The European Investment Trust plc

Annual Report and Financial Statements
for the year ended 30 September 2016

Contents

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.

Registered in England and Wales Number 1055384

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

Corporate Information

Directors (all non-executive)
Douglas C P McDougall OBE (Chairman)
William D Eason
Michael W M R MacPhee
Michael B Moule
Dr Michael T Woodward

Company Secretary and Registered Office
Kenneth J Greig
Beaufort House
51 New North Road
Exeter
EX4 4EP

Alternative Investment Fund Manager
Edinburgh Partners AIFM Limited
27-31 Melville Street
Edinburgh
EH3 7JF

Investment Manager
Edinburgh Partners Limited
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EH3 7JF

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Independent Auditors*
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

* PricewaterhouseCoopers LLP will not seek re-appointment at the Annual General Meeting, when shareholders will be asked to appoint BDO LLP.

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Computershare Investor Services PLC
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E14 5NT

Custodian
The Northern Trust Company
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Stockbroker
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Company Summary

Investment objective

To achieve long-term capital growth through a diversified portfolio of Continental European securities. A detailed description of the Company's investment policy is set out in the Strategic Report on page 11.

Shareholders' funds

£350,659,000 at 30 September 2016.

Market capitalisation

£303,837,000 at 30 September 2016.

Capital structure

As at 30 September 2016, the Company had 42,053,550 ordinary shares of 25p each in issue. As at 29 November 2016, the date of this report, there were 42,016,100 ordinary shares in issue.

Investing in the Company

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

AIC

The Company is a member of the Association of Investment Companies ("AIC").

Alternative Investment Fund Manager

Edinburgh Partners AIFM Limited (the "AIFM").

Investment Manager

The AIFM has delegated the function of managing the Company's investment portfolio to Edinburgh Partners Limited ("Edinburgh Partners" or the "Investment Manager").

Management fee

0.55% per annum of the Company's equity market capitalisation payable monthly in arrears.

Ten Year Record

Performance (rebased to 100 at 30 September 2006)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
NAV per share	100.0	122.7	82.0	86.7	89.0	76.6	83.5	105.1	109.5	101.5	**114.0**
Share price	100.0	122.3	78.0	83.4	82.0	69.6	76.4	103.0	112.7	101.3	**108.7**
Earnings per share	100.0	92.1	163.8	151.7	158.0	194.4	176.2	206.4	170.1	182.7	**217.9**
Dividends per share	100.0	92.2	165.6	151.1	155.6	177.8	177.8	200.0	166.7	177.8	**244.4**
RPI	100.0	103.9	109.1	107.6	112.6	118.9	122.0	125.9	128.7	129.7	**132.4**

Financial Summary

Results for year	30 September 2016	30 September 2015	Change
Shareholders' funds	**£350.7m**	£312.2m	12.3%
Net asset value per ordinary share ("NAV")	**833.8p**	742.2p	12.3%
Share price per ordinary share	**722.5p**	673.0p	7.4%
Share price discount to NAV	**13.4%**	9.3%	

	Year to 30 September 2016	Year to 30 September 2015
Revenue return per ordinary share*	**19.0p**	16.0p
Capital return per ordinary share*	**88.6p**	(59.2)p
Total return per ordinary share*	**107.6p**	(43.2)p
Final dividend per ordinary share**	**16.0p**	14.0p
Special dividend per ordinary share**	**6.0p**	2.0p
Total dividend per ordinary share**	**22.0p**	16.0p

* Based on the weighted average number of shares in issue during the year.

** Proposed dividend for the year.

Year's high/low		Year to 30 September 2016	Year to 30 September 2015
NAV	– high	**848.3p**	909.1p
	– low	**645.9p**	729.1p
Share price	– high	**741.0p**	843.5p
	– low	**594.5p**	665.0p
Share price discount to NAV			
	– low	**3.2%**	1.7%
	– high	**18.1%**	11.4%

Performance	Year to 30 September 2016	Year to 30 September 2015
NAV Total Return	**14.9%**	(5.5)%
FTSE All-World Europe ex UK Index Total Return*	**21.8%**	(1.8)%

* In sterling.

The NAV Total Returns are sourced from Edinburgh Partners and include dividends reinvested. The index performance figures are sourced from Thomson Reuters Datastream. Past performance is not a guide to future performance.

Cost of running the Company	Year to 30 September 2016	Year to 30 September 2015
Ongoing charges*	**0.62%**	0.63%

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

Portfolio of Investments
as at 30 September 2016

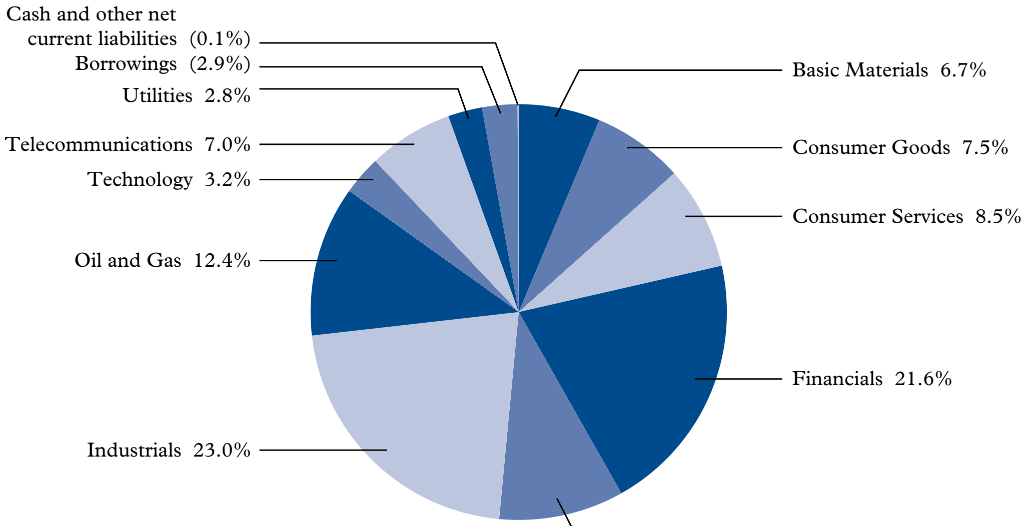
Rank 2016	Rank 2015	**Company**	**Sector**	**Country**	**Valuation £'000**	**% of Net Assets 2016**	% of Net Assets 2015
1	5	PostNL	Industrials	Netherlands	17,971	5.1	3.4
2	14	Royal Dutch Shell A	Oil & Gas	Netherlands	13,629	3.9	2.9
3	2	Roche*	Health Care	Switzerland	12,857	3.7	3.6
4	9	Total	Oil & Gas	France	12,782	3.6	3.2
5	1	BNP Paribas	Financials	France	12,739	3.6	3.7
6	16	Stora Enso	Basic Materials	Finland	11,937	3.4	2.7
7	4	Bayer	Basic Materials	Germany	11,577	3.3	3.5
8	6	Novartis	Health Care	Switzerland	11,526	3.3	3.4
9	12	Sanofi	Health Care	France	11,525	3.3	3.0
10	8	ENI	Oil & Gas	Italy	11,485	3.3	3.2
11	15	DIA	Consumer Services	Spain	11,396	3.3	2.7
12	–	Ubisoft Entertainment	Consumer Goods	France	11,395	3.2	–
13	–	Nokia	Technology	Finland	11,374	3.2	–
14	21	Leoni	Industrials	Germany	10,968	3.1	2.6
15	–	Adecco	Industrials	Switzerland	9,755	2.8	–
16	25	DNB	Financials	Norway	9,712	2.8	2.4
17	23	BBVA	Financials	Spain	9,608	2.7	2.5
18	–	Michelin	Consumer Goods	France	9,469	2.7	–
19	–	SKF	Industrials	Sweden	9,429	2.7	–
20	7	Ryanair	Consumer Services	Ireland	9,346	2.7	3.3
21	26	Rocket Internet	Financials	Germany	9,101	2.6	2.4
22	–	Airbus	Industrials	France	8,881	2.5	–
23	37	Ipsos	Consumer Services	France	8,670	2.5	1.5
24	17	Telecom Italia	Telecommunications	Italy	8,650	2.5	2.7
25	–	Siemens	Industrials	Germany	8,609	2.5	–
26	24	E.ON	Utilities	Germany	8,425	2.4	2.5
27	–	Telefonica	Telecommunications	Spain	8,388	2.4	–
28	13	Prysmian	Industrials	Italy	7,633	2.2	3.0
29	34	Delta Lloyd	Financials	Netherlands	7,566	2.2	1.9
30	36	Outotec	Industrials	Finland	7,491	2.1	1.5
31	33	TDC	Telecommunications	Denmark	7,484	2.1	1.9
32	–	Danske Bank	Financials	Denmark	7,458	2.1	–
33	22	Commerzbank	Financials	Germany	7,110	2.0	2.5
34	18	Swedbank A	Financials	Sweden	7,047	2.0	2.6
35	32	Piaggio	Consumer Goods	Italy	5,631	1.6	1.9
36	20	Unipol	Financials	Italy	5,548	1.6	2.6
37	28	Petroleum Geo-Services	Oil & Gas	Norway	5,438	1.6	2.4
38	–	Uniper	Utilities	Germany	1,455	0.4	–
Prior year investments sold during the year							23.2
Total equity investments					**361,065**	**103.0**	98.7
Cash and other net current (liabilities)/assets					**(190)**	**(0.1)**	1.3
Borrowings					**(10,216)**	**(2.9)**	–
Net assets					**350,659**	**100.0**	100.0

* The investment is in non-voting preference shares.

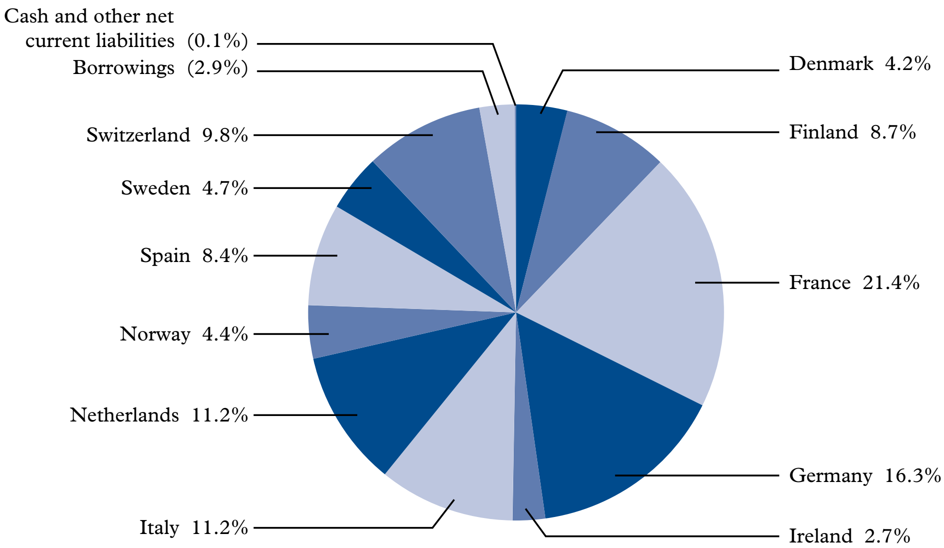
Of the ten largest portfolio investments as at 30 September 2016, the valuations at the previous year end, 30 September 2015, were PostNL £10,732,000; Royal Dutch Shell A £8,999,000; Roche £11,253,000; Total £10,021,000; BNP Paribas £11,399,000; Stora Enso £8,325,000; Bayer £10,880,000; Novartis £10,649,000; Sanofi £9,373,000; ENI £10,037,000.

