off	–	–	–	(19)	–	(19)
	837	–	837	1,121	–	1,121

The Company has nil corporation tax liability for the year ended 30 September 2019 (2018: nil).

The standard rate of corporation tax in the UK ("corporation tax rate") was 19% in the year to 31 March 2019 and is 19% in the year to 31 March 2020. It was 19% in the year to 31 March 2018. Accordingly, the Company's profits for the year ended 30 September 2019 are taxed at an effective rate of 19% (2018: 19%).

The taxation charge for the Company for the year ended 30 September 2019 is lower (2018: lower) than the enacted rate of 19% (2018: 19%). The differences are explained below:

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	13,442	(33,657)	(20,215)	12,582	(21,032)	(8,450)
Theoretical tax at UK corporation tax rate of 19% (2018: 19%)	2,554	(6,395)	(3,841)	2,391	(3,996)	(1,605)
Effects of:						
– Foreign dividends that are not taxable	(2,764)	–	(2,764)	(2,624)	–	(2,624)
– Non-taxable investment losses	–	6,161	6,161	–	3,724	3,724
– Disallowable expenses	1	–	1	1	–	1
– Deferred tax not recognised	209	234	443	232	272	504
– Overseas tax suffered	837	–	837	1,140	–	1,140
– Overseas tax recovered previously written off	–	–	–	(19)	–	(19)
	837	–	837	1,121	–	1,121

Notes to the Financial Statements continued

for the year ended 30 September 2019

7. TAX ON ORDINARY ACTIVITIES continued

b) Factors that may affect future tax charges

At 30 September 2019 the Company had unrelieved management expenses of £15,418,000 (2018: £13,091,000) that are available to offset future taxable revenue. A deferred tax asset of £2,621,000 (2018: £2,225,000) 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.

c) 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 neither certain nor quantifiable.

8. DIVIDENDS

Declared and paid	Payment date	**2019 £'000**	2018 £'000
Interim dividend for the year ended 30 September 2019 of 9.5p	31 July 2019	**3,823**	–
Final dividend for the year ended 30 September 2018 of 18.0p	31 January 2019	**7,387**	–
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
		11,210	9,426

The Directors recommend a final dividend in respect of the year ended 30 September 2019 of 21.5p which is payable on Friday, 31 January 2020 to all shareholders on the register at the close of business on Friday, 3 January 2020. The ex-dividend date will be Thursday, 2 January 2020. The recommended final dividend is subject to approval by shareholders at the AGM to be held on Thursday, 23 January 2020. At the date of this Annual Report, the total dividend payment will amount to £8,653,000 as detailed below.

Proposed	**2019 £'000**	2018 £'000
2019 final dividend of 21.5p (2018: 18.0p) per ordinary share[1]	**8,653**	7,410

1 Based on 40,244,369 shares in issue at 27 November 2019.

The total dividend for the year ended 30 September 2019 is 31.0p (2018: 27.0p), consisting of the interim dividend of 9.5p and the proposed final dividend of 21.5p (2018: interim dividend of 9.0p and final dividend of 18.0p).

Notes to the Financial Statements continued

for the year ended 30 September 2019

9. RETURN PER ORDINARY SHARE

	2019			2018		
	Net return £'000	Ordinary shares[1]	Per share pence	Net return £'000	Ordinary shares[1]	Per share pence
Net revenue return after taxation	12,605	40,626,941	31.0	11,461	41,849,606	27.4
Net capital return after taxation	(33,657)	40,626,941	(82.8)	(21,032)	41,849,606	(50.3)
Total return	(21,052)	40,626,941	(51.8)	(9,571)	41,849,606	(22.9)

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

10. LISTED INVESTMENTS

	2019 £'000	2018 £'000
Analysis of investment portfolio movements		
Opening book cost	405,797	369,691
Opening investment holdings gains	19,696	61,846
Opening valuation	425,493	431,537
Movements in the year:		
Purchases at cost	66,810	115,182
Sales – proceeds	(90,731)	(101,578)
Losses on investments	(32,508)	(19,648)
Closing valuation	369,064	425,493
Closing book cost	385,104	405,797
Closing investment holding (losses)/gains	(16,040)	19,696
Closing valuation	369,064	425,493

	2019 £'000	2018 £'000
Analysis of capital gains/(losses)		
Gains on sales	3,228	22,502
Investment holding losses	(35,736)	(42,150)
Losses on investments	(32,508)	(19,648)

Notes to the Financial Statements continued

for the year ended 30 September 2019

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	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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. 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 2019, the Company incurred transaction costs of £42,000 (2018: £76,000) and £57,000 (2018: £57,000) on purchases and sales of investments respectively. During the year ended 30 September 2019, additional costs of £86,000 (2018: £177,000) relating to stamp duty and financial transaction taxes were charged on purchases of investments. These amounts are included in losses on investments at fair value, as disclosed in the Income Statement on page 55.

11. SIGNIFICANT HOLDINGS

The Company had no holdings of 3% or more of the share capital of any portfolio companies as at 30 September 2019.

