The European Investment Trust plc

Annual Report and Financial Statements
for the year ended 30 September 2013

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
Ralph Kanza (retired 30 July 2013)
Michael B Moule
Dr Michael T Woodward (appointed 1 August 2013)

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

Investment Manager
Edinburgh Partners Limited
27-31 Melville Street
Edinburgh
EH3 7JF
Tel: 0131 270 3800
Fax: 0131 270 3801
e-mail: enquiries@edpam.com
www.edinburghpartners.com

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Registrar – UK
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0870 889 4086
email: web.queries@computershare.co.uk
www.computershare.co.uk

Registrar – New Zealand
Computershare Investor Services Limited
Private Bag 92119, Victoria Street West
Auckland 1142, New Zealand

Level 2, 159 Hurstmere Road, Takapuna
Auckland 0622, New Zealand

Solicitors
Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

Custodian
JPMorgan Chase Bank, NA
Chaseside
Bournemouth
BH7 7DA

Stockbroker
J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London
E14 5JP

Bankers
JPMorgan Chase Bank, NA
Chaseside
Bournemouth
BH7 7DA

Scotiabank Europe PLC
6th Floor
201 Bishopsgate
London
EC2M 3NS

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 12.

Shareholders' funds

£323,222,000 at 30 September 2013.

Market capitalisation

£287,965,000 at 30 September 2013.

Capital structure

As at 30 September 2013 and at the date of this report, the Company had 42,069,371 ordinary shares of 25p each 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, Junior ISAs and SIPPs. These are available through Alliance Trust Savings, who also offer the opportunity to invest in the Company through a Dealing Account. The Company's shares are also available on other share trading platforms.

AIC

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

Investment Manager

Edinburgh Partners Limited ("Edinburgh Partners").

Investment management fee

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

Ten Year Record

Performance (rebased to 100 at 30 September 2003)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
NAV per share	100.0	111.7	144.1	168.6	206.9	138.2	146.2	150.0	129.1	140.7	**177.2**
Share price	100.0	119.3	160.2	190.1	232.5	148.2	158.5	155.9	132.3	145.4	**195.9**
Earnings per share	100.0	78.1	106.6	133.5	122.9	218.7	202.4	210.9	259.5	235.2	**275.5**
Dividends per share	100.0	83.1	115.4	138.5	127.7	229.2	209.2	215.4	246.2	246.2	**276.9**
Retail price index	100.0	103.1	105.8	109.6	114.0	119.7	118.0	123.5	130.4	133.8	**138.0**

Financial Summary

Results for year	30 September 2013	30 September 2012	Change
Shareholders' funds	**£323.22m**	£256.72m	25.9%
Net asset value per ordinary share ("NAV")	**768.31p**	610.24p	25.9%
Share price per ordinary share	**684.50p**	508.00p	34.7%
Share price discount to NAV	**10.9%**	16.8%	

	Year to 30 September 2013	Year to 30 September 2012
Revenue return per ordinary share*	**18.02p**	15.38p
Capital return per ordinary share*	**156.05p**	50.62p
Total return per ordinary share*	**174.07p**	66.00p
Final dividend per ordinary share**	**14.00p**	12.00p
Special dividend per ordinary share**	**4.00p**	4.00p
Total dividend per ordinary share**	**18.00p**	16.00p

* 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 2013	Year to 30 September 2012
NAV – high	**784.91p**	637.42p
– low	**604.41p**	536.09p
Share price – high	**700.00p**	552.00p
– low	**500.00p**	446.00p
Share price discount to NAV		
– low	**9.7%**	11.8%
– high	**18.6%**	18.5%

Performance	Year to 30 September 2013	Year to 30 September 2012
NAV Total Return	**28.9%**	12.1%
FTSE All-World Europe ex UK Index Total Return*	**27.1%**	12.5%

* 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 2013	Year to 30 September 2012
Ongoing charges*	**0.59%**	0.62%

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

Portfolio of Investments
as at 30 September 2013

Rank 2013	Rank 2012	**Company**	**Sector**	**Country**	**Valuation £'000**	**% of Net Assets 2013**	% of Net Assets 2012
1	19	Mediaset España	Consumer Services	Spain	10,566	3.3	2.6
2	–	Orange	Telecommunications	France	10,259	3.2	–
3	3	Gerresheimer	Health Care	Germany	9,804	3.0	3.2
4	15	ENI	Oil & Gas	Italy	9,391	2.9	2.7
5	–	Ziggo	Telecommunications	Netherlands	9,152	2.8	–
6	–	Indra Sistemas	Technology	Spain	9,099	2.8	–
7	–	PostNL	Industrials	Netherlands	9,012	2.8	–
8	–	Nutreco	Consumer Goods	Netherlands	8,806	2.7	–
9	–	Danske Bank	Financials	Denmark	8,655	2.7	–
10	4	Belgacom	Telecommunications	Belgium	8,570	2.7	3.1
11	9	CAF	Industrials	Spain	8,454	2.6	2.8
12	35	Piaggio	Consumer Goods	Italy	8,397	2.6	1.9
13	5	Vivendi	Consumer Services	France	8,355	2.6	3.0
14	24	Prysmian	Industrials	Italy	8,262	2.6	2.4
15	–	Aryzta	Consumer Goods	Switzerland	8,164	2.5	–
16	26	Ahold	Consumer Services	Netherlands	8,162	2.5	2.3
17	18	Michelin	Consumer Goods	France	8,161	2.5	2.6
18	1	Ryanair	Consumer Services	Ireland	8,136	2.5	3.5
19	31	BBVA	Financials	Spain	8,133	2.5	2.2
20	36	A.P. Moller–Maersk	Industrials	Denmark	8,113	2.5	1.9
21	33	Metro	Consumer Services	Germany	8,061	2.5	2.0
22	–	Banco Espirito Santo	Financials	Portugal	7,877	2.4	–
23	–	BNP Paribas	Financials	France	7,854	2.4	–
24	11	Swatch	Consumer Goods	Switzerland	7,848	2.4	2.8
25	13	GEA	Industrials	Germany	7,773	2.4	2.8
26	–	Valeo	Consumer Goods	France	7,533	2.3	–
27	–	Volkswagen*	Consumer Goods	Germany	7,428	2.3	–
28	16	Gazprom**	Oil & Gas	Russia	7,419	2.3	2.7
29	–	Azimut	Financials	Italy	7,288	2.3	–
30	23	ABB	Industrials	Switzerland	7,286	2.3	2.4
31	28	Ipsos	Consumer Services	France	7,281	2.3	2.2
32	22	Total	Oil & Gas	France	6,689	2.1	2.4
33	6	Swedbank	Financials	Sweden	6,678	2.1	2.9
34	–	Fresenius Medical Care	Health Care	Germany	6,641	2.1	–
35	32	Heineken	Consumer Goods	Netherlands	6,237	1.9	2.0
36	17	Intesa Sanpaolo	Financials	Italy	6,229	1.9	2.6
37	14	Kabel Deutschland	Consumer Services	Germany	6,108	1.9	2.7
38	7	DCC	Industrials	UK	5,711	1.8	2.9
39	8	D'Ieteren	Consumer Services	Belgium	5,559	1.7	2.9
40	12	SAP	Technology	Germany	5,273	1.6	2.8
41	–	Feintool International	Industrials	Switzerland	4,281	1.3	–
42	–	TDC	Telecommunications	Denmark	3,896	1.2	–
Prior year investments sold during the year							25.1
Total equity investments					**322,601**	**99.8**	95.4
Cash and other net assets					**621**	**0.2**	4.6
Net assets					**323,222**	**100.0**	100.0

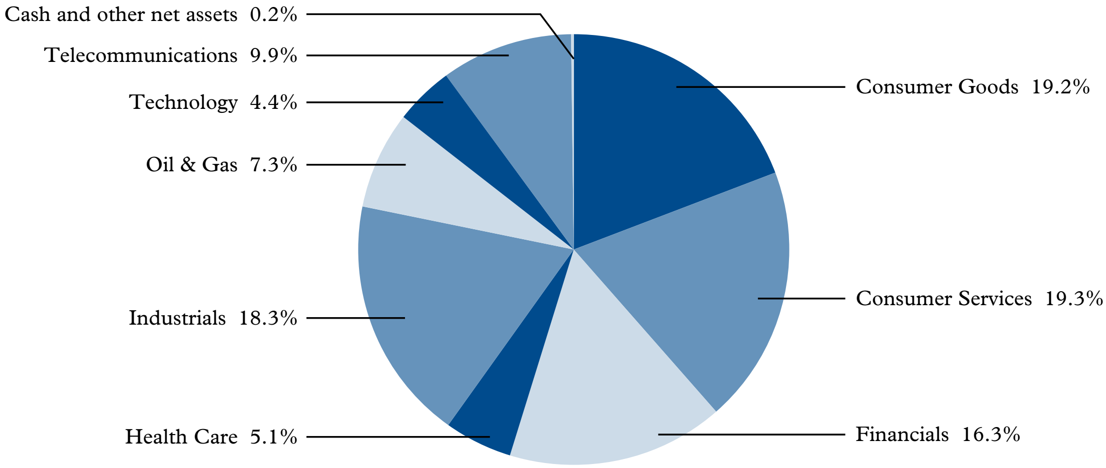
* The investment is in non-voting preference shares.