Distribution of Investments
as at 30 September 2016 (% of net assets)

Sector distribution



Geographical distribution



Directors and Investment Manager

Directors

All of the Directors are non-executive and independent of the AIFM and the Investment Manager.

Douglas C P McDougall OBE (Chairman)

Douglas McDougall is chairman of The Independent Investment Trust PLC. He is a non-executive director of Pacific Horizon Investment Trust PLC and The Monks Investment Trust PLC. He was previously the chairman of The Law Debenture Corporation plc and The Scottish Investment Trust PLC and a director of Herald Investment Trust plc. He is a former senior partner of Baillie Gifford and Co and former chairman of IMRO and The Association of Investment Companies. He was appointed a Director of the Company in 1999, and became Chairman that year.

William D Eason

William Eason is a Consultant at Quilter Cheviot Investment Management. He is a director of Henderson International Income Trust plc, Regional REIT Limited and Institutional Protection Services Limited. He has been involved in the fund management business and private client investment management for over 30 years, mainly at Laing & Cruickshank. He is a former chairman of Henderson High Income Trust plc. He was appointed a Director of the Company in 2007.

Michael W M R MacPhee

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.

Michael B Moule (Senior Independent Director)

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

Dr Michael T Woodward

Michael Woodward is a director of R&H Fund Services 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.

Investment Manager

Edinburgh Partners

The Investment Manager of the Company is Edinburgh Partners. Edinburgh Partners was founded in 2003 as a specialist investment management firm. It manages over £6 billion for institutional clients, including two investment trusts.

Craig Armour LLB, CA

The portfolio manager of the Company is Craig Armour. He joined Edinburgh Partners in 2009 and is an Investment Partner with research responsibility for the global consumer sector and manages Edinburgh Partners' European portfolios. Prior to 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.

Strategic Report

The Strategic Report has been prepared in accordance with Section 414A of the Companies Act 2006 (the "Act"). Its purpose is to inform members of the Company and help them assess how the Directors have performed their legal duty under Section 172 of the Act to promote the success of the Company.

Chairman's Statement

Results

After the negative returns seen in the prior year, the year under review was a positive period for UK investors in European equities. The most significant contribution to returns came from the weakness of sterling against the euro and other European currencies following the UK referendum vote in June 2016 to leave the European Union.

Over the year to 30 September 2016, the NAV per share increased by 12.3% from 742.2p to 833.8p. After taking account of dividends paid in the year of 16.0p per share, the NAV total return was 14.9%. This compares with the total return of 21.8% from the FTSE All-World Europe ex UK Index, adjusted to sterling. The disappointing relative return follows from the continued lack of favour in the markets for our value-based approach to stock selection.

Over the year, the Company's share price increased by 7.4% from 673.0p to 722.5p. The share price discount to NAV rose from 9.3% to 13.4%. The share price total return was 9.8%.

From the appointment of Edinburgh Partners as Investment Manager on 1 February 2010, the share price total return to 30 September 2016 was 62.5% and the NAV total return 58.7%. Over the same period, the total return on the FTSE All-World Europe ex UK Index, adjusted to sterling, was 66.6%.

Revenue

The revenue return per share for the year to 30 September 2016 was 19.0p compared with 16.0p in the previous year, an increase of 18.7%. Revenue benefited from dividend growth, currency movements, utilisation of the borrowing facility and a reduction in management fee, which is based on market capitalisation. The ongoing charges ratio fell from 0.63% to 0.62%.

Dividends

The Board recommends a final dividend of 16.0p per share and a special dividend of 6.0p per share (which includes 3.0p arising from the settlement of a historic tax reclaim), giving a total of 22.0p per share. This compares with the prior year total dividend of 16.0p per share, which comprised a final dividend of 14.0p and a special dividend of 2.0p per share.

Our aim is to pay a final dividend which we regard as likely to be sustainable and to distribute any further earnings by way of a special dividend. Subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM"), these dividends will be paid on 31 January 2017 to shareholders on the register at the close of business on 6 January 2017. The ex-dividend date will be 5 January 2017.

Share buybacks

Against a background of a widening discount of the share price to NAV, the Company bought back shares for cancellation during the year under review and subsequent to the year-end. Details of these purchases can be seen in the Directors' Report on page 17. The Directors will propose at the forthcoming AGM that the Company's powers to make purchases of up to 14.99% of its shares in issue be renewed.

Borrowings

In February 2016, the Company entered into a euro 30 million bank overdraft credit facility with The Northern Trust Company, with the objective of using gearing to enhance shareholder returns. As at 30 September 2016, a total of euro 11,809,000, equivalent to 2.9% of net assets, had been drawn down under the facility.

Portfolio activity

The most significant changes in the portfolio were an increase in the industrial sector and a reduction in the technology sector. Geographically, the main changes were a reduction in Switzerland and an increase in France. For details of portfolio movements, please see the Investment Manager's Report on pages 9 and 10.

The Board

I shall retire from the Board at the conclusion of the AGM on 24 January 2017, when Michael MacPhee will succeed me as Chairman of the Company. I have every confidence in the future of the Company under the direction of my colleagues.

Investment Manager

In August 2016, the Company announced that Edinburgh Partners had appointed Craig Armour as portfolio manager for the Company in succession to Dale Robertson. Craig joined Edinburgh Partners in 2009 after working for 18 years in investment banking and private equity. He is an Investment Partner, has been responsible for managing several European portfolios, and worked closely with Dale Robertson for several years. The change of portfolio manager has not led to any fundamental change in the style or composition of the portfolio.

Change of Auditors

The EU Audit Regulation and Directive, which came into force in the UK on 17 June 2016, introduced restrictions on the non-audit services which auditors can provide to their clients. As explained in the Report of the Audit and Management Engagement Committee on page 32, the Board and PricewaterhouseCoopers LLP ("PwC") have agreed that PwC will be unable to continue as auditors whilst providing non-audit services. As required, PwC have written a letter to the Company setting out their reasons for not seeking re-appointment as Auditors, a copy of which is enclosed with this report.

PwC and their predecessor companies have been Auditors since the Company's launch in 1972 and I should like to thank them for their services to the Company over that period.

In October 2016, the Audit and Management Engagement Committee carried out an external audit tender process, details of which can be seen on page 32. Following this, the appointment of BDO LLP as Auditors of the Company is recommended to shareholders for approval at the AGM.

Annual General Meeting

The AGM will be held at 11.00am on Tuesday, 24 January 2017 at Brewers' Hall, Aldermanbury Square, London EC2V 7HR. I look forward to seeing as many as possible of you there.

Outlook

The low interest rate policy and monetary easing being pursued by the European Central Bank have resulted in high valuations being placed on stocks considered by European equity investors to be low risk in terms of earnings progress. Our managers have continued to invest in stocks where they believe valuations to be too low, in the expectation that the undervaluation will at some point be recognised by the market. There have been recent signs that investor sentiment may have shifted slightly towards our style. Over the 6 months to 25 November 2016, the NAV rose by 16.3%, which compares with the total return of 13.3% from the FTSE Europe All-World ex UK Index, adjusted to sterling.

Whilst there continue to be geo-political concerns, including the possibility of increasing trade barriers following Brexit and the US presidential election, the outlook for economic growth in Europe appears to be improving, which would benefit the cyclically-sensitive sectors to which the Company has a high exposure.

Douglas McDougall
Chairman

29 November 2016

Investment Manager's Report

Economic and Market Overview

Since the financial crisis in 2008, the economic recovery has been supported by monetary stimulus, with central banks adopting quantitative easing through bond purchases alongside ultra-low interest rates. In Europe, the initial resistance to this approach was overcome and the European Central Bank followed its counterparts elsewhere in the developed world. While economic growth has been subdued compared to the period prior to the crisis, the policies adopted appear to have been largely successful in allaying fears of deflation and recession. There have been periodic bouts of concern but the evidence points to a global economy emerging intact from intensive care. Indeed there are tangible signs of inflation, partly from the recovery in commodity prices, but also from labour markets.

Recent years have been challenging for valuation-conscious investors. In an environment where the discount rate is based on artificially suppressed interest rates, the valuations of companies with stable and predictable earnings have been boosted, in stark contrast to many cyclical stocks. This is best captured by the premium rating of consumer staples relative to the rest of the equity market, which during the year reached levels comparable with the 2008 financial crisis. We believe that this premium rating is unwarranted given both ongoing economic growth and a subtle shift in the outlook for longer-term interest rates. Towards the end of the year under review, there was evidence that equity markets were starting to price in a restoration of more normal financial conditions.

The one area of almost perpetual uncertainty in Europe is politics. An election is always in sight at national level and the European Union as a collective takes time to gather a consensus and react to issues as they arise. The latest issue is of course Brexit, with the UK voting in June 2016 to leave the European Union. The UK faces a real challenge in implementing the result of the referendum without causing material damage to its economy. In that respect, the European Union and the UK have a shared economic interest, but the European Union is expected to resist an outcome which makes departure look attractive. To date, the principal economic impact from Brexit appears to have been the weakness of sterling, but a prolonged period of uncertainty will not be helpful to economies or equity markets.

Portfolio Strategy and Activity

At Edinburgh Partners, our valuation framework ensures that we retain our discipline through market cycles. In the prior year, we sold a number of stocks which had performed well and were trading at valuations which fully captured their growth prospects. In their place, we purchased stocks where the valuations were significantly lower, often due to depressed expectations or fear of a recession. In the current financial year, we have continued this process and we have also introduced gearing to the portfolio, using part of the euro 30 million bank overdraft facility to add to some of our most undervalued holdings.