12. DEBTORS

	2019 £'000	2018 £'000
Taxation recoverable	**2,333**	1,935
Prepayments and accrued income	**396**	242
	2,729	2,177

Notes to the Financial Statements continued

for the year ended 30 September 2019

13. CREDITORS

	2019 £'000	2018 £'000
Management fee accrued	**152**	346
Other creditors and accruals	**85**	413
	237	759

14. CALLED-UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called-up and fully paid:		
Brought forward	**10,314**	10,501
Cancelled ordinary shares of 25p	**(253)**	(187)
40,244,369 (2018: 41,256,269) ordinary shares of 25p each	**10,061**	10,314

During the year ended 30 September 2019, 1,011,900 (2018: 750,500) ordinary shares were purchased and cancelled at a total cost of £8,200,000 (2018: £6,884,000).

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

	2019 pence	2018 pence
Net asset value per ordinary share	**929.0**	1004.3

The net asset value per ordinary share is based on net assets of £373,857,000 (2018: £414,319,000) and on 40,244,369 (2018: 41,256,269) 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 2019

16. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Currency profile

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

	Equity shares £'000	Cash at bank and short-term deposits £'000	Debtors £'000	Borrowings £'000	Creditors £'000	Total £'000
2019						
Euro	**304,739**	**2,239**	**1,011**	**–**	**(2)**	**307,987**
Swiss franc	**34,760**	**–**	**1,023**	**–**	**–**	**35,783**
Polish zloty	**9,418**	**–**	**193**	**–**	**–**	**9,611**
Danish kroner	**8,828**	**–**	**208**	**–**	**–**	**9,036**
Swedish krona	**7,731**	**–**	**137**	**–**	**–**	**7,868**
Norwegian krone	**3,588**	**–**	**134**	**–**	**–**	**3,722**
Sterling	**–**	**62**	**23**	**–**	**(235)**	**(150)**
Total	**369,064**	**2,301**	**2,729**	**–**	**(237)**	**373,857**
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

	2019	2018
Foreign exchange rates[1]		
Euro	**1.1300**	1.1227
Swiss franc	**1.2286**	1.2734
Polish zloty	**4.9399**	4.8064
Danish kroner	**8.4380**	8.3727
Swedish krona	**12.1164**	11.5986
Norwegian krone	**11.1947**	10.6200

[1] Sourced from WM/Reuters spot exchange rates.

for the year ended 30 September 2019

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 24 and 25 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 24 and 25 of the Strategic Report.

Investment and strategy risk

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

The Investment Manager meets regularly with the Board to discuss the portfolio performance and strategy. The Board receives regular reports from the Investment Manager detailing all portfolio transactions and any other significant changes in the market or stock outlooks. Details of the investment policy are given on page 21.

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.

Details of share buy backs and cancellations can be found in note 14.

Notes to the Financial Statements continued

for the year ended 30 September 2019

17. RISK ANALYSIS continued

Market Risk

Interest rate risk

The Company's interest rate exposure as at 30 September 2019 is disclosed in note 16. It comprises cash at bank and short-term deposits, and borrowings (the euro bank overdraft credit facility). Details of the euro bank overdraft facility can be found in note 6.

The majority of the Company's assets were non-interest bearing during the year ended and as at 30 September 2019. 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 2019. There was exposure to interest bearing liabilities during the year ended 30 September 2019 through the bank overdraft facility agreement.

If interest rates had reduced by 0.25% (2018: 0.25%) from those obtained as at 30 September 2019, it would have the effect, with all other variables held constant, of decreasing the net return before taxation and therefore decreasing net assets on an annualised basis by £6,000 (2018: £31,000 increase in net return and net assets). If there had been an increase in interest rates of 0.25% (2018: 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 2019 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 2019 is disclosed in note 16. 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 2019, with all other variables held constant, it would have had the effect of reducing the net capital return before taxation by £37,401,000 (2018: £41,498,000) and the net revenue return before taxation by £1,450,000 (2018: £1,376,000) and therefore would have reduced net assets by £38,851,000 (2018: £42,875,000). 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 2019

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.

Fixed asset investments are valued at their fair value. Details of the Company's investment portfolio as at 30 September 2019 are disclosed on page 14. In addition, an analysis of the investment portfolio by sector and geographical distribution is detailed on page 15.

The maximum exposure to price risk at 30 September 2019 is the fair value of investments of £369,064,000 (2018: £425,493,000).

If the investment portfolio valuation decreased by 20% from the amount detailed in the Financial Statements as at 30 September 2019, 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 £73,813,000 (2018: £85,099,000). 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 2019 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 2019. 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. Liquidity risk is mitigated by the fact that the Company had £2,301,000 (2018: £63,000) cash at bank, the assets are readily realisable and further short term flexibility is available through the use of bank borrowings. The Company is a closed-end fund, assets do not need to be liquidated to meet redemptions, and sufficient liquidity is maintained to meet obligations as they fall due. 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 risk at each meeting.

The contractual payments of the Company's financial liabilities at 30 September 2019, based on the earliest date on which payment can be required and using exchange rates at the Balance Sheet date are £237,000 (2018: £13,414,000) and are required to be paid within one year or less.

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.