** The investment is in American Depository Receipts.

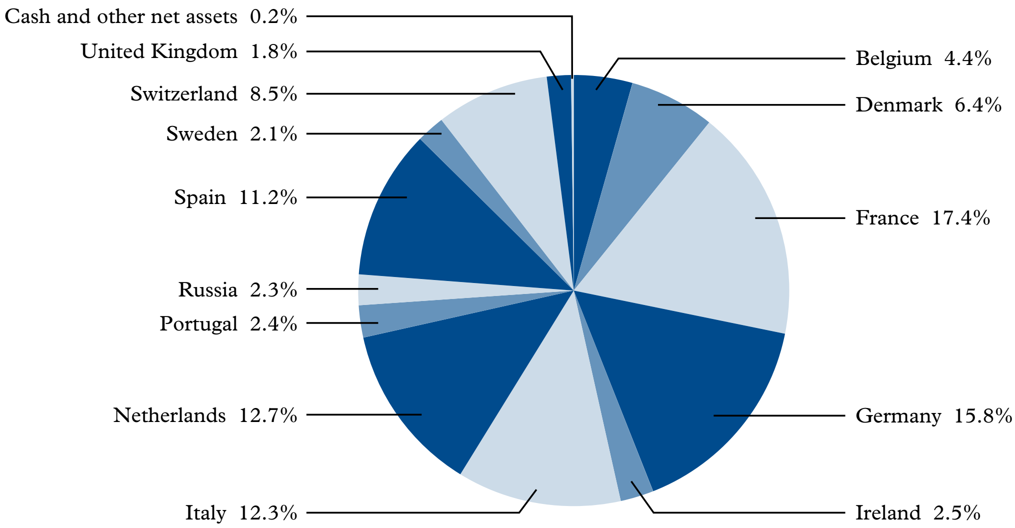
Of the ten largest portfolio investments as at 30 September 2013, the valuations at the previous year end, 30 September 2012, were Mediaset España £6,583,000; Gerresheimer £8,092,000; ENI £7,001,000 and Belgacom £7,906,000. Orange, Ziggo, Indra Sistemas, PostNL, Nutreco and Danske Bank were all new purchases made during the year ended 30 September 2013.

Distribution of Investments
as at 30 September 2013 (% of net assets)

Sector distribution



Geographical distribution



Directors and Investment Manager

Directors

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

Douglas C P McDougall OBE (Chairman)

Douglas McDougall is chairman of The Independent Investment Trust PLC and The Scottish Investment Trust PLC. He is a non-executive director of Herald Investment Trust plc, Pacific Horizon Investment Trust PLC and The Monks Investment Trust Public Limited Company. He was previously the chairman of The Law Debenture Corporation 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 as a Director of the Company in 1999, and became Chairman that year.

William D Eason

William Eason is Head of Charities at Quilter Cheviot 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 director of Henderson International Income Trust plc. He is a former chairman of Henderson High Income Trust plc. He was appointed as a Director of the Company in 2007.

Michael B Moule (Senior Independent Director)

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

Dr Michael T Woodward

Dr Michael Woodward 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 is a non-executive director of R&H Fund Services Limited, a provider of administrative services to investment trusts and other collective funds. He was appointed as a Director of the Company on 1 August 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 £7 billion from institutional clients, including two investment trusts.

Dale Robertson BComm, CA, ASIP

The portfolio manager of the Company is Dale Robertson.

Dale Robertson has been an Investment Partner with Edinburgh Partners since its launch in 2003. He has research responsibility for the global chemical sector and manages Edinburgh Partners' European portfolios. Previously he spent two years at Scottish Widows Investment Partnership where he managed European equity growth funds. Prior to that he worked for Edinburgh Fund Managers for five years where he had responsibility for managing retail and institutional funds.

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

In the year to 30 September 2013, the net asset value per share of your Company increased by 25.9% from 610.24p to 768.31p. After taking account of dividends paid in the year of 16.0p, the net asset value total return was 28.9%. This compares with the total return of 27.1% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

During the year, the Company's share price increased by 34.7% from 508.0p to 684.5p. As a consequence of the share price increase being above the net asset value per share increase, the share price discount to net asset value narrowed from 16.8% to 10.9%. The share price total return, taking account of the 16.0p dividend paid in the year, was 38.6%.

From the appointment of Edinburgh Partners as Investment Manager on 1 February 2010, the net asset value total return to 30 September 2013 was 37.4%. This was an outperformance when compared with the total return of 32.3% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Revenue

As a consequence of strong revenue generation from the Company's portfolio of investments and the strength of the Euro, there was an increase in revenue per share in the year to 30 September 2013 of 17.2%, from 15.38p to 18.02p. The Company continues to have a low ongoing charges ratio. For the year to 30 September 2013, the ratio reduced from 0.62% in 2012 to 0.59%.

Dividend

The Board is pleased to recommend a final dividend of 14.0p per share and a special dividend of 4.0p per share, a total of 18.0p per share, with the dividends fully covered by earnings generated in the year. The proposed total dividend of 18.0p compares with the prior year total dividend of 16.0p and represents an increase of 12.5%.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, these dividends will be paid on 31 January 2014 to shareholders on the register at the close of business on 10 January 2014. The ex-dividend date will be 8 January 2014.

Share buybacks

The Board continually monitors the discount or premium at which the shares trade relative to net asset value. As detailed above in the Results section, it was pleasing to note that there was a material reduction in the share price discount to net asset value during the year under review. No share buybacks were made during the year.

The Directors will propose at the forthcoming Annual General Meeting that the Company's powers to make purchases of up to 14.99% of its shares in issue be renewed.

Portfolio activity

A consistent theme of the Company's activity over the past 18 months has been the strategy of increasing the Company's exposure to the periphery of Europe, where the Investment Manager believes that valuations of a number of companies understate their future prospects. In the current financial year, this strategy has resulted in, for example, an investment in the shares of Banco Espirito Santo, Portugal's largest corporate bank, which at 30 September 2013 represented 2.4% of the portfolio. There was also an increased exposure to Italy (from 9.6% to 12.3%) and Spain (from 9.5% to 11.2%).

The country which saw the most significant increase in exposure, for stock specific reasons, was Denmark, where there was an increase from 1.9% to 6.4%. Danske Bank and TDC were purchased and these investments added to the Company's existing investment in A.P. Moller-Maersk. There was a further reduction in the exposure to Switzerland from 10.2% to 8.5% and the Norwegian industrial stock, Orkla, was sold, resulting in zero exposure to that country at the year end.

As the Investment Manager's confidence in the economic outlook has improved, the Company's position in more cyclical sectors has increased. This is evidenced in the financials sector (from 8.2% to 16.3%) and consumer goods sector (from 11.1% to 19.2%). Reductions were seen in the health care sector (from 8.6% to 5.1%) and the consumer services sector (from 21.2% to 19.3%), as some stocks within these sectors became expensive following a long period of rerating. There was a substantial increase in the Company's exposure to the telecoms sector (from 3.1% to 9.9%) as it is believed that regulatory and corporate developments in this sector continue to underpin what the Investment Manager considers to be a very strong investment case. Subsequent to the year end, the exposure to the telecoms sector increased further with the purchase of Portugal Telecom and KPN, based in the Netherlands.