An area of the equity market which has been out of favour for some time has been banking stocks. The challenges facing banks are well-known, including regulatory pressure to hold more capital, tepid loan demand, litigation and conduct charges and managing the transition to digital banking. Add in the margin squeeze from low interest rates and the return on equity across the sector has fallen substantially. However banks today have higher levels of capital, are better funded with improved liquidity and have more appropriate loan provisioning. Many of our holdings are trading at significant discounts to book value and have solid dividend yields. While banking stocks made a small positive contribution to performance during the year, the valuations remain attractive and the portfolio exposure at the year-end was 15.2% of net assets.

Our oil and gas holdings performed well in aggregate during the year. Our holdings in the major stocks such as Royal Dutch Shell and Total responded well to the recovery in the oil price and to the efforts of the companies to cut costs. Our holding in seismic testing company, Petroleum Geo-Services, continued to struggle against this backdrop of cost-cutting and performed poorly although, since the year-end, it has announced improved results, indicating that exploration activity is starting to improve. We retain a positive outlook on the sector which had a year-end portfolio weighting of 12.4% of net assets.

Our industrial stocks generally performed well, led by Dutch mail operator PostNL. With a stronger balance sheet after disposing of its stake in TNT Express, the company attracted bid interest from Belgian mail operator BPost. Another strong performer in industrials was Swiss engineer ABB and we sold this holding on valuation grounds.

We suffered a loss on our holding in asset manager GAM which issued a profit warning. After reviewing the prospects for the range of funds managed by the company and in particular, the outlook for performance fees from its flagship funds, we decided to sell the holding.

The stock with the greatest exposure to the UK is Ryanair, which earns around 25% of revenues in sterling. After a sharp fall in the aftermath of the vote in June 2016, the share price has recovered as it continues to deliver strong growth across its markets. As a low cost provider in a segment of the airline market which continues to gain market share, we believe Ryanair remains a solid long-term investment case.

We have continued to sell stocks where the valuations fully discount the prospects and replace them with stocks where we believe the growth prospects are not captured in the valuation. Examples include Swiss-based staffing company, Adecco, and aircraft manufacturer, Airbus. In the case of Airbus, which along with Boeing dominates the market, the long-term demand from Asia in particular underpins demand, and the absence of any new models over the next few years should benefit both margins and cash flow.

A steadily recovering economy in Europe remains our central case, supported by the European Central Bank policy. The recent moves in longer-term interest rates point to some normalisation of the valuation environment which would be negative for bond prices and their stock market equivalents such as consumer staples. It has been encouraging to see renewed takeover interest after the year-end in two of our holdings, PostNL and Delta Lloyd, and the portfolio retains a strong valuation focus.

Craig Armour
Edinburgh Partners

29 November 2016

Other Statutory Information

Objective

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

Strategy and business model

Investment policy

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

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

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

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

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

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

Investment strategy

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

Business and status of the Company

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

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

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

The Company is a member of the 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 9 and 10. A detailed list of all the Company's investments is contained in the Portfolio of Investments on page 4. The Portfolio of Investments details that the Company held 38 investments, excluding cash and other net current liabilities, as at 30 September 2016, with the largest representing 5.1% of net assets, thus ensuring that the Company has a suitable spread of investment risk. A sector and geographical distribution of investments is shown on page 5.

Results and dividends
The results for the year are set out in the Income Statement on page 40 and the Statement of Changes in Equity on page 42.

For the year ended 30 September 2016, the net revenue return attributable to shareholders was £8.0 million (2015: £6.7 million) and the net capital return was £37.3 million (2015: -£24.9 million). Total shareholders' funds increased by 12.3% to £350.7 million (2015: £312.2 million).

Details of the dividends recommended by the Board are set out on page 7 and below.

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 2016, the net asset value per share increased by 12.3% from 742.2p to 833.8p. After taking account of dividends paid in the year of 16.0p, the net asset value total return was 14.9%. This compares with the total return of 21.8% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

The net asset value total return since the appointment of Edinburgh Partners as Investment Manager on 1 February 2010 to 30 September 2016 was 58.7%. This compares with the total return of 66.6% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Share price
In the year to 30 September 2016, the Company's share price increased by 7.4% from 673.0p to 722.5p. The share price total return, taking account of the 16.0p dividend paid in the year, was 9.8%.

Share price premium/discount to net asset value per share
The share price discount to net asset value per share widened from 9.3% to 13.4% in the year to 30 September 2016.

Revenue return per ordinary share
There was an increase in the revenue per share in the year to 30 September 2016 of 18.7% from 16.0p to 19.0p.

Dividends per ordinary share
The Directors are recommending a final dividend of 16.0p per ordinary share and a special dividend of 6.0p per ordinary share (which includes 3.0p arising from the settlement of a historic tax reclaim), making a total dividend of 22.0p per ordinary share. This compares with the prior year total dividend of 16.0p per ordinary share.

Ongoing charges
The Company continues to have low expenses. The ongoing charges ratio was 0.62% (2015: 0.63%) in the year to 30 September 2016.

The longer-term records of the key performance indicators are shown in the Ten Year Record on pages 56 and 57.

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

Management Agreement

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

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

The Management Agreement may be terminated by either party giving three months' written notice. No additional compensation is payable to the AIFM on the termination of this agreement other than the fees payable during the notice period. No performance fee will be paid. Further details relating to the agreement are detailed in note 3 of the Financial Statements on page 45.

Continuing appointment of the AIFM

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

AIFM remuneration disclosures

In accordance with the AIFMD, information in relation to the remuneration of the Company's AIFM, Edinburgh Partners AIFM Limited, is required to be made available to investors. The AIFM's remuneration policy is incorporated within a group policy which is available at www.edinburghpartners.com. The disclosure also includes those remuneration disclosures in respect of the AIFM's staff and 'Identified staff' for the reporting period, the year ended 29 February 2016.

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 investment objectives and strategy. The AIFM monitors the risk limits, including leverage, and periodically assesses the portfolio's sensitivity to key risks.

The AIFM reviews risk limit reports at regular meetings of its risk committee.

Principal risks and uncertainties

The Board considers that the following are the principal financial risks associated with investing in the Company: investment and strategy risk, discount volatility risk, market risk (comprising interest rate risk, currency risk and price risk), liquidity risk, credit risk and gearing risk. An explanation of these risks and how they are managed and the policy and practice with regard to financial instruments are contained in note 17 of the Financial Statements on pages 52 to 55.

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

Regulatory risk

Relevant legislation and regulations which apply to the Company include the Act, the CTA, the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA, and the AIFMD. 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 of the FCA might result in censure by the FCA and suspension of the listing of the Company's shares on the London Stock Exchange.

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

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

Operational risk

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

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

Other financial risk

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

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

The Board undertakes a robust annual assessment and review of all the risks stated above and in note 17 of the Financial Statements on pages 52 to 55, together with a review of any new risks which may have arisen during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formalised within the Company's risk assessment matrix.

Internal financial control

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the systems of internal financial control during the year ended 30 September 2016, as set out on pages 27 to 29. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Leverage

Leverage is defined in the AIFMD as any method by which the Company increases its exposure, whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. As detailed in note 6 of the Financial Statements on page 46, during the year ended and as at 30 September 2016, the Company had utilised a borrowing facility. The Company did not use any derivative instruments during the year ended 30 September 2016.

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 2016, the Company's Gross ratio was 1.03 and its Commitment ratio was 1.03. In accordance with the AIFMD, any changes to the maximum level of leverage set by the Company will be communicated to shareholders.

Depositary Agreement

The Board appointed Northern Trust Global Services Limited to act as its depositary (the "Depositary") under an agreement dated 22 July 2014 (the "Depositary Agreement"), to which the AIFM is also a party. The Depositary is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority. Custody services are provided by The Northern Trust Company (as a delegate of the Depositary). A fee of 0.01% per annum of the net assets of the Company, plus fees in relation to safekeeping and other activities undertaken to facilitate the investment activity of the Company, are payable to the Depositary. The Company and the Depositary may terminate the Depositary Agreement at any time by giving six months' written notice. The Depositary may only be removed from office when a new depositary is appointed by the Company.

Main trends and future development

A review of the main features of the year and the outlook for the coming year is to be found in the Chairman's Statement on pages 7 and 8 and the Investment Manager's Report on pages 9 and 10. The Board's main focus is on the investment return and approach, with attention paid to the integrity and success of the investment approach and on factors which may have an impact on this approach.

Forward-looking statements

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

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

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

Employees, human rights and community issues

The Board recognises the requirement under Section 414C of the Act to detail information about employees, human rights and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements do not apply to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third party service providers. The Company has therefore not reported further in respect of these provisions.

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

Gender diversity

As at 30 September 2016, the Board of Directors of the Company comprised five male Directors. The appointment of any new Director is made on the basis of merit.

Social, environmental and ethical policy

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

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

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

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

On behalf of the Board
Douglas McDougall
Chairman

29 November 2016

Directors' Report

Directors
The Directors in office during the year and at the date of this report are as shown on page 6.

Dividends
Details of the dividends recommended by the Board are set out in the Strategic Report on page 7.

Corporate governance
The Company's corporate governance statement is set out on pages 25 to 29, and includes details of the directors' and officers' liability insurance on page 29.

Share capital
As at 30 September 2016, the Company had 42,053,550 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 has 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 2016, the Company purchased in the stock market 15,821 ordinary shares (nominal value of £3,955.25) for cancellation, at a total cost of £113,000. This represented 0.04% of the issued share capital at 30 September 2015.

Subsequent to the year end, and up to the date of this report, the Company purchased 37,450 ordinary shares (nominal value of £9,362.50) for cancellation, at a total cost of £282,000, representing 0.09% of the issued share capital at 30 September 2016.

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

	30 September 2016		29 November 2016	
	No of shares	% of voting rights	No of shares	% of voting rights
Investec Wealth & Investment Limited	5,422,281	12.89	4,998,107	11.90
Wells Capital Management, Inc.	5,202,666	12.37	5,202,666	12.38
1607 Capital Partners, LLC	4,645,750	11.05	5,476,384	13.03

Related parties
There were no related party transactions in the year ended 30 September 2016. The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 22. Under the Statement of Recommended Practice issued by the AIC in November 2014 ("AIC SORP"), an investment manager is not considered to be a related party of the Company.

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

- The Company's capital structure and voting rights are summarised on page 2 and above.
- Details of the substantial shareholders in the Company are listed above.
- An amendment to the Company's Articles of Association and the giving of powers to issue or buy back the Company's shares require the relevant resolutions to be passed by shareholders. The Board's current powers to issue and buy back shares and proposals for their renewal are detailed on pages 19 and 20.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Requirements of the Listing Rules

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 7 to 16. In addition, notes 17 and 18 of the Financial Statements on pages 52 to 55 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its risk exposure. The Company's principal risks are detailed in the Strategic Report on pages 13 and 14. The Company's assets consist principally of a diversified portfolio of listed European equity shares, which in most circumstances are realisable within a short period of time and exceed its liabilities to creditors by a significant amount.