Notes to the Financial Statements continued

for the year ended 30 September 2019

17. RISK ANALYSIS continued

Credit risk continued

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.

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 2019, 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 2019 was £5,030,000 (2018: £2,240,000). The calculation is based on the Company's credit risk exposure as at 30 September 2019 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 30 September 2019, 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 24 and 25 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.

Any changes to the ordinary share capital are set out in note 14 and in the Directors' Report on page 35. Dividend payments are set out in note 8.

Notes to the Financial Statements continued

for the year ended 30 September 2019

18. CAPITAL MANAGEMENT POLICIES continued

The Company's capital comprises:

	2019 £'000	2018 £'000
Called-up share capital	**10,061**	10,314
Share premium account	**123,749**	123,749
Capital redemption reserve	**8,750**	8,497
Capital reserve	**217,985**	259,842
Revenue reserve	**13,312**	11,917
Total shareholders' funds	**373,857**	414,319

The capital reserve consists of realised capital reserves of £234,025,000 and unrealised capital losses of £16,040,000 (2018: realised capital reserves of £240,146,000 and unrealised capital gains of £19,696,000). The unrealised capital losses of £16,040,000 consist wholly of unrealised investment holding losses (2018: unrealised investment holding gains of £19,696,000). Capital reserves 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 23 in the Strategic Report and in note 3.

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 41 and note 14. Under the AIC SORP, an investment manager is not considered to be a related party of the Company.

21. POST BALANCE SHEET EVENTS

On 9 October 2019, the Company announced a change of AIFM, investment manager, company secretary and a change of Company name. It also announced a proposed change of objective and investment policy and a tender offer. Details of the changes are included in the Chairman's Statement on pages 7 to 10.

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.

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 will also be published on the Company's website at www.bgeuropeangrowth.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 will also be published on the Company's website at www.bgeuropeangrowth.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 20. 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

CITY PHOTOGRAPHS

Cover	Athens
Strategic Report	Frankfurt
Governance	Copenhagen
Financial Statements	Dublin
Additional Information	Milan
Annual General Meeting	Warsaw

ELECTRONIC COMMUNICATIONS FROM THE COMPANY

Shareholders now have the opportunity to be notified by email when the Company's Annual Reports, Half-Yearly Reports 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 20. 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 ("NAV")

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 fair 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).

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-SEVENTH ANNUAL GENERAL MEETING of the Company will be held at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED on Thursday, 23 January 2020 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 2019.

2 To receive and approve the Directors' Remuneration Report for the year ended 30 September 2019.

3 To receive and approve the Directors' Remuneration Policy.

4 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.

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

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

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

8 To re-elect Andrew Watkins 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 21.5p per ordinary share for the year ended 30 September 2019.

SPECIAL BUSINESS

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

THAT the revised objective and investment policy set out on page 21 of the Annual Report and Financial Statements of the Company for the year ended 30 September 2019, a copy of which has been produced to the meeting and signed by the Chairman for the purpose of identification, be and is hereby adopted as the objective and investment policy of the Company, to the exclusion of all previous objectives and investment policies of the Company.

12 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 (either for retention as treasury shares for future reissue, resale, transfer or cancellation) 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 6,032,630 (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;

Notice of Annual General Meeting continued

(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 2021), unless previously renewed, varied or revoked by the Company in general meeting; and

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

13 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 £3,353,697 (being approximately one-third of the issued share capital as at 27 November 2019) 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 2021), 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.

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

THAT, subject to the passing of Resolution 13 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 Sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 13 above or by way of the sale of treasury shares wholly for cash as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment or sale 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 the Directors otherwise consider necessary; and

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £1,006,109 (being approximately 10% of the issued share capital as at 27 November 2019),

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 2021), 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

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

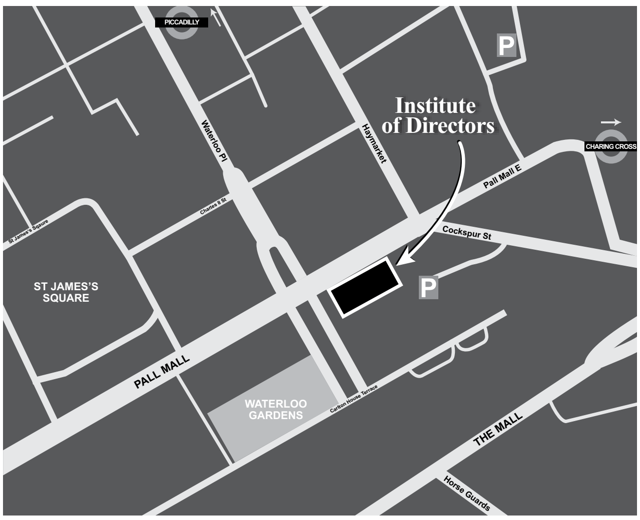
THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board
Kenneth J Greig
Company Secretary

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

27 November 2019

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 27 November 2019, the Company's issued share capital amounted to 40,244,369 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 21 January 2020 (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 The Institute of Directors, 116 Pall Mall, London SW1Y 5ED 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.

Note 15: You may not use any electronic address provided in either this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

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