Although the industrials sector weighting has decreased (28.1% to 18.3%), this should not be interpreted as a negative view on the improving economic outlook. Stocks sold over the past year in this sector include Safran, Amadeus, Wirecard and Randstad, all companies where valuation targets were achieved. As a consequence of the more positive outlook, cash and other net assets were reduced from 4.6% to 0.2%. There was a marginal increase in the number of investments held, from 39 to 42.

Gearing

The Company has a Euro 30 million secured multi-currency revolving loan facility agreement with Scotiabank Europe PLC. If fully utilised, this would result in a gearing level of approximately 8% of net assets. No amount has been drawn under the facility.

Board Changes

There have been two changes to your Board over the year. Having served as a non-executive Director of the Company since 1997, Ralph Kanza retired from the Board on 30 July 2013. Ralph Kanza brought valuable commercial experience and insight to the Board from his investment management career and his knowledge of European investment markets. We thank him for his contribution and wish him every success in the future.

I am pleased to welcome Dr Michael Woodward to the Board. Dr Woodward was appointed as an independent non-executive Director of the Company on 1 August 2013. He has worked in the investment trust industry for 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 both Martin Currie and F&C Asset Management.

Changes to the Annual Report

You will note that there have been some changes to your Company's Annual Report this year. These are the result of new narrative reporting requirements that have now come into effect. There is now a Strategic Report, which contains many of the disclosures previously contained within the Business Review section of the Directors' Report, and a new Directors' Remuneration Report. In relation to the latter, shareholders will be asked to vote on both the Directors' Remuneration Policy and the Directors' Remuneration Report at the forthcoming Annual General Meeting.

Alternative Investment Fund Managers' Directive ("AIFMD")

AIFMD was conceived to address a perceived regulatory gap to protect investors and is intended to provide a harmonised regulatory and supervisory framework throughout the European Union for regulating Alternative Investment Funds. Although it was principally aimed at private equity and hedge funds, investment trusts are also required to comply.

AIFMD was implemented by the UK on 22 July 2013, with existing investment companies, such as your Company, having until 22 July 2014 to comply fully with the requirements. The Company is in the process of making the necessary arrangements to comply with this legislation. This will include the requirement to appoint a depositary, in addition to having a custodian, to provide additional security over the Company's assets. We will keep shareholders informed of developments.

Annual General Meeting

We hope that as many shareholders as possible will attend the Annual General Meeting, which will be held at 11.00 am on Tuesday, 14 January 2014 at Brewers' Hall, Aldermanbury Square, London EC2V 7HR. We look forward to meeting all shareholders who are able to attend.

Outlook

The worst fears for the European economies appear to have receded, as a consequence of which the valuation premium attached to companies with higher earnings predictability has begun to erode. The gap in valuation between companies with 'predictable' earnings streams and the remainder of the market was created by the fear of global economic collapse. As this fear recedes, the valuation gap has started to narrow. Following the strong rise in equity markets, future returns from European equities will probably be lower than recent returns. However, we remain positive on the long-term prospects for investment in European equities.

Douglas McDougall
Chairman

25 November 2013

Investment Manager's Report

Economic and Investment Overview

The risks faced by Europe at the start of the Company's financial year included a number of familiar themes: Italian politics, contagion from Greece, the German federal election and the ongoing impact of deep austerity programmes. During the year, potential contagion from the crisis in the Cyprus banking system and the intervention of the Portuguese constitutional court in the country's European Union bailout both gave cause for concern. Although all these risks appear to have been navigated for now, there are still concerns.

The forthcoming opinion of the German constitutional court on the strategy of the European Central Bank's willingness to do 'whatever it takes' to save the Euro is a potentially serious risk which is also worth monitoring. However, it is our opinion that the likelihood of the court causing an upset is low. A further concern is the lack of serious structural reforms in both France and Italy. We view this as disappointing and an opportunity missed.

Europe is still not a fully cohesive political and economic region and it may never be so. There are many hurdles to be overcome, both cyclically and structurally. However, progress has been made and these hurdles should not stop a reasonable level of economic growth being achieved, which should be beneficial for corporate earnings and equity investment.

Portfolio Strategy

The view we have maintained for some time is that stock markets have been too focused on the risks inherent in Europe, and this has allowed a valuation anomaly to build up in recent years. Sectors of the stock market which were perceived to deliver security or predictability of profits were awarded very high and, in our view, unsustainable valuations. As a consequence, we believed the most attractive investment opportunities were in companies who, despite their less predictable profit streams, had been given very low valuation multiples on what, in many cases, were bottom of the economic cycle profitability levels.

The translation of this strategy into a portfolio context was to buy the shares of companies in the periphery of Europe (Ireland, Italy, Portugal and Spain) and in sectors depressed by the poorest trading conditions of recent years, such as the telecoms, automotive and shipping sectors. We started purchasing these types of stocks over two years ago.

As a result of the above strategy, as at 30 September 2013, 28.4% of the portfolio was invested in the peripheral countries of Europe, an increase of 5.8% on the 22.6% exposure held at the previous year end. We still continue to hold the majority of stocks which were held at the previous year end. However, during the year, we reduced exposure to the Irish stock, Ryanair. Subsequent to the year end, we have reduced exposure to the Italian banking sector, with the complete disposal of Intesa Sanpaolo, and we have also made a partial disposal of our best performing stock in the year under review, Mediaset España.

For the first time in our period of managing the Company's investments, we have also made two investments in Portugal, Banco Espirito Santo and, subsequent to the year end, Portugal Telecom. In our opinion, the Portuguese economy is lagging behind the Spanish economic recovery in terms of timing, and valuations reflect what we perceive as a good medium-term investment opportunity with these two sector-leading companies.

Although investment performance, when compared to the index, improved as the year progressed, there was a significant loss on two positions early in the year. Both Saipem in the oil services sector and Imtech in the engineering/consulting sector had major profit downgrades which surprised us in terms of their magnitude. After a relatively short period of reflection, we sold both shares. Our investment style, which in many cases leads us to buying out-of-favour companies, does mean that our patience and resolve can be tested. Normally we ride out troubling short-term developments, but when the issues prove to be structural in nature, we attempt to acknowledge as quickly as possible that our initial investment case may need to be revised and we take necessary action. The subsequent troubles for both companies confirm our disposals in these instances to have been the appropriate course of action.

We continue to be positive on the outlook for the telecoms sector. We increased exposure from 3.1% to 9.9% during the year and this has increased further subsequent to the year end, and it is good to be able to report a number of positive developments. The basic investment case remains that Europe is a major technological laggard behind the US and Asia, largely due to draconian regulation. This is changing and should allow for a far better operating environment in the future for Europe's telecom operators. An important part of our investment case is the potential for consolidation in the sector. There are four major telecom groups in the US and three in China, but over one hundred in Europe. We expect this anomaly to gradually reduce. Since the year end, Kabel Deutschland, which provided us with a strong contribution to performance, was taken over by Vodafone. Ziggo, the Dutch cable operator, which we purchased during the year, was the object of a rejected bid. We further increased our sector exposure through TDC, the Danish operator and, subsequent to the year end, Portugal Telecom.

The Edinburgh Partners' investment approach focuses on rigorous company analysis. Two further examples of purchases made during the year are Volkswagen and PostNL.

Volkswagen is Europe's largest volume car manufacturer. Its brands include the mid-market Volkswagen brand, but also Seat and Skoda at the low end of the market through to Audi, Porsche and Bentley at the high end. European car volumes are currently 25% below peak levels. With the return of economic growth, volumes and hence profits in the European automotive sector could rebound quite sharply. Volkswagen is also the number one auto manufacturer in China, with approximately 20% market share. It is our opinion that the Chinese consumer will provide a significant growth driver for Volkswagen in the long term. The company is currently trading on a price earnings multiple of only eight times earnings, which appears not to take account of its expected growth.

PostNL is the former state-owned mail delivery company in the Netherlands. All companies in this sector face a structural decline in delivered mail volumes. The corporate response has been to restructure, persuade regulators to allow stamp price increases and diversify into faster growing parcel delivery which benefits from trends in e-commerce. Due to the low level of interest rates in recent years, PostNL has been burdened by a significant pension deficit. We expect this situation to reverse over time. The balance sheet position is made more comfortable through the 30% stake the company has retained in TNT Express, which could be sold if required. In our view, the improvements we expect leave the shares trading on an attractive long-term price earnings multiple of a very low four to five times.