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

Long-term Viability Statement

In accordance with the February 2015 revision to the AIC Code, the Directors have assessed the prospects of the Company over a longer period than the one year required by the 'Going Concern' provision of the Code. The Board considers that, for a company with an investment objective to achieve long-term capital growth through a diversified portfolio of Continental 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 its future prospects in order that the Directors may state that 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.

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 13 and 14 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;
- that the Company has no employees except for the Directors, who are all non-executive and consequently do not have redundancy or other employment-related liabilities or responsibilities;
- that European stock markets will continue to be a significant component of international stock markets and that investors will still wish to have an exposure to such investments;
- that there will continue to be a demand for closed-ended investment trusts from investors;
- that regulation will not increase to a level that makes the running of the Company uneconomical in comparison to other competitive products; and
- that, should the performance be less than the Board considers to be acceptable, it has appropriate powers to replace the AIFM.

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

Independent Auditors

By mutual agreement between PwC and the Board, PwC will not seek re-appointment when their term of office expires at the end of the AGM for the reasons set out in the Report from the Audit and Management Engagement Committee on page 32. Following a competitive tender process, and on the recommendation of the Audit and Management Engagement Committee, the Board intends to appoint BDO LLP as the Company's Auditor. Accordingly, a resolution to appoint BDO LLP and authorise the Directors to agree its remuneration will be proposed at the forthcoming AGM.

The Directors confirm that, so far as they are each aware, there is no relevant information of which the Company's Auditors are unaware and each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are 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 13 and 14 and in note 17 of the Financial Statements on pages 52 to 55.

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-fourth AGM to be held on Tuesday, 24 January 2017 is set out on pages 60 to 65.

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 Auditors' Report and the audited Financial Statements for the year ended 30 September 2016;

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 appointment of BDO LLP as Auditors;

Resolution 5 – the authorisation of the Directors to determine the remuneration of the Auditors;

Resolutions 6 to 9 – the re-election of Directors; and

Resolutions 10 and 11 – the approval of the final and special dividends recommended by the Board.

Special business

In addition to the ordinary business, there are a number of items of special business, which are detailed below.

At the AGM held on Tuesday, 26 January 2016, the Company was granted authority to purchase up to 14.99% of the Company's ordinary shares in issue at that date, being 6,306,198 ordinary shares. Details of the shares bought back during the year ended 30 September 2016 and subsequent to the year end can be found on page 17. As at 29 November 2016, the Company may purchase up to 6,252,927 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 6,298,213 ordinary shares (being 14.99% of the issued share capital as at 29 November 2016 or, if less, 14.99% of the issued share capital immediately following the passing of the resolution). In accordance with the Listing Rules of the FCA, the price paid for shares will be not less than 25p per ordinary share, and not more than the higher of (i) 5% above the average market value of those shares as derived from the Daily Official List of the London Stock Exchange for the five business days before the shares are purchased and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation (being a price higher than the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out).

It is the Board's policy that purchases of shares will only be made through the market for cash at prices below the prevailing net asset value of the shares. The authority will be used where the Directors consider it to be in the best interests of shareholders and the Company. Shares purchased will be cancelled. The authority, if given, will lapse at the conclusion of the Company's next AGM after the passing of this resolution (which must be held no later than 31 March 2018).

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 £3,501,341, representing 14,005,364 ordinary shares (being approximately one-third of the issued share capital as at 29 November 2016) in accordance with statutory pre-emption rights. In addition, in accordance with the guidance from the Investment Association on the expectations of institutional investors in relation to the authority of directors to allot shares, paragraph (b) of Resolution 13 will authorise the Directors to allot additional ordinary shares up to a maximum nominal amount of £3,501,341, which is approximately a further one-third of the issued share capital as at the date of this report. However, the Directors will only be able to allot those shares for the purpose of a rights issue in which the new shares are offered to shareholders in proportion to their then shareholdings. The Company holds no shares in treasury. The authority, if given, will lapse at the conclusion of the next AGM of the Company after the passing of this resolution (which must be held no later than 31 March 2018). The authority will be used where Directors consider it to be in the best interests of shareholders. The Directors will only issue new ordinary shares at a price at or above the prevailing net asset value per share.

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 a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions), and (iii) to persons other than existing shareholders up to an aggregate nominal value of £525,201, representing 2,100,804 ordinary shares (being approximately 5% of the issued share capital as at 29 November 2016) without first having to offer such shares to existing shareholders. The authority, if given, will lapse at the conclusion of the Company's next AGM after the passing of this resolution (which must be held no later than 31 March 2018). The authority will be used where Directors consider it to be in the best interests of shareholders. The Directors will only issue new ordinary shares at a price at or above the prevailing net asset value per share.

Resolution 15 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the approval to convene all general meetings of the Company, other than annual general meetings, on a minimum of 14 clear days' notice. The notice period for annual general meetings 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.

By order of the Board
Kenneth J Greig
Company Secretary

29 November 2016

Directors' Remuneration Report

The Directors submit this Report in accordance with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The law requires the Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 34 to 39.

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2016.

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.

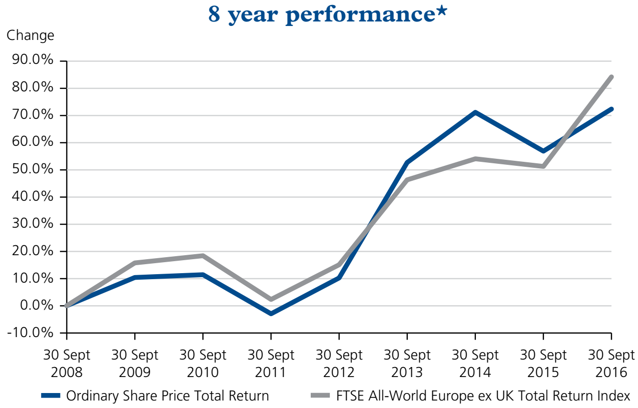
During the year ended 30 September 2016, the annual fees were set at the rate of £30,000 for the Chairman and £20,000 for the other Directors, with an additional payment of £1,500 to the Chairman of the Audit and Management Engagement Committee. The fees payable to the Directors in respect of subsequent financial periods will be determined following an annual review, as detailed in the Directors' Remuneration Policy on pages 23 and 24. Directors' fees were last increased on 1 October 2014. Following the annual review, no increase to Directors' fees is proposed for the year ending 30 September 2017.

The Company is required to ask shareholders to approve the annual remuneration paid to Directors every year and to formally approve the Directors' Remuneration Policy on a three-yearly basis. A resolution to approve the Directors' Remuneration Policy was passed at the AGM of the Company held on 14 January 2014. The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Accordingly, Ordinary Resolutions to approve both the Directors' Remuneration Report and 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 FTSE All-World Europe ex UK Total Return Index, adjusted to sterling. This index is considered to be an appropriate and relevant benchmark against which the Company's long-term performance is measured.

8 year performance*



Source: Edinburgh Partners

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

Directors' emoluments for the year ended 30 September 2016 (audited)

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

	Fees		Total	
	Year to 30 September 2016	Year to 30 September 2015	**Year to 30 September 2016**	Year to 30 September 2015
Douglas McDougall (Chairman)	**£31,500**	£31,500	**£31,500**	£31,500
William Eason	**£20,000**	£20,000	**£20,000**	£20,000
Michael MacPhee*	**£15,000**	–	**£15,000**	–
Michael Moule	**£20,000**	£20,000	**£20,000**	£20,000
Michael Woodward	**£20,000**	£20,000	**£20,000**	£20,000
	£106,500	£91,500	**£106,500**	£91,500

* Appointed 1 January 2016

Relative importance of spend on pay

The table below sets out, in respect of the financial year ended 30 September 2016 and the preceding financial year:

a) the remuneration paid to the Directors; and

b) the distributions made to shareholders by way of dividend.

	Year ended 30 September 2016	Year ended 30 September 2015	Change
Total remuneration	**£106,500**	£91,500	16.4%
Dividend	**£6,731,099**	£6,310,406	6.7%

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 2016 Beneficial	30 September 2015 (or date of appointment, if later) Beneficial
Douglas McDougall	**10,000**	10,000
William Eason	**10,000**	10,000
Michael MacPhee (appointed 1 January 2016)	**10,000**	–
Michael Moule	**9,000**	7,500
Michael Woodward	**5,000**	5,000

There have been no changes to these holdings between 30 September 2016 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 2015 and the Directors' Remuneration Policy were approved by shareholders at the AGM held on 26 January 2016 and on 14 January 2014 respectively. The votes cast by proxy were as follows:

	Directors' Remuneration Report (26 January 2016 AGM)		Directors' Remuneration Policy (14 January 2014 AGM)	
	Number of votes	**% of votes cast**	**Number of votes**	**% of votes cast**
For	15,944,445	97.86	18,010,263	98.19
Against	298,800	1.83	283,719	1.55
At Chairman's discretion	50,680	0.31	48,187	0.26
Total votes cast	**16,293,925**	**100.00**	**18,342,169**	**100.00**
Number of votes withheld	47,316		55,853	

Directors' Remuneration Policy

Introduction

As explained in the Chairman's Statement on page 21, the Directors' Remuneration Policy was previously approved by shareholders at the AGM held on 14 January 2014. It is required to be put to a 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 24 January 2017. No significant changes are proposed to the current Directors' Remuneration Policy.

Directors' remuneration policy

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

The Board has set three levels of fees: one for the Chairman, one for other Directors, and an additional fee that is paid to the Director who chairs the Audit and Management Engagement 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 2017	Fees for year to 30 September 2016
Chairman basic fee	**£30,000**	£30,000
Non-executive Director basic fee	**£20,000**	£20,000
Additional fee for chairman of the Audit and Management Engagement Committee	**£1,500**	£1,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	**£150,000**	£150,000

The total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £150,000, as set out in the Company's Articles of Association.

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

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

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

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

Approval

The Directors' Remuneration Report was approved by the Board on 29 November 2016 and signed on its behalf by:

Douglas McDougall
Chairman

Corporate Governance

Statement of Compliance with the AIC Code of Corporate Governance

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), published in February 2015, 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, published in September 2014 and applicable for financial years beginning on or after 1 October 2014, 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. Investors in New Zealand should note that the corporate governance rules and principles applicable to the Company in the UK may differ materially from those of the New Zealand Stock Exchange's Corporate Governance Best Practice Code.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance 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 2016 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 and Management Engagement 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 and Management Engagement Committee.
- The Board believes it is appropriate for the Chairman of the Company, Douglas McDougall, to chair the Audit and Management Engagement Committee because it does not believe that the provisions of the AIC Code relating to Audit Committees are appropriate to an investment company with a small Board comprised wholly of independent, non-executive Directors. It believes that Douglas McDougall provides a valuable contribution to the Audit and Management Engagement Committee and that his chairmanship enhances the operation of the Committee.
- The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report on pages 21 to 24 provides information on the remuneration arrangements for the Directors of the Company. If required, the Chairman will engage with shareholders on issues relating to Directors' remuneration.
- The Board is formed entirely of non-executive Directors and, being small in size, operates without a nomination committee.

The UK Corporate Governance Code includes provisions relating to:

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

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

Board of Directors

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 6.

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

A process of performance evaluation, including a review of the independence of the Directors, has been undertaken by which the performance of the Chairman, each Director, the Audit and Management Engagement Committee and the Board as a whole, has been evaluated in respect of the year ended 30 September 2016. This process consisted of a series of appraisal meetings and discussions between the Chairman and each of the other Directors. The performance of the Chairman was similarly evaluated by the other Directors and was led by the Senior Independent Director. As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company. The performance evaluation process is carried out on an annual basis. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted. However, the option of doing so will be regularly reviewed.

The Board regularly reviews its composition and effectiveness. As part of its review, it considers succession planning, identifying the skills and experience required to meet the future opportunities and challenges facing the Company and those individuals who might best provide them. The appointment of a new Director would be on the basis of a candidate's merits. The Company does not have a specific diversity policy, but diversity is one of the factors that would be taken into account when making a new appointment.

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

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

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

Re-election of Directors

It is the Company's policy for all Directors to stand for re-election annually. Each of the Directors has made a valuable and effective contribution to your Company and the Board therefore recommends that shareholders vote in favour of their re-election. Douglas McDougall, who has served on the Board for 17 years, is not seeking re-election and will retire at the AGM on 24 January 2017.

Directors' independence

The Board regularly reviews the independence of its members in accordance with current guidelines. The Board 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 Douglas McDougall, Michael Moule and William Eason, who have served as Directors for 17 years, 12 years and 9 years respectively, are independent in character and judgement.

Board Committees

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

The Report from the Audit and Management Engagement Committee is set out on pages 30 to 32.

Meeting attendance

	Board		Audit and Management Engagement Committee	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Douglas McDougall	5	5	3	3
William Eason	5	5	3	3
Michael MacPhee*	4	4	2	2
Michael Moule	5	5	3	3
Michael Woodward	5	5	3	3

* Appointed 1 January 2016

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

Conflicts of interest

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

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

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

Internal control review

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

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 2016 and up to the date the Financial Statements were approved, and is regularly reviewed. Key procedures established with a view to providing effective financial control have also been in place for the year ended 30 September 2016 and up to the date of this report.

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 investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

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

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

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

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

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

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, and Capita Sinclair Henderson Limited provides certain accounting, administrative and secretarial support services to the AIFM;
- depositary services are provided by Northern Trust Global Services Limited and custody of assets is undertaken by The Northern Trust Company;
- the duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their performance and 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 Capita Sinclair Henderson 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 2016 and at the date of this report.

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

The Company Secretary

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

The Depositary

As detailed on page 15, the Company's Depositary is Northern Trust Global Services Limited under an agreement dated 22 July 2014. 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 Annual General Meeting 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 Annual General Meeting are set out in the Notice on pages 60 to 65. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office address. The Chairman is available throughout the year to respond to shareholders and to visit them in their offices if shareholders wish to speak with him in person.

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

By order of the Board
Kenneth J Greig
Company Secretary

29 November 2016

Report from the Audit and Management Engagement Committee

The Audit and Management Engagement Committee Report for the year ended 30 September 2016 is set out below.

Role of the Audit and Management Engagement Committee

The primary responsibilities of the Committee are:

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

Matters considered during the year

During the year ended 30 September 2016, the Committee met three times and each Director's attendance at these meetings is set out in the table on page 27. The Committee has:

- reviewed the internal controls and risk management systems of the Company and its third party service providers;
- agreed the audit plan with the Auditors, including the principal areas of focus;
- received and discussed with the Auditors their report on the results of the audit;
- reviewed the Company's Annual Report and Financial Statements and advised the Board accordingly; and
- reviewed the requirement to conduct an audit tender to replace the incumbent Auditor and conducted an audit tender following the year-end, as detailed on page 32.

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

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

(a) Valuation of investments

During the year, the Committee held discussions with the AIFM and the Investment Manager about the valuation process of the Company's investments and the systems in place to ensure the accuracy of these valuations, particularly in view of the fact that investments represent the principal element of the net asset value as detailed in the Balance Sheet on page 41.

(b) Accuracy and completeness of revenue and expenses

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

(c) Internal controls

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

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

(d) Going concern and long-term viability

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

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

The Committee monitors and reviews the effectiveness of the external audit process for the Annual Report and Financial Statements, determines the remuneration of the Auditors and makes recommendations to the Board on the appointment/ re-appointment and terms of engagement of the Auditors.

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 Committee has considered the performance of the AIFM, the terms of its engagement and the continued appointment of the AIFM and made recommendations to the Board. The Committee also reviewed the performance of the Investment Manager and the other service providers on a regular basis during the year.

Audit fees and non-audit services

An audit fee of £22,150 has been agreed in respect of the audit for the year ended 30 September 2016 (2015: £20,300). Details of the fees paid to the Auditors are set out in note 4 of the Financial Statements on page 45.

All non-audit work proposed to be carried out by the Auditors must be approved by the Committee in advance to ensure that auditor objectivity and independence are safeguarded, and the Auditors may be excluded from carrying out certain types of non-audit work. No non-audit services fees were paid during the year ended 30 September 2016.

Independence and objectivity of the Auditors

PwC have been the Auditors of the Company since 18 September 1998. PwC is the successor firm of the previous Auditors, Price Waterhouse (following its merger with Coopers and Lybrand) who were Auditors of the Company from the launch of the Company in 1972. Rotation of the audit partner takes place every five years in accordance with Ethical Standard 3: 'Long Association with the Audit Engagement' of the Auditing Practices Board. There are no contractual obligations that would restrict the Committee in selecting alternative external auditors. The Committee reviews the reappointment of the auditors every year in order to ensure that the external audit remains effective and independent.

Report from the Audit and Management Engagement Committee
(continued)

Change of Auditors
The EU Audit Regulation and Directive, outlining a new regulatory framework for the provision of audit and non-audit services to companies, came into force in the UK on 17 June 2016. This legislation introduced new restrictions on the non-audit services that auditors can provide to their clients and includes a list of prohibited services that a company's statutory auditors cannot provide to the company without compromising independence. Tax services and services which are provided on a contingent fee basis are amongst such prohibited services.

PwC has provided tax services to the Company for a number of years on a contingent fee basis for a VAT reclaim on investment management fees. The Committee and the Board are of the view that the provision of such tax services has not influenced PwC's independence as the Company's Auditors. However, in view of the prohibition on contingent fee arrangements under the new legislation, the Board and PwC have mutually agreed that while pursuing the VAT claim on behalf of the Company, PwC will be unable to continue as Auditors of the Company. Therefore, PwC will not be seeking reappointment at the Annual General Meeting on 24 January 2017.

As detailed in the Chairman's Statement on page 8, PwC have written a letter to the Company setting out their reasons for not seeking re-appointment as Auditors, a copy of which is enclosed with this Report.

Audit tender
In October 2016, the Committee carried out an external audit tender process. Three firms were invited to tender. Following a transparent and competitive tender, including written submissions, presentations and discussions with all three candidate firms, the Committee recommended to the Board that BDO LLP, whose high quality audit team have extensive experience in auditing investment trusts and venture capital trusts, be appointed to replace PwC as the external Auditors of the Company with effect from the conclusion of the Annual General Meeting on 24 January 2017. Accordingly, the appointment of BDO LLP is recommended to shareholders for approval at the Annual General Meeting.

Douglas McDougall
Chairman of the Audit and Management Engagement Committee

29 November 2016

Management Report and Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements

Management report

Listed companies are required by the FCA's Disclosure Guidance and Transparency Rules (the "Rules") to include a management report within their annual report and financial statements.

The information required to be included in the management report for the purpose of these Rules is detailed in the Strategic Report on pages 7 to 16, including the Chairman's Statement on pages 7 and 8 and the Investment Manager's Report on pages 9 and 10. Therefore no separate management report has been included.

Statement of Directors' responsibilities

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;
- notify the Company's shareholders in writing about the use of disclosure exemptions in FRS 102, used in the preparation of Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Act 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 6, confirms that, to the best of his knowledge:

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

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

On behalf of the Board
Douglas McDougall
Chairman

29 November 2016

Independent Auditors' Report
to the Members of The European Investment Trust plc
for the year ended 30 September 2016

Report on the Financial Statements

Our opinion

In our opinion, The European Investment Trust plc's Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The Financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 September 2016;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the Financial Statements. These are cross-referenced from the Financial Statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Financial Statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

Materiality:

- Overall materiality: £3.5 million, which represents 1% of net assets.

Audit scope:

- The Company is a stand-alone Investment Trust Company and engages Edinburgh Partners AIFM Limited (the "AIFM") to manage its assets. The AIFM has delegated the function of managing the Company's investment portfolio to Edinburgh Partners Limited (together "Edinburgh Partners").
- We conducted our audit of the Financial Statements at Capita Sinclair Henderson Limited (the "Administrator") to whom the AIFM has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Areas of focus:

- Income from investments.
- Valuation and existence of investments.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material mis-statement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the Financial Statements as a whole and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Income from investments	
Refer to pages 30 and 31 (Audit and Management Engagement Committee Report), pages 43 to 45 (Accounting Policies) and page 45 (note 2 – Income). ISAs (UK & Ireland) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve capital growth in line with the objective of the Company. We focused on the valuation of investments with respect to unrealised income (see page 36) and completeness of dividend income recognition and its presentation in the Income Statement, as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice 2014 (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the Company's net asset value. Capital gains in the year amounted to £37.3m. Dividend income totalled £10.4m.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP and that income has been accounted for in accordance with the stated accounting policy. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year end (see page 36), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No mis-statements were identified by our testing. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No mis-statements were identified by our testing. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP.