Outlook

During the course of the year under review, we have seen a significant change of view by stock market investors: from Europe having been viewed as high risk and uninvestable by many, the current consensus is that Europe is now seeing an economic recovery and is once again an attractive area of investment. Accordingly, valuation gaps which we had identified and had invested in 18 to 24 months ago are now diminishing and becoming less obvious. In the next phase of the stock market cycle, a high level of vigilance will be required on valuations and identifying investment opportunities.

Despite allowing for the potential corporate earnings recovery in Europe, the recent rise in equity markets has left valuations looking less attractive. Whilst pockets of undervaluation remain, in our view these are less deep and harder to identify.

Dale Robertson
Edinburgh Partners

25 November 2013

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.

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 earning prospects over a five-year time horizon. The portfolio will normally consist of 40 to 50 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 received approval from HM Revenue & Customs ("HMRC") as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 ("CTA") for the year ended 30 September 2012. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has been approved as an investment trust for all previous years.

New regulations for obtaining and retaining investment trust status apply to the Company with effect from 1 October 2012. An application for approval as an investment trust under the new regime has been made and accepted by HMRC. Accordingly, the Company will be treated as an investment trust company for the year ended 30 September 2013 and for each subsequent accounting period, subject to there being no subsequent serious breaches of the regulations. In the opinion of the Directors, the Company has subsequently 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 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 all 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 10 and 11. 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 42 investments, excluding cash and other net assets, as at 30 September 2013, with the largest representing 3.3% 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 34 and the Reconciliation of Movements in Shareholders' Funds on page 36.

For the year ended 30 September 2013, the net revenue return attributable to shareholders was £7.6 million (2012: £6.5 million) and the net capital return was £65.6 million (2012: £21.3 million). Total shareholders' funds increased by 25.9% to £323.2 million (2012: £256.7 million).

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

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 2013, the net asset value per share increased by 25.9% from 610.24p to 768.31p. After taking account of dividends paid in the year of 16.0p, the net asset value total return was 28.9%. This compares with the total return of 27.1% 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 2013 was 37.4%. This was an outperformance when compared with the total return of 32.3% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

Share price
In the year to 30 September 2013, the Company's share price increased by 34.7% from 508.0p to 684.5p. The share price total return, taking account of the 16.0p dividend paid in the year, was 38.6%.

Share price premium/discount to net asset value per share
The share price discount to net asset value per share narrowed from 16.8% to 10.9%, in the year to 30 September 2013.

Revenue return per ordinary share
There was an increase in the revenue per share in the year to 30 September 2013 of 17.2% from 15.38p to 18.02p.

Dividends per ordinary share
The Directors are recommending a final dividend of 14.0p per ordinary share and a special dividend of 4.0p per ordinary share, making a total dividend of 18.0p per ordinary share, representing a 12.5% increase on the prior year dividend of 16.0p.

Ongoing charges
The Company continues to have low expenses. The ongoing charges ratio was 0.59% (2012: 0.62%) in the year to 30 September 2013.

The longer-term records of the key performance indicators are shown in the Ten Year Record on pages 51 and 52.

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

Investment Management Agreement

The Company's investments are managed by Edinburgh Partners under an Investment Management Agreement dated 29 January 2010. The Investment Manager receives a management fee of 0.55% per annum of the Company's market capitalisation, payable quarterly in arrears. The Investment Management Agreement may be terminated by either party giving three months' written notice. No additional compensation is payable to Edinburgh Partners on the termination of this agreement other than the fees payable during the notice period. No performance fee is payable. In addition to the investment management fee, the Company paid Edinburgh Partners a fee for marketing related services. The costs of the Company's share savings scheme are initially invoiced by the scheme's administrator to the Investment Manager and are subsequently reimbursed by the Company. Further details relating to the Investment Management Agreement are detailed in note 3 of the Financial Statements on page 40.

Appointment of the Investment Manager

The Board keeps the performance of the Investment Manager under review through the Audit and Management Engagement Committee. The Company appointed Edinburgh Partners as Investment Manager with effect from 1 February 2010. It is the opinion of the Directors that the continuing appointment of Edinburgh Partners on the terms agreed is in the interests of shareholders as a whole. The reasons for this view are that the investment performance is satisfactory relative to that of the markets in which the Company invests, that the approach of the Investment Manager is convincing and because the remuneration of the Investment Manager is reasonable both in absolute terms and compared to that of managers of comparable investment companies. The Directors believe that by paying the investment management fee calculated on a market capitalisation basis, rather than a percentage of assets basis, the interests of the Investment Manager are more closely aligned with those of shareholders.

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 18 of the Financial Statements on pages 47 to 50.

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 of the Financial Conduct Authority ("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 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 each year.

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 Investment Manager employs independent administrators to prepare all financial statements and the Audit and Management Engagement Committee meets with the independent auditors at least once a year to discuss annual audit issues, including appropriate accounting policies.

The Board undertakes an annual assessment and review of all the risks stated above and in note 18 of the Financial Statements on pages 47 to 50, 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.

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 to 9 and the Investment Manager's Report on pages 10 and 11. The Board's main focus is on the investment return and approach, with attention paid to the integrity and success of the investment approach and on factors which may have an impact on this approach.

Forward looking statements

This Strategic Report contains "forward looking statements" with respect to the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events that are beyond the 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
- The Company's success in managing its assets and business to manage the above factors and use of gearing

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.

Gender diversity

The Board of Directors of the Company comprised of four male Directors during, and at the end of, the year to 30 September 2013. 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 applicable regulatory and legislative requirements in the UK, 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 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.

Douglas McDougall
Chairman

25 November 2013

Directors' Report

Directors
The Directors in office during the year and at the date of this report are as shown on page 1. Mr Kanza retired from the Board on 30 July 2013. Dr Woodward was appointed to the Board on 1 August 2013.

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 23 to 28.

Share capital
The Company made no share issues during the year ended 30 September 2013. As at 30 September 2013, and as at the date of this report, the Company had 42,069,371 ordinary shares of 25p each in issue.

At general meetings of the Company, on a poll, one vote is attached to each ordinary share in issue.

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

	30 September 2013		25 November 2013	
	No of shares	% of voting rights	No of shares	% of voting rights
1607 Capital Partners, LLC	8,504,583	20.22	8,504,583	20.22
Investec Wealth & Investment Limited	3,787,406	9.00	4,274,439	10.16

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 and Transparency Rules.

- The Company's capital structure and voting rights are summarised on pages 2 and above.
- Details of the substantial shareholders in the Company are listed above.
- The giving of powers to issue or buy back the Company's shares require the relevant resolution 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 18 and 19.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Related parties
There were no related party transactions during the year. Under the Statement of Recommended Practice issued by the AIC in January 2009 ("AIC SORP"), the Investment Manager is not considered to be a related party of the Company.

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 18 and 19 of the Financial Statements on pages 47 to 50 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 14 and 15. 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. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

Independent Auditors
A resolution to re-appoint PricewaterhouseCoopers LLP as independent Auditors to the Company and to authorise the Board to determine their remuneration will be put to shareholders at the forthcoming Annual General Meeting to be held on 14 January 2014.

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 14 and 15 and in note 18 of the Financial Statements on pages 47 to 50.

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-first Annual General Meeting to be held on 14 January 2014 is set out on pages 55 to 60. Shareholders are being asked to vote on various items of ordinary business, as listed below:

Resolution 1 – the receipt and acceptance of the Strategic Report, Directors' Report and Auditors' Report and the audited Financial Statements for the year ended 30 September 2013;

Resolution 2 – the receipt and approval of the Directors' Remuneration Report (see below);

Resolution 3 – the receipt and approval of the Directors' Remuneration Policy (see below);

Resolution 4 – the re appointment of PricewaterhouseCoopers LLP as Auditors;

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

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

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

A new directors' remuneration reporting regime came into effect on 1 October 2013. Shareholders will now have an annual advisory vote on the report on Directors' remuneration and a binding vote, to be held every three years, on the remuneration policy of the Directors. Accordingly, shareholders are being requested to vote on the receipt and approval of the Directors' Remuneration Report as set out on pages 20 to 22 and on the Directors' Remuneration Policy as set out on page 22.