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments *Refer to pages 30 and 31 (Audit and Management Engagement Committee Report), pages 43 to 45 (Accounting Policies) and page 49 (note 10 – Listed investments).* The investment portfolio at the year end comprised listed equity investments valued at £361m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value, as disclosed on the Balance Sheet in the Financial Statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No mis-statements were identified. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from The Northern Trust Company. No differences were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the geographic structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

The Company's accounting is delegated by the AIFM to the Administrator, who maintain their own accounting records and controls and report to the AIFM and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the AIFM and the Administrator to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports, issued by the independent auditor of Edinburgh Partners and the Administrator in accordance with generally accepted assurance standards for such work, to gain an understanding of the control environment at both Edinburgh Partners and the Administrator and to consider the operating and accounting structure at both Edinburgh Partners and the Administrator. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the Financial Statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of mis-statements, both individually and on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Overall materiality	£3.5 million (2015: £3.1 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit and Management Engagement Committee that we would report to them mis-statements identified during our audit above £175,000 (2015: £156,000) as well as mis-statements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules, we are required to review the Directors’ statement, set out on page 18, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors’ statement about whether they considered it appropriate to adopt the going concern basis in preparing the Financial Statements. We have nothing material to add or to draw attention to.

As noted in the Directors’ statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the Financial Statements were signed. As part of our audit, we have concluded that the Directors’ use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company’s ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material mis-statements in the Strategic Report and the Directors’ Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

<table>
<tr><td colspan="2">Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:</td></tr>
<tr><td>• information in the Annual Report is
• materially inconsistent with the information in the audited Financial Statements; or
• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
• otherwise misleading.</td><td>We have no exceptions to report.</td></tr>
<tr><td>• the statement given by the Directors on page 33, in accordance with provision C.1.1 of the UK Corporate Governance Code (the “Code”), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company’s position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.</td><td>We have no exceptions to report.</td></tr>
<tr><td>• the section of the Annual Report on pages 30 to 32, as required by provision C.3.8 of the Code, describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.</td><td>We have no exceptions to report.</td></tr>
</table>

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• the Directors' confirmation on page 14 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 18 of the Annual Report, in accordance with provision C.2.2 of the Code, 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.	We have nothing material to add or to draw attention to.
Under the Listing Rules, we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Management Report and Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements set out on page 33, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of Financial Statements involves

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the Financial Statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

29 November 2016

Notes:

(a) The maintenance and integrity of The European Investment Trust plc website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement
for the year ended 30 September 2016

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains/(losses) on investments at fair value	10	**–**	**37,740**	**37,740**	–	(23,876)	(23,876)
Foreign exchange gains/(losses)		**240**	**(479)**	**(239)**	(41)	(1,012)	(1,053)
Income	2	**10,357**	**–**	**10,357**	9,540	–	9,540
Management fee	3	**(1,586)**	**–**	**(1,586)**	(1,785)	–	(1,785)
Other expenses	4	**(434)**	**–**	**(434)**	(417)	–	(417)
Net return before finance costs and taxation		**8,577**	**37,261**	**45,838**	7,297	(24,888)	(17,591)
Finance costs	5	**(51)**	**–**	**(51)**	(16)	–	(16)
Net return before taxation		**8,526**	**37,261**	**45,787**	7,281	(24,888)	(17,607)
Tax on ordinary activities	7	**(523)**	**–**	**(523)**	(573)	–	(573)
Net return attributable to shareholders		**8,003**	**37,261**	**45,264**	6,708	(24,888)	(18,180)
		pence	**pence**	**pence**	pence	pence	pence
Return per ordinary share*	9	**19.0**	**88.6**	**107.6**	16.0	(59.2)	(43.2)

* 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 Profit and Loss Account of the Company. The revenue and capital columns are prepared under guidance published by the AIC.

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

The notes on pages 43 to 55 form part of these Financial Statements.

Balance Sheet
as at 30 September 2016

	Notes	2016 £'000	2015 £'000
Fixed asset investments:			
Investments at fair value through profit or loss	10	**361,065**	308,228
Current assets:			
Debtors	12	**1,538**	2,722
Cash at bank and short-term deposits		**105**	8,451
		1,643	11,173
Current liabilities:			
Creditors	13	**1,833**	7,162
Bank overdraft	6	**10,216**	–
		12,049	7,162
Net current (liabilities)/assets		**(10,406)**	4,011
Net assets		**350,659**	312,239
Capital and reserves:			
Called-up share capital	14	**10,513**	10,517
Share premium account		**123,749**	123,749
Capital redemption reserve		**8,298**	8,294
Capital reserve		**195,838**	158,690
Revenue reserve		**12,261**	10,989
Total shareholders' funds		**350,659**	312,239
		pence	pence
Net asset value per ordinary share	15	**833.8**	742.2

The Financial Statements on pages 40 to 55 were approved and authorised for issue by the Board of Directors of The European Investment Trust plc on 29 November 2016 and were signed on its behalf by:

Douglas McDougall
Chairman

Registered in England and Wales No. 1055384

The notes on pages 43 to 55 form part of these Financial Statements.

Statement of Changes in Equity
for the year ended 30 September 2016

	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 2016							
At 1 October 2015		**10,517**	**123,749**	**8,294**	**158,690**	**10,989**	**312,239**
Net return after taxation for the year		**–**	**–**	**–**	**37,261**	**8,003**	**45,264**
Dividends paid	8	**–**	**–**	**–**	**–**	**(6,731)**	**(6,731)**
Shares purchased for cancellation	14	**(4)**	**–**	**4**	**(113)**	**–**	**(113)**
At 30 September 2016		**10,513**	**123,749**	**8,298**	**195,838**	**12,261**	**350,659**
Year ended 30 September 2015							
At 1 October 2014		10,517	123,749	8,294	183,578	10,591	336,729
Net return after taxation for the year		–	–	–	(24,888)	6,708	(18,180)
Dividends paid	8	–	–	–	–	(6,310)	(6,310)
At 30 September 2015		10,517	123,749	8,294	158,690	10,989	312,239

The notes on pages 43 to 55 form part of these Financial Statements.

Notes to the Financial Statements
at 30 September 2016

1 Accounting policies

Basis of accounting
These Financial Statements are prepared in accordance with the AIC SORP. The Company has adopted FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" for the year ended 30 September 2016, the date of transition being 1 October 2015. Adoption of FRS 102 has not materially impacted the Company's Financial Statements or the accounting policies as set out in this note 1, and the comparative figures for the year ended 30 September 2015 remain unchanged.

Following the adoption of FRS 102, the Company has elected to remove the Cash Flow Statement from the Annual Report for the year ended 30 September 2016.

The principal accounting policies detailed below have been applied consistently throughout the period. As detailed on page 18, the Directors consider that it is appropriate for the Financial Statements to be prepared on a going concern basis.

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

Dividends are accounted for on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax.

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

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

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

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

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

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

1 Accounting policies (continued)

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

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

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

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

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

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

Capital reserve
The following are accounted for in this reserve:

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

1 Accounting policies (continued)

Revenue reserve

The revenue reserve is distributable by way of a dividend.

Dividends payable to shareholders

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

2 Income

	2016 £'000	2015 £'000
Income from investments:		
Overseas dividends	**10,357**	9,538
Other income	**–**	2
Total income	**10,357**	9,540

3 Management fee

	2016 £'000	2015 £'000
Management fee	**1,586**	1,785

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

During the year ended 30 September 2016, the management fees payable to the AIFM totalled £1,586,000 (2015: £1,785,000). At 30 September 2016, there was £137,000 outstanding payable to the AIFM (2015: £141,000) in relation to management fees.

At 30 September 2016, there was £nil (2015: £4,000) outstanding to Edinburgh Partners in relation to expenses incurred on behalf of the Company. This cost is included in other expenses as detailed in note 4 of these Financial Statements.

4 Other expenses

	2016 £'000	2015 £'000
Audit services	**22**	20
Directors' remuneration*	**107**	92
Other	**305**	305
	434	417

* See the Directors' Remuneration Report on pages 21 to 24.

5 Finance costs

	2016	2015
	£'000	£'000
Negative interest on cash balances	9	16
Bank overdraft arrangement fee	6	–
Bank overdraft interest	36	–
	51	16

6 Borrowings

	2016	2015
	£'000	£'000
Bank overdraft	10,216	–

In February 2016, the Company entered into a euro 30,000,000 bank overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its investment objective. As at 30 September 2016, euro 11,809,000 equivalent to £10,216,000 had been drawn down under the facility. The facility is uncommitted.

7 Tax on ordinary activities

a) Analysis of charge for the year		2016			2015	
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Current tax:						
UK corporation tax	–	–	–	–	–	–
Overseas tax suffered	523	–	523	573	–	573
Total tax charge for the year	523	–	523	573	–	573

The Company has no corporation tax liability for the year ended 30 September 2016 (2015: nil).

b) The standard rate of corporation tax in the UK ("corporation tax rate") was 20% in the year to 31 March 2016 and is 20% in the year to 31 March 2017. Accordingly, the Company's profits for the year ended 30 September 2016 are taxed at an effective rate of 20% (2015: 20.5%). The corporation tax rate is expected to reduce to 19% for the year beginning 1 April 2017 and, as a consequence, the effective rate of corporation tax for the Company for the year ending 30 September 2017 would be 19.5%.

7 Tax on ordinary activities (continued)

The taxation charge for the Company for the year ended 30 September 2016 is lower (2015: lower) than the effective rate of 20% (2015: 20.5%). The differences are explained below:

	2016			2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	**8,526**	**37,261**	**45,787**	7,281	(24,888)	(17,607)
Theoretical tax at UK corporation tax rate of 20% (2015: 20.5%)	**1,705**	**7,452**	**9,157**	1,493	(5,102)	(3,609)
Effects of:						
– Foreign dividends that are not taxable	**(2,073)**	**–**	**(2,073)**	(1,895)	–	(1,895)
– Non-taxable investment (gains)/losses	**–**	**(7,452)**	**(7,452)**	–	5,102	5,102
– Disallowable expenses	**1**	**–**	**1**	1	–	1
– Unrelieved management expenses	**368**	**–**	**368**	401	–	401
– Overseas tax suffered	**523**	**–**	**523**	573	–	573
– Accrued income taxable on receipt	**(1)**	**–**	**(1)**	–	–	–
	523	**–**	**523**	573	–	573

c) Factors that may affect future tax charges

At 30 September 2016, the Company had unrelieved management expenses of £8,152,000, (30 September 2015: £6,312,000) that are available to offset future taxable revenue. A deferred tax asset of £1,630,000 (2015: £1,262,000) 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.

d) Contingent assets

The Company is currently pursuing a number of 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 a reclaim of VAT charged on investment management fees: Commissioners for Her Majesty's Revenue and Customs (Appellant) v Investment Trust Companies (In Liquidation) and others (Respondents). The third relates to retrospective reclaims for overseas withholding tax suffered above treaty rates. In relation to the last of these, a reclaim was received subsequent to the year end as detailed in note 21 of these Financial Statements on page 55. Potential tax reclaims which remain outstanding are treated as contingent assets. Contingent assets have not been recognised in these Financial Statements as in all instances at the balance sheet date the amounts receivable were not certain.