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

Special business

At the Annual General Meeting held on 22 January 2013, 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. No shares have been bought back under this authority.

Resolution 12 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the Directors' authority to purchase for cancellation up to 6,306,198 ordinary shares (being 14.99% of the issued share capital as at 25 November 2013, 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 mid-market prices 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(1) of the Buy-Back and Stabilisation Regulations 2003 (being a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out).

It is the Board's policy that purchases of shares will only be made through the market for cash at prices below the prevailing net asset value of the shares. The authority will be used where the Directors consider it to be in the best interests of shareholders and the Company. Shares purchased will be cancelled. The authority, if given, will lapse at the conclusion of the Company's next Annual General Meeting after the passing of this resolution (which must be held no later than 31 March 2015).

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 £3,505,780, representing 14,023,120 ordinary shares (being approximately one-third of the issued share capital as at 25 November 2013) in accordance with statutory pre-emption rights. In addition, in accordance with the guidance from the Association of British Insurers 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 £3,505,780, 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 Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 March 2015). 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 £525,867, representing 2,103,468 ordinary shares (being approximately 5% of the issued share capital as at 25 November 2013) without first having to offer such shares to existing shareholders. The authority, if given, will lapse at the conclusion of the Company's next Annual General Meeting after the passing of this resolution (which must be held no later than 31 March 2015). 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 Annual General Meeting, 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 Annual General Meeting 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 so in respect of their own beneficial shareholdings.

By order of the Board
Kenneth J Greig
Company Secretary

25 November 2013

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 Report) (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 30 to 33.

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2013.

Shareholders may be aware that new rules for the reporting of directors' remuneration came into effect on 1 October 2013. These now require companies 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. Any change to the Directors' Remuneration Policy will require shareholder approval. The vote on the Directors' Remuneration Report is, as previously, an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Accordingly, Ordinary Resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 14 January 2014, to receive and approve the Directors' Remuneration Report and to receive and approve the Directors' Remuneration Policy.

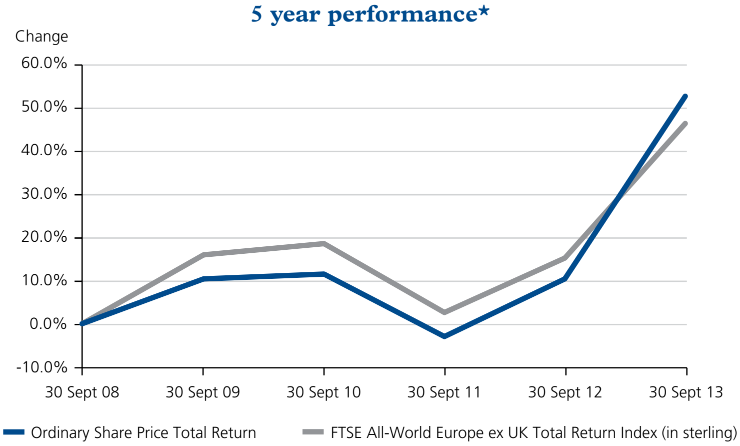
As the Board consists entirely of independent non-executive Directors, it is not considered appropriate for the Company to establish a separate remuneration committee, and the remuneration of the Directors is therefore dealt with by the Board as a whole.

During the year ended 30 September 2013, the fees were set at the rate of £28,000 for the Chairman and £19,000 for other Directors, with an additional payment of £1,500 to the Chairman of the Audit and Management Engagement Committee (currently the Chairman of the Board). Directors' fees were last increased on 1 October 2011.

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.

5 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 2013 (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 2013	Year to 30 September 2012	**Year to 30 September 2013**	Year to 30 September 2012
Douglas McDougall OBE (Chairman)	**£29,500**	£29,500	**£29,500**	£29,500
William Eason	**£19,000**	£19,000	**£19,000**	£19,000
Ralph Kanza (retired 30 July 2013)	**£15,782**	£19,000	**£15,782**	£19,000
Michael Moule	**£19,000**	£19,000	**£19,000**	£19,000
Dr Michael Woodward (appointed 1 August 2013)	**£3,167**	–	**£3,167**	–
	£86,449	£86,500	**£86,449**	£86,500

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 2013	30 September 2012 or date of appointment, if later
	Beneficial	Beneficial
Douglas McDougall OBE	**10,000**	10,000
William Eason	**10,000**	10,000
Michael Moule	**7,500**	7,500
Dr Michael Woodward (appointed 1 August 2013)	**1,723**	–

There have been no changes to these holdings between 30 September 2013 and the date of this report.

Mr Ralph Kanza held 10,000 ordinary shares of the Company as at 30 September 2012 and 30 July 2013, the date of his retirement.

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.

Directors' service contracts

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. The Company's policy when determining the duration of notice periods, and termination payments, under such letters of appointment is to follow prevailing best practice guidelines. Under the 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.

The Directors' Remuneration Report for the year ended 30 September 2012 was approved by shareholders at the Annual General Meeting held on 22 January 2013. The votes cast by proxy were as follows:

	Number of votes	**% of votes cast**
For	19,224,110	97.67%
Against	406,514	2.07%
At Chairman's discretion	51,484	0.26%
Total votes cast	19,682,108	100.00%
Number of votes withheld	175,190	

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 above policy.

The basic and additional fees payable to Directors in respect of the year ended 30 September 2013 and the proposed fees payable in respect of the year ending 30 September 2014 are set out in the table below. The fees payable to the Directors in respect of subsequent financial periods will be determined following an annual review, as detailed above. 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.

	Expected fees for year to 30 September 2014	Fees for year to 30 September 2013
Chairman basic fee	£28,000	£28,000
Non-executive Director basic fee	£19,000	£19,000
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 approval of shareholders would be required to increase the aggregate limit of £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.

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.

The Directors’ Remuneration Policy will be put to shareholders’ vote at least once every three years.

An Ordinary Resolution for the approval of this Directors’ Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. If approved by shareholders, the Directors’ Remuneration Policy will be effective immediately upon the passing of the Ordinary Resolution at the Annual General Meeting.

Approval

The Directors’ Remuneration Report was approved by the Board on 25 November 2013 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 2013, 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 2012, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. 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 2013 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 Board believes it is appropriate for the Chairman of the Company, Mr 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 Mr McDougall provides a valuable contribution to the Audit and Management Engagement Committee and that his chairmanship enhances the operation of the Committee and its interaction with the Board.

The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report on pages 20 to 22 provides information on the remuneration arrangements for the Directors of the Company.

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
- executive directors' remuneration
- the need for an internal audit function

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

Board of Directors

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy. The Board consists of four non-executive Directors whose individual knowledge and experience provide a balance of skills and expertise relevant to the Company and they consider that they commit sufficient time to the Company's affairs. Mr Moule is the Senior Independent Director. Brief biographical details of the Directors can be found on page 6.

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 2013. The performance of the Chairman was evaluated by the other Directors, led by the Senior Independent Director. The Board does not consider that in this case the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted.

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.

After sixteen years on the Board, Mr Kanza retired as a Director on 30 July 2013.

During the year ended 30 September 2013, the Directors determined that some refreshment of the Board would be beneficial and they considered the desired background and expertise to complement the skills currently on the Board. After evaluating a number of prospective candidates, Dr Woodward was appointed as a Director on 1 August 2013. The Board did not consider it necessary to advertise nor to employ the services of an external consultant.

Each Director has signed a letter of appointment to formalise in writing the terms of his engagement as a non-executive Director, copies of which are available on request from the Company Secretary. None of the Directors has a contract of service with the Company.

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 and risks. 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.

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

Election/re-election of Directors

Under the Company's Articles of Association, new Directors are required to stand for election at the first annual general meeting following their appointment. Dr Woodward was appointed as a Director on 1 August 2013 and will therefore stand for election at the forthcoming Annual General Meeting on 14 January 2014. As Dr Woodward has already made a valuable and effective contribution to your Company, the Board recommends you vote in favour of his election.

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 you vote in favour of their re-election.

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 four non-executive Directors, including Mr McDougall and Mr Moule, who have served as Directors for 14 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. The Committee meets formally at least twice a year and consists of Mr Eason, Mr Moule, Dr Woodward (from 1 August 2013) and Mr 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 primary responsibilities of the Audit and Management Engagement Committee are 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 performance, business model and strategy; to review the integrity and contents of the Company's Financial Statements and accounting policies; to consider compliance with regulatory and financial reporting requirements; to review the Company's internal control and risk management systems; to review annually the need for the Company to have its own internal audit function; to consider the independence and objectivity of the Auditors and the effectiveness of the audit; and to make recommendations to the Board in relation to the appointment and remuneration of the Auditors.

The Audit and Management Engagement Committee has direct access to the Auditors, PricewaterhouseCoopers LLP, who attend the relevant Audit and Management Engagement 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 Investment Manager being present.

All non-audit work proposed to be carried out by the Auditors must be approved by the Audit and Management Engagement Committee in advance to ensure that auditor objectivity and independence is safeguarded, and the Auditors may be excluded from carrying out certain types of non-audit work.

The Audit and Management Engagement Committee considers the performance of the Investment Manager, the terms of their engagement and, on an annual basis, the continued appointment of the Investment Manager and makes recommendations to the Board.

Report from the Audit and Management Engagement Committee

The Audit and Management Engagement 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; and
- reviewed the Company's Financial Statements and advised the Board accordingly.

There were no significant issues identified in relation to the Financial Statements.

No non-audit services were provided during the year ended 30 September 2013. Details of the fees paid to the Auditors are set out in note 4 of the Financial Statements on page 40.

PricewaterhouseCoopers LLP have been Auditors of the Company since 1998. Rotation of the audit partner takes place 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 Audit and Management Engagement Committee in selecting an alternative external auditor.

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

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 OBE	5	5	3	3
William Eason	5	5	3	3
Ralph Kanza	5	5	n/a	n/a
Michael Moule	5	5	3	3
Dr Michael Woodward (appointed 1 August 2013)	n/a	n/a	n/a	n/a

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.

In accordance with the guidance of the FRC on internal controls, 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 2013 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 2013 and up to the date the Financial Statements were approved.

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 Edinburgh Partners, to provide administrative services to the Company. In performing its functions, Edinburgh Partners delegates certain administrative tasks to third parties. The Company has obtained from Edinburgh Partners 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 controls are as follows:

- investment management is provided by Edinburgh Partners. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings;
- administration and company secretarial duties for the Company are performed by Edinburgh Partners. Kenneth J Greig, a director of Edinburgh Partners, is the Company Secretary and Capita Sinclair Henderson Limited provides certain accounting, administrative and secretarial support services to Edinburgh Partners;
- custody of assets is undertaken by JPMorgan Chase Bank, NA;
- 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; 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 Edinburgh Partners 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 Edinburgh Partners.

Corporate Governance (continued)

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 system of internal financial control during the year ended 30 September 2013, as set out above. No significant failings or weaknesses were identified.

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 2013 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 to the Board for ensuring timely delivery of information and reports and also for compliance with the statutory obligations of the Company.

Dialogue with shareholders

Communication with shareholders is given a high priority by both the Board and the Investment Manager. A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the Investment Manager, 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, during which the Board and 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 described in the Notice on pages 55 to 60. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the Registered Office address.

Copies of the Half-Yearly and Annual Reports 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

25 November 2013

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

Management report

Listed companies are required by the FCA's Disclosure 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 to 9 and the Investment Manager's Report on pages 10 and 11. Therefore no separate management report has been included.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 and applicable law) ("UK GAAP"). 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 have been followed, subject to any material departures disclosed and explained in the Financial Statements respectively; 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 and the Directors' Remuneration Report comply with the Act. 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 GAAP, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- 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; and
- 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 performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by the Auditors does not include 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. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

On behalf of the Board
Douglas McDougall
Chairman

25 November 2013

Independent Auditors' Report

to the Members of The European Investment Trust plc
for the year ended 30 September 2013

Report on the Financial Statements

Our opinion

In our opinion the Financial Statements, defined below,:

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of its net return and cash flows 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.

This opinion is to be read in the context of what we say below.

What we have audited

The Financial Statements, which are prepared by The European Investment Trust plc (the "Company"), comprise:

- the Balance Sheet as at 30 September 2013;
- the Income Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds and the Cash Flow Statement for the year then ended; and
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

What an audit of Financial Statements involves

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

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (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 misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the Financial Statements as a whole. We also took into account that matters below these thresholds may still be considered material for qualitative reasons.

Based on our professional judgement, we determined an overall materiality for the Financial Statements as a whole of £3.2 million, which is approximately 1% of net assets.

Although our audit was designed to identify material misstatements, we agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £0.16m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit
The Company is an investment trust company managed by an independent investment manager, Edinburgh Partners (the "Investment Manager"). The Financial Statements, which remain the responsibility of the Directors, are prepared on their behalf by the Investment Manager. The Investment Manager has, with the consent of the Directors, delegated the provision of certain accounting, administrative and secretarial support services to Capita Sinclair Henderson Limited (the "Company Administrator").

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Investment Manager and Company Administrator, and we assessed the control environment in place at both organisations to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the Financial Statements.

Areas of particular audit focus
In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through substantive procedures. As there is always a risk that any system of internal control will be overridden, this is always an area of focus in our audit.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of audit focus identified by our audit. We discussed these areas of focus with the Audit and Management Engagement Committee. Their report on those matters that they considered to be significant issues in relation to the Financial Statements is set out on page 25.

Area of focus	**How the scope of our audit addressed the area of focus**
Valuation and existence of investments We focused on this area because investments represent the principal element of the Financial Statements.	The investment portfolio comprises listed equity investments. We tested the valuation of the investment portfolio by agreeing the valuation of investments to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings to an independent custodian confirmation.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider management override of controls.	We tested journal entries to determine whether adjustments were supported by evidence and appropriately authorised. We also built an element of "unpredictability" into our detailed testing by testing immaterial and unusual items.

Going concern
Under the Listing Rules we are required to review the Directors' statement, as set out on page 17, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Financial Statements using the going concern basis of accounting. 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.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Corporate Governance Statement set out on pages 23 to 28 in the Annual Report with respect to internal control and risk management systems is consistent with the Financial Statements.

Other matters on which we are required to report by exception

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

Under the Companies Act 2006, we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code (the "Code"). We have nothing to report having performed our review.

On page 29 of the Annual Report, as required by the Code Provision C.1.1, the Directors state 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 performance, business model and strategy. On page 25, as required by C3.8 of the Code, the Audit and Management Engagement Committee has set out the significant issues that it considered in relation to the Financial Statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit; or
- the section of the Annual Report 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.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, 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
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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.

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

25 November 2013

Notes:

- The maintenance and integrity of the Company's website on the Edinburgh Partners' website is the responsibility of the Directors of the Company and of Edinburgh Partners; 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.
- 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 2013

		2013			2012		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Gains on investments at fair value	9	**–**	**65,516**	**65,516**	–	21,758	21,758
Foreign exchange gains/(losses)		**12**	**132**	**144**	(67)	(410)	(477)
Income	2	**10,413**	**–**	**10,413**	9,045	–	9,045
Investment management fee	3	**(1,387)**	**–**	**(1,387)**	(1,157)	–	(1,157)
Other expenses	4	**(429)**	**–**	**(429)**	(396)	–	(396)
Net return before finance costs and taxation		**8,609**	**65,648**	**74,257**	7,425	21,348	28,773
Finance costs	5	**(127)**	**–**	**(127)**	(124)	–	(124)
Net return before taxation		**8,482**	**65,648**	**74,130**	7,301	21,348	28,649
Tax on ordinary activities	6	**(901)**	**–**	**(901)**	(814)	–	(814)
Net return attributable to shareholders		**7,581**	**65,648**	**73,229**	6,487	21,348	27,835
		pence	**pence**	**pence**	pence	pence	pence
Return per ordinary share*	8	**18.02**	**156.05**	**174.07**	15.38	50.62	66.00

* 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.

A separate Statement of Total Recognised Gains and Losses has not been prepared as all such gains and losses are included in the Income Statement.

The notes on pages 38 to 50 form part of these Financial Statements.