8 Dividends

Declared and paid	Payment date	2016 £'000	2015 £'000
Final dividend for the year ended 30 September 2015 of 14.0p	31 January 2016	**5,889**	–
Special dividend for the year ended 30 September 2015 of 2.0p	31 January 2016	**842**	–
Final dividend for the year ended 30 September 2014 of 14.0p	31 January 2015	**–**	5,889
Special dividend for the year ended 30 September 2014 of 1.0p	31 January 2015	**–**	421
		6,731	6,310

The Directors recommend a final dividend in respect of the year ended 30 September 2016 of 16.0p and a special dividend of 6.0p payable on 31 January 2017 to all shareholders on the register at the close of business on 6 January 2017, a total of 22.0p (2015: 16.0p). The ex-dividend date will be 5 January 2017. The recommended final dividend and special dividend are subject to approval by shareholders at the Annual General Meeting to be held on 24 January 2017. At the date of this report, the total dividend payment will amount to £9,244,000 as detailed below.

Proposed	2016 £'000	2015 £'000
2016 final dividend of 16.0p (2015: 14.0p) per ordinary share*	**6,723**	5,889
2016 special dividend of 6.0p (2015: 2.0p) per ordinary share*	**2,521**	842
	9,244	6,731

* Based on 42,016,100 shares in issue at 29 November 2016.

9 Return per ordinary share

	2016			2015		
	Net return £'000	**Ordinary shares***	**Per share pence**	Net return £'000	Ordinary shares*	Per share pence
Net revenue return after taxation	**8,003**	**42,067,630**	**19.0**	6,708	42,069,371	16.0
Net capital return after taxation	**37,261**	**42,067,630**	**88.6**	(24,888)	42,069,371	(59.2)
Total return	**45,264**	**42,067,630**	**107.6**	(18,180)	42,069,371	(43.2)

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

10 Listed investments

	2016 £'000	2015 £'000
Analysis of investment portfolio movements		
Opening book cost	**331,813**	307,072
Opening investment holding (losses)/gains	**(23,585)**	26,624
Opening valuation	**308,228**	333,696
Movements in the year:		
Purchases at cost	**119,219**	135,962
Sales – proceeds	**(104,122)**	(137,554)
– realised gains on sales	**22,725**	26,333
Investment holding gains/(losses)	**15,015**	(50,209)
Closing valuation	**361,065**	308,228
Closing book cost	**369,635**	331,813
Closing investment holding (losses)/gains	**(8,570)**	(23,585)
	361,065	308,228

	2016 £'000	2015 £'000
Analysis of capital gains and losses		
Gains on sales	**22,725**	26,333
Investment holding gains/(losses)	**15,015**	(50,209)
Gains/(losses) on investments	**37,740**	(23,876)

Fair value hierarchy

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in note 1 of these Financial Statements on pages 43 to 45. All of the Company's financial instruments fall into Level 1, being valued at quoted prices in active markets.

Transaction costs

During the year ended 30 September 2016, the Company incurred transaction costs of £145,000 (2015: £173,000) and £102,000 (2015: £171,000) on purchases and sales of investments respectively. These amounts are included in gains/(losses) on investments at fair value, as disclosed in the Income Statement on page 40.

11 Significant holdings

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

12 Debtors

	2016	2015
	£'000	£'000
Due from brokers	**–**	1,687
Taxation recoverable	**1,286**	886
Prepayments and accrued income	**252**	149
	1,538	2,722

13 Creditors

	2016	2015
	£'000	£'000
Due to brokers	**1,542**	6,874
Other creditors and accruals	**157**	147
Management fee accrued	**134**	141
	1,833	7,162

14 Called-up share capital

	2016	2015
	£'000	£'000
Allotted, called-up and fully paid:		
Brought forward	**10,517**	10,517
Cancelled shares of 25p	**(4)**	–
42,053,550 (2015: 42,069,371) ordinary shares of 25p each	**10,513**	10,517

During the year ended 30 September 2016, 15,821 ordinary shares were purchased and cancelled at a total cost of £113,000 (2015: no ordinary shares were issued or purchased and cancelled).

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

	2016	2015
	pence	pence
Net asset value per ordinary share	**833.84**	742.20

The net asset value per ordinary share is based on net assets of £350,659,000 (2015: £312,239,000) and on 42,053,550 (2015: 42,069,371) ordinary shares, being the number of ordinary shares in issue at the year end.

16 Analysis of financial assets and liabilities

Interest rate and currency profile

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

	2016 No interest rate exposure £'000	2016 Cash flow interest rate risk exposure £'000	2016 Total £'000	2015 No interest rate exposure £'000	2015 Cash flow interest rate risk exposure £'000	2015 Total £'000
Equity shares						
Euro	**280,359**	**–**	**280,359**	226,654	–	226,654
Swiss franc	**34,138**	**–**	**34,138**	45,235	–	45,235
Swedish krona	**16,476**	**–**	**16,476**	15,512	–	15,512
Norwegian krone	**15,150**	**–**	**15,150**	14,882	–	14,882
Danish kroner	**14,942**	**–**	**14,942**	5,945	–	5,945
Cash at bank and short-term deposits						
Euro	**–**	**45**	**45**	–	8,376	8,376
Sterling	**–**	**60**	**60**	–	75	75
Debtors						
Euro	**905**	**–**	**905**	2,376	–	2,376
Swiss franc	**318**	**–**	**318**	127	–	127
Norwegian krone	**178**	**–**	**178**	129	–	129
Danish kroner	**70**	**–**	**70**	59	–	59
Sterling	**59**	**–**	**59**	25	–	25
New Zealand dollar	**8**	**–**	**8**	6	–	6
Borrowings						
Euro	**–**	**(10,216)**	**(10,216)**	–	–	–
Creditors						
Euro	**(1,542)**	**–**	**(1,542)**	(5,632)	–	(5,632)
Swiss franc	**–**	**–**	**–**	(573)	–	(573)
Swedish krona	**–**	**–**	**–**	(670)	–	(670)
Sterling	**(290)**	**–**	**(290)**	(287)	–	(287)
New Zealand dollar	**(1)**	**–**	**(1)**	–	–	–
	360,770	**(10,111)**	**350,659**	303,788	8,451	312,239

	2016	2015
Foreign exchange rates		
Euro	**1.1559**	1.3570
Swiss franc	**1.2593**	1.4801
Swedish krona	**11.1290**	12.7043
Norwegian krone	**10.3820**	12.9208
Danish kroner	**8.6072**	10.1235
NZ dollar	**1.7863**	2.3679

17 Risk analysis

The Company is an investment company, whose shares are traded on the London Stock Exchange and the New Zealand 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 investment objective of long-term capital growth through a diversified portfolio of Continental European securities. In pursuing its investment 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 13 and 14 of the Strategic Report.

The principal risks the Company faces are:

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

The AIFM monitors the risks affecting the Company on an ongoing basis within the policies and guidelines determined by the Board. The Directors receive financial information, which is used to identify and monitor risk, quarterly. The Company may enter into derivative contracts to manage risk but has not done so to date. A description of the principal risks the Company faces is detailed below and on pages 13 and 14 of the Strategic Report.

Investment and strategy risk

There can be no guarantee that the objective of the Company will be achieved due to 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 11 of the Strategic Report.

Discount volatility risk

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

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

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

During the year ended 30 September 2016, 15,821 ordinary shares were purchased and cancelled at a total cost of £113,000 (2015: no ordinary shares were issued or purchased and cancelled). Subsequent to the year ended 30 September 2016 and up to 29 November 2016, the date of this report, 37,450 shares were bought back for cancellation at a total cost of £282,000.

17 Risk analysis (continued)

Market Risk

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

Details of the Company's interest rate exposure as at 30 September 2016 are disclosed in note 16 of these Financial Statements on page 51.

The majority of the Company's assets were non-interest bearing during the year ended and as at 30 September 2016. 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 2016. There was exposure to interest bearing liabilities during the year ended and as at 30 September 2016 through the bank overdraft credit facility agreement.

If interest rates had reduced by 0.25% (2015: 0.25%) from those obtained as at 30 September 2016, it would have the effect, with all other variables held constant, of increasing the net revenue return before taxation and therefore increasing net assets on an annualised basis by £26,000 (2015: reducing the net revenue return before taxation by £21,000). If there had been an increase in interest rates of 0.25% (2015: 0.25%), there would have been an equal and opposite effect in the net revenue return before taxation. The calculations are based on cash at bank, short-term deposits and bank overdrafts as at 30 September 2016 and these may not be representative of the year as a whole. This level of change is considered to be reasonable based on observation of current market conditions.

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

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

Details of the Company's foreign currency risk exposure as at 30 September 2016 are disclosed in note 16 of these Financial Statements on page 51.

If sterling had strengthened by 10% against all other currencies on 30 September 2016, with all other variables held constant, it would have had the effect of reducing the net capital return before taxation by £35,085,000 (2015: £31,243,000) and the net revenue return before taxation by £1,055,000 (2015: £952,000) and therefore would have reduced net assets by £36,140,000 (2015: £32,195,000). 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.

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

Fixed asset investments are valued at their fair value. Details of the Company's investment portfolio as at 30 September 2016 are disclosed on page 4. In addition, an analysis of the investment portfolio by sector and geographical distribution is detailed on page 5.

The maximum exposure to price risk at 30 September 2016 is the fair value of investments of £361,065,000 (2015: £308,228,000).

17 Risk analysis (continued)

Price risk (continued)
If the investment portfolio valuation fell by 20% from the amount detailed in the Financial Statements as at 30 September 2016, 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 £72,213,000 (2015: £61,646,000). 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 2016 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 2016. In certain circumstances, the market prices at which investments are valued may not represent the realisable value of those investments, taking into account both the size of the Company's holding and the frequency with which such investments are traded. The Company does not normally invest in derivative products. The Investment Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

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

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

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

Investment transactions are carried out with a large 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 2016, 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 2016 was £362,708,000 (2015: £319,401,000). The calculation is based on the Company's credit risk exposure as at 30 September 2016 and this may not be representative of the year as a whole.

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

17 Risk analysis (continued)

Gearing risk (continued)

As detailed in note 6, during the year ended and as at 30 September 2016, the Company had 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 13 and 14 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 objective of the Company is to achieve long-term capital growth through a diversified portfolio of Continental European securities. In pursuing this long-term objective, 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 of these Financial Statements on page 50. Dividend payments are set out in note 8 of these Financial Statements on page 48.