Balance Sheet
as at 30 September 2013

	Note	2013 £'000	2012 £'000
Fixed assets investments:			
Investments at fair value through profit or loss	9	**322,601**	244,923
Current assets:			
Debtors	11	**972**	665
Cash at bank and short-term deposits		**2,545**	12,651
		3,517	13,316
Creditors: amounts falling due within one year	12	**2,896**	1,515
Net current assets		**621**	11,801
Net assets		**323,222**	256,724
Capital and reserves:			
Called up share capital	13	**10,517**	10,517
Share premium account		**123,749**	123,749
Capital redemption reserve		**8,294**	8,294
Capital reserve		**168,745**	103,097
Revenue reserve		**11,917**	11,067
Total equity shareholders' funds		**323,222**	256,724
		pence	pence
Net asset value per ordinary share*	14	**768.31**	610.24

* The net asset value per ordinary share is both the basic and diluted net asset value per ordinary share.

The Financial Statements on pages 34 to 50 were approved and authorised for issue by the Board of Directors of The European Investment Trust plc on 25 November 2013 and were signed on its behalf by:

Douglas McDougall
Chairman

Registered in England and Wales No. 1055384

The notes on pages 38 to 50 form part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2013

	Note	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 2013							
At 1 October 2012		**10,517**	**123,749**	**8,294**	**103,097**	**11,067**	**256,724**
Net return after taxation for the year		**–**	**–**	**–**	**65,648**	**7,581**	**73,229**
Dividends paid	7	**–**	**–**	**–**	**–**	**(6,731)**	**(6,731)**
At 30 September 2013		**10,517**	**123,749**	**8,294**	**168,745**	**11,917**	**323,222**
Year ended 30 September 2012							
At 1 October 2011		10,600	123,749	8,211	83,426	11,364	237,350
Net return after taxation for the year		–	–	–	21,348	6,487	27,835
Dividends paid	7	–	–	–	–	(6,784)	(6,784)
Shares purchased and cancelled	13	(83)	–	83	(1,677)	–	(1,677)
At 30 September 2012		10,517	123,749	8,294	103,097	11,067	256,724

The notes on pages 38 to 50 form part of these Financial Statements.

Cash Flow Statement
for the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Operating activities:			
Investment income received		**10,426**	8,979
Investment management fees paid		**(1,283)**	(1,166)
Other cash payments		**(476)**	(422)
Net cash inflow from operating activities	15	**8,667**	7,391
Servicing of finance:			
Interest paid		**(127)**	(124)
Taxation:			
Irrecoverable overseas tax paid		**(901)**	(814)
Recoverable overseas tax paid		**(154)**	(68)
Total taxation paid		**(1,055)**	(882)
Capital expenditure and financial investment:			
Purchases of investments		**(130,066)**	(93,093)
Sales of investments		**119,074**	102,936
Exchange losses on settlement		**(48)**	(225)
Net cash (outflow)/inflow from capital and financial investment		**(11,040)**	9,618
Equity dividends paid	7	**(6,731)**	(6,784)
Net cash (outflow)/inflow before financing		**(10,286)**	9,219
Financing:			
Payment for own shares purchased and cancelled		**–**	(1,677)
(Decrease)/increase in cash	16	**(10,286)**	7,542

The notes on pages 38 to 50 form part of these Financial Statements.

Notes to the Financial Statements
at 30 September 2013

1 Accounting policies

Basis of accounting
The Financial Statements are prepared on a going concern basis, under the historical cost convention (modified to include fixed asset investments at fair value), in accordance with the Act, UK GAAP and with the AIC SORP relating to the Financial Statements of Investment Trust Companies and Venture Capital Trusts. The Financial Statements have been prepared in accordance with the applicable accounting standards. The principal accounting policies detailed below have been applied consistently throughout the period.

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 in accordance with Financial Reporting Standard 16: "Current Taxation" 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 investment 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 Investment Manager.

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.

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, investment may be carried at cost less any provision for impairment.

1 Accounting policies (continued)

Cash at bank and short-term deposits

Cash at bank and short-term deposits comprises cash in hand and demand deposits. The carrying value of cash at bank and short-term deposits is equal to its fair value.

Foreign currency

The functional and presentation 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 Financial Reporting Standard 19: "Deferred Tax". 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.

Dividends payable to shareholders

Under Financial Reporting Standard 21: "Events after the Balance Sheet Date", 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

	2013 £'000	2012 £'000
Income from investments:		
Overseas dividends	**10,413**	9,045
Total income	**10,413**	9,045

3 Investment management fee

	2013 £'000	2012 £'000
Investment management fee	**1,387**	1,157

Edinburgh Partners was appointed to provide investment management, marketing and general administrative services to the Company with effect from 1 February 2010. Under the agreement, Edinburgh Partners is entitled to a fee paid quarterly in arrears, at the rate of 0.55% per annum of the market capitalisation of the Company. No performance fee will be paid.

During the year ended 30 September 2013, the investment management fees payable to Edinburgh Partners totalled £1,387,000 (2012: £1,157,000). At 30 September 2013, there was £396,000 outstanding payable to Edinburgh Partners (2012: £292,000) in relation to investment management fees.

In addition to the investment management fee, in the year ended 30 September 2013 the Company paid Edinburgh Partners £6,000 (2012: £19,000) for marketing-related services. At 30 September 2013 there was £nil outstanding to Edinburgh Partners (2012: £6,000) in relation to marketing-related services. This cost is included in other expenses as detailed in note 4 of these Financial Statements.

4 Other expenses

	2013 £'000	2012 £'000
Auditors' remuneration for:		
Audit services	**19**	18
Directors' remuneration*	**86**	87
Other	**324**	291
	429	396

* See the Directors' Remuneration Report on pages 20 to 22.

5 Finance costs

	2013 £'000	2012 £'000
Loan non-utilisation fee	**127**	124

On 19 September 2011, the Company entered into a Euro 30,000,000 secured multi-currency revolving loan facility agreement with Scotiabank Europe PLC for the purpose of pursuing its investment objective. The facility is available for three years and interest will be payable on amounts drawn down at the rate of 1.55% above the British Bankers' Association Interest Settlement Rate.

As at 30 September 2013, this facility had not been utilised. A non-utilisation fee of 0.5% per annum is payable.

6 Tax on ordinary activities

a) Analysis of charge for the year

	2013			2012		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Current tax:						
UK corporation tax	**–**	**–**	**–**	–	–	–
Overseas tax suffered	**901**	**–**	**901**	814	–	814
Total tax charge for the year	**901**	**–**	**901**	814	–	814

b) The standard rate of corporation tax in the UK ("corporation tax rate") was 24% in the year to 31 March 2013 and 23% in the year to 31 March 2014. Accordingly, the Company's profits for the year ended 30 September 2013 are taxed at an effective rate of 23.5% (2012: 25%). The corporation tax rate is expected to be reduced to 21% from 1 April 2014 and as a consequence, the effective rate of corporation tax for the Company for the year ending 30 September 2014 would be 22%. The corporation tax rate is expected to be reduced to 20% from 1 April 2015.

The taxation charge for the Company for the year ended 30 September 2013 is lower than the effective rate of 23.5% (2012: 25%). The differences are explained below:

	2013			2012		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Net return before taxation	**8,482**	**65,648**	**74,130**	7,301	21,348	28,649
Theoretical tax at UK corporation tax rate of 23.5% (2012: 25%)	**1,993**	**15,427**	**17,420**	1,825	5,337	7,162
Effects of:						
– Foreign dividends that are not taxable	**(2,025)**	**–**	**(2,025)**	(1,902)	–	(1,902)
– Non-taxable investment gains	**–**	**(15,427)**	**(15,427)**	–	(5,337)	(5,337)
– Disallowed expenses	**1**	**–**	**1**	6	–	6
– Unrelieved management expenses	**31**	**–**	**31**	71	–	71
– Overseas tax suffered	**901**	**–**	**901**	814	–	814
	901	**–**	**901**	814	–	814

c) Factors that may affect future tax charges

At 30 September 2013, the Company had unrelieved management expenses of £968,000 (2012: £836,000). It is unlikely that the Company will generate sufficient taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

In addition, due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 Dividends

Declared and paid	Payment date	2013 £'000	2012 £'000
Final dividend for the year ended 30 September 2012 of 12.0p	31 January 2013	**5,048**	–
Special dividend for the year ended 30 September 2012 of 4.0p	31 January 2013	**1,683**	–
Final dividend for the year ended 30 September 2011 of 12.0p	31 January 2012	**–**	5,088
Special dividend for the year ended 30 September 2011 of 4.0p	31 January 2012	**–**	1,696
		6,731	6,784

The Directors recommend a final dividend in respect of the year ended 30 September 2013 of 14.0p and a special dividend of 4.0p payable on 31 January 2014 to all shareholders on the register at close of business on 10 January 2014, a total of 18.0p (2012: 16.0p). The ex-dividend date will be 8 January 2014. The recommended final dividend and special dividend are subject to approval by shareholders at the Annual General Meeting to be held on 14 January 2014. Based on 42,069,371 ordinary shares in issue at the date of this report, the total dividend payment will amount to £7,572,000 as detailed below. In accordance with Financial Reporting Standard 21: "Events after the Balance Sheet date", final dividends and special dividends are accounted for in the period in which they are approved by shareholders. The recommended final dividend and special dividend have therefore not been included as a liability in these Financial Statements.