The Company's capital comprises:

	2016	2015
	£'000	£'000
Called-up share capital	**10,513**	10,517
Share premium account	**123,749**	123,749
Capital redemption reserve	**8,298**	8,294
Capital reserve	**195,838**	158,690
Revenue reserve	**12,261**	10,989
Total shareholders' funds	**350,659**	312,239

The capital reserve consists of realised capital reserves of £204,414,000 and unrealised capital losses of £8,576,000 (2015: realised capital reserves of £182,277,000 and unrealised capital losses of £23,587,000). The unrealised capital losses consist of unrealised investment holding losses of £8,570,000 (2015: losses of £23,585,000) and unrealised foreign exchange losses of £6,000 (2015: losses of £2,000).

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

19 Transactions with the AIFM and the Investment Manager

Information with respect to transactions with the AIFM and the Investment Manager is detailed in note 3 of these Financial Statements on page 45 and on page 13 in the Strategic Report.

20 Related parties

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 22. Under the AIC SORP, an investment manager is not considered to be a related party of the Company.

21 Post balance sheet events

Subsequent to the year end, on 14 October 2016, the Company received euro 1,479,000, including interest, equivalent to £1,334,000, in relation to a successful claim for the receipt of French withholding tax suffered during the calendar years 2009 to 2012, which was not anticipated at the year end.

As disclosed in note 17 of these Financial Statements on page 52, subsequent to the year end of 30 September 2016 and up to the date of this report, 37,450 shares were bought back for cancellation at a cost of £282,000.

Ten Year Record

Assets

at 30 September (£'000)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
Total assets	437,207	495,931	304,198	290,155	277,847	237,350	256,724	323,222	336,729	312,239	**360,875**
Loans/bank overdraft	30,517	31,411	11,820	–	–	–	–	–	–	–	**10,216**
Net assets	406,690	464,520	292,378	290,155	277,847	237,350	256,724	323,222	336,729	312,239	**350,659**

Net asset value ("NAV")

at 30 September	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
NAV per share – pence	731.2	897.3	599.4	634.2	650.7	559.8	610.2	768.3	800.4	742.2	**833.8**
NAV total return on 100p – 5 years (per AIC)											**166.6**
NAV total return on 100p – 10 years (per AIC)											**138.7**

Share price

at 30 September	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
Share price – pence	664.5	812.5	518.0	554.0	545.0	462.5	508.0	684.5	748.8	673.0	**722.5**
Discount to NAV – %	9.1	9.5	13.6	12.6	16.2	17.4	16.8	10.9	6.5	9.3	**13.4**
Share price high – pence	690.0	864.0	840.0	554.0	576.0	621.0	552.0	700.0	794.5	843.5	**741.0**
Share price low – pence	533.5	653.0	514.0	317.5	465.5	450.1	446.0	500.0	690.0	665.0	**594.5**
Share price total return on 100p – 5 years (per AIC)											**179.9**
Share price total return on 100p – 10 years (per AIC)											**137.1**

Revenue

for the year ended 30 September

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
Available for ordinary shares – £'000s	5,043	4,321	7,264	6,284	6,042	7,198	6,487	7,581	6,246	6,708	**8,003**
Earnings per share – pence	8.7	8.0	14.3	13.2	13.8	17.0	15.4	18.0	14.9	16.0	**19.0**
Dividends per share – pence	9.0[1]	8.3[1]	14.9[2]	13.6[3]	14.0[4]	16.0[5]	16.0[5]	18.0[6]	15.0[6]	16.0[6]	**22.0**[7]

[1] Comprises a final dividend of 1.7p together with a special dividend.
[2] Comprises a final dividend of 12.0p together with a special dividend.
[3] Comprises a final dividend of 10.2p together with a special dividend.
[4] Comprises a final dividend of 11.0p together with a special dividend.
[5] Comprises a final dividend of 12.0p together with a special dividend.
[6] Comprises a final dividend of 14.0p together with a special dividend.
[7] Comprises a final dividend of 16.0p together with a special dividend.

Performance

(rebased to 100 at 30 September 2006)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
NAV per share	100.0	122.7	82.0	86.7	89.0	76.6	83.5	105.1	109.5	101.5	**114.0**
Share price	100.0	122.3	78.0	83.4	82.0	69.6	76.4	103.0	112.7	101.3	**108.7**
Earnings per share	100.0	92.1	163.8	151.7	158.0	194.4	176.2	206.4	170.1	182.7	**217.9**
Dividends per share	100.0	92.2	165.6	151.1	155.6	177.8	177.8	200.0	166.7	177.8	**244.4**
RPI	100.0	103.9	109.1	107.6	112.6	118.9	122.0	125.9	128.7	129.7	**132.4**

Definitions

Total assets	Total assets less current liabilities (excluding loans).
NAV total return	Return on net assets per share with dividends paid to shareholders reinvested.
AIC	Association of Investment Companies.
Discount to NAV	Amount that the share price is less than the NAV.
Share price total return	Return on the share price with dividends paid to shareholders reinvested.
Retail price index	All-items retail price index.

Ten Year Record (continued)

Costs of running the Company (ongoing charges, total expense ratio prior to 2011)

for the year ended 30 September	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
Operating costs (£'000s)	3,153	3,514	2,549	1,863	1,728	1,692	1,553	1,739	2,117	2,194	**2,020**
Operating costs as a percentage of:											
Average net assets – %	0.8	0.8	0.7*	0.8*	0.6	0.6	0.6	0.6	0.6	0.6	**0.6**
Average total assets – %	0.7	0.7	0.7*	0.8*	0.6	0.6	0.6	0.6	0.6	0.6	**0.6**

* Excludes VAT recovered in respect of management fees.

Gearing

at 30 September	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
Effective gearing – %	6.5	8.1	(2.0)	(0.3)	(2.9)	(0.3)	(4.6)	(0.1)	(0.8)	(1.0)	**3.3**
Fully invested gearing – %	7.5	8.7	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**2.9**

Definitions

Operating costs	All costs charged to revenue and capital, other than interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling investments.
Average net assets	The monthly average of net assets.
Average total assets	The monthly average of total assets.
Effective gearing	Loans and bank overdrafts, less cash (adjusted for settlements), as a percentage of net assets.
Fully invested gearing	Loans and bank overdrafts as a percentage of net assets.

Glossary of Investment Trust Technical Terms

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

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

ISAs and SIPPs
Individual Savings Accounts and Self-Invested Personal Pensions.

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

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

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.

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

Shareholder Information

Investing in the Company

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

Frequency of NAV publication

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

Portfolio holdings

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

Share price and sources of further information

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

Share register enquiries

The register for the ordinary shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 889 4086 or email: web.queries@computershare.co.uk. Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 1. 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
Annual General Meeting	January
Annual dividend paid	January
Company's half-year end	31 March
Half-yearly results announced	May

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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTY-FOURTH ANNUAL GENERAL MEETING of the Company will be held at Brewers' Hall, Aldermanbury Square, London EC2V 7HR on Tuesday, 24 January 2017 at 11.00am to transact the business set out in the resolutions below.

	Resolution on Form of Proxy
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, Auditors' Report and the audited Financial Statements for the year ended 30 September 2016.	Resolution 1
2 To receive and approve the Directors' Remuneration Report for the year ended 30 September 2016.	Resolution 2
3 To receive and approve the Directors' Remuneration Policy.	Resolution 3
4 To appoint BDO LLP as Auditors 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.	Resolution 4
5 To authorise the Directors to determine the remuneration of the Auditors of the Company.	Resolution 5
6 To re-elect Mr William D Eason as a Director of the Company.	Resolution 6
7 To re-elect Mr Michael W M R MacPhee as a Director of the Company.	Resolution 7
8 To re-elect Mr Michael B Moule as a Director of the Company.	Resolution 8
9 To re-elect Dr Michael T Woodward as a Director of the Company.	Resolution 9
10 To declare a final dividend of 16.0p per ordinary share for the year ended 30 September 2016.	Resolution 10
11 To declare a special dividend of 6.0p per ordinary share for the year ended 30 September 2016.	Resolution 11
Special business	
12 To consider and, if thought fit, pass the following resolution as a Special Resolution:	Resolution 12

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

(i) the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 6,298,213 (or, if less, 14.99% of the number of ordinary shares in issue immediately following the passing of this resolution);

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

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

(iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2018), 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: Resolution 13

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

(a) up to an aggregate nominal amount of £3,501,341 (being approximately one-third of the issued share capital as at 29 November 2016); and

(b) comprising equity securities (within the meaning of Section 560 of the Act) up to a further aggregate nominal amount of £3,501,341 (being approximately one-third of the issued share capital as at 29 November 2016) in connection with an offer by way of a rights issue:

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

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

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

provided that the authorities conferred on the Directors by paragraph (a) and (b) above shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2018), save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so the Directors of the Company may allot shares or grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

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 Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 14 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 13, by way of a rights issue only):

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

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

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

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £525,201 (being approximately 5% of the issued share capital as at 29 November 2016),

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2018), 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.

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

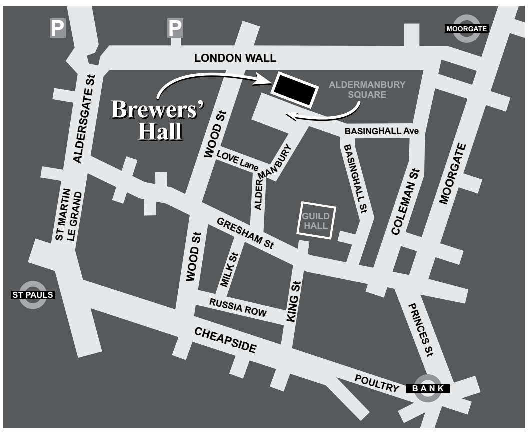
THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

By order of the Board
Kenneth J Greig
Company Secretary

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

29 November 2016

Location of Meeting



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

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

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

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

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

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

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 Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.

Note 5: As at 29 November 2016, the Company's issued share capital amounted to 42,016,100 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 6.00 pm on 20 January 2017 (or, in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at 6.00 pm 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 Annual General Meeting 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.

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 Annual General Meeting; 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 Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting 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 and Transparency Rules.

Note 11: Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting 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 Annual General Meeting.

Note 12: Members satisfying the thresholds in Section 338A of the Companies Act 2006 may require the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting 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 Annual General Meeting.

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 Annual General Meeting and on the date of the Annual General Meeting at Brewers' Hall, Aldermanbury Square, London EC2V 7HR from 10.45 am until the conclusion of the meeting:

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

b) the Articles of Association of the Company.

Note 14: The Annual Report and Financial Statements incorporating this Notice of Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website: www.theeuropeaninvestmenttrust.com.

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