Proposed	2013 £'000	2012 £'000
2013 final dividend of 14.0p (2012: 12.0p) per ordinary share*	**5,889**	5,048
2013 special dividend of 4.0p (2012: 4.0p) per ordinary share*	**1,683**	1,683
	7,572	6,731

* Based on 42,069,371 shares in issue at 25 November 2013.

8 Return per ordinary share

	2013 Net return £'000	2013 Ordinary shares*	2013 Per share pence	2012 Net return £'000	2012 Ordinary shares*	2012 Per share pence
Net revenue return after taxation	**7,581**	**42,069,371**	**18.02**	6,487	42,172,762	15.38
Net capital return after taxation	**65,648**	**42,069,371**	**156.05**	21,348	42,172,762	50.62
Total return	**73,229**	**42,069,371**	**174.07**	27,835	42,172,762	66.00

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

9 Listed investments

	2013	2012
	£'000	£'000
Analysis of investment portfolio movements		
Opening book cost	**244,487**	268,775
Opening investment holding gains/(losses)	**436**	(32,095)
Opening valuation	**244,923**	236,680
Movements in the year:		
Purchases at cost	**131,382**	88,563
Sales – proceeds	**(119,220)**	(102,078)
Sales – realised gains/(losses) on sales	**20,945**	(10,773)
Investment holding gains	**44,571**	32,531
Closing valuation	**322,601**	244,923
Closing book cost	**277,594**	244,487
Closing investment holding gains	**45,007**	436
	322,601	244,923

	2013	2012
	£'000	£'000
Analysis of capital gains and losses		
Gains/(losses) on sales	**20,945**	(10,773)
Investment holding gains	**44,571**	32,531
Gains on investments	**65,516**	21,758

Fair value hierarchy

In accordance with Financial Reporting Standard 29: "Financial Instruments: Disclosures", 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 page 38. 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 2013, the Company incurred transaction costs of £231,000 (2012: £153,000) and £168,000 (2012: £143,000) on purchases and sales of investments respectively. These amounts are included in gains on investments at fair value, as disclosed in the Income Statement on page 34.

10 Significant holdings

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

11 Debtors

	2013	2012
	£'000	£'000
Due from brokers	**217**	71
Taxation recoverable	**723**	569
Prepayments and accrued income	**32**	25
	972	665

12 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Due to brokers	**2,349**	1,033
Other creditors and accruals	**151**	190
Management fee accrued	**396**	292
	2,896	1,515

13 Called-up share capital

	2013	2012
	£'000	£'000
Allotted, called-up and fully paid:		
42,069,371 (2012: 42,069,371) ordinary shares of 25p each	**10,517**	10,517

During the year to 30 September 2013, no ordinary shares were purchased and cancelled (2012: 331,377 ordinary shares were purchased and cancelled at a cost of £1,677,000).

Duration of the Company

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

14 Net asset value per share

	2013	2012
Net asset value per ordinary share	**768.31p**	610.24p

The net asset value per ordinary share is based on net assets of £323,222,000 (2012: £256,724,000) and on 42,069,371 (2012: 42,069,371) ordinary shares, being the number of ordinary shares in issue at the year end.

15 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2013	2012
	£'000	£'000
Net return before finance costs and taxation	**74,257**	28,773
Adjust for returns from non-operating activities:		
– Gains on investments	**(65,516)**	(21,758)
– Foreign exchange (gains)/losses of a capital nature	**(132)**	410
Return from operating activities	**8,609**	7,425
Adjustment for non-cash flow items:		
– Increase in debtors and accrued income	**(7)**	(1)
– Increase/(decrease) in creditors and accruals	**65**	(33)
Net cash inflow from operating activities	**8,667**	7,391

16 Reconciliation of net cash flows to movement in net cash

	2013	2012
	£'000	£'000
Movement in net cash resulting from cash flows	**(10,286)**	7,542
Foreign exchange movements	**180**	(185)
Movement in net cash	**(10,106)**	7,357
Net cash brought forward	**12,651**	5,294
Net cash carried forward	**2,545**	12,651

Analysis of net cash

	At 1 October 2012	Cash flows	Foreign exchange movement	At 30 September 2013
	£'000	£'000	£'000	£'000
Cash at bank	**12,651**	**(10,286)**	**180**	**2,545**

	At 1 October 2011	Cash flows	Foreign exchange movement	At 30 September 2012
	£'000	£'000	£'000	£'000
Cash at bank	5,294	7,542	(185)	12,651

17 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:

	2013 Total £'000	2013 No interest rate exposure £'000	2013 Cash flow interest rate risk exposure £'000	2012 Total £'000	2012 No interest rate exposure £'000	2012 Cash flow interest rate risk exposure £'000
Equity shares						
Euro	**254,550**	**254,550**	**–**	193,115	193,115	–
Swiss franc	**27,579**	**27,579**	**–**	25,944	25,944	–
Danish kroner	**20,664**	**20,664**	**–**	4,828	4,828	–
US dollar	**7,419**	**7,419**	**–**	6,973	6,973	–
Swedish krona	**6,678**	**6,678**	**–**	7,572	7,572	–
Sterling	**5,711**	**5,711**	**–**	–	–	–
Norwegian krone	**–**	**–**	**–**	6,491	6,491	–
Cash at bank and short-term deposits						
Euro	**2,499**	**–**	**2,499**	12,568	–	12,568
Sterling	**46**	**–**	**46**	83	–	83
Debtors						
Euro	**776**	**776**	**–**	373	373	–
Swiss franc	**67**	**67**	**–**	217	217	–
Sterling	**24**	**24**	**–**	18	18	–
Norwegian krone	**97**	**97**	**–**	50	50	–
NZ dollar	**8**	**8**	**–**	7	7	–
Creditors: amounts falling due within one year						
Euro	**(1,708)**	**(1,708)**	**–**	–	–	–
Danish kroner	**(641)**	**(641)**	**–**	(1,033)	(1,033)	–
Sterling	**(547)**	**(547)**	**–**	(482)	(482)	–
	323,222	**320,677**	**2,545**	256,724	244,073	12,651

	2013	2012
Exchange rates vs sterling		
Euro	**1.1963**	1.2552
Swiss franc	**1.4644**	1.5176
Danish kroner	**8.922**	9.3571
US dollar	**1.6194**	1.6148
Swedish krona	**10.4016**	10.5876
Norwegian krone	**9.7395**	9.2444
NZ dollar	**1.9443**	1.9439

18 Risk analysis

The Company is an investment company, whose shares are admitted to trading on the London Stock Exchange and are listed on 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 Corporation Tax Act 2010. 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 Investment Manager, is responsible for the Company's risk management, as set out on pages 14 and 15 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 Investment Manager 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 14 and 15 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 or ungeared in a rising 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 12 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.

18 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 2013 are disclosed in note 17 of these Financial Statements on page 46.

The majority of the Company's assets were non-interest bearing as at 30 September 2013. There was no exposure to interest bearing liabilities during the year ended 30 September 2013.

If interest rates had reduced by 0.25% (2012: 0.25%) from those obtained as at 30 September 2013 it would have the effect, with all other variables held constant, of reducing the net revenue return before taxation and therefore reducing net assets on an annualised basis by £6,000 (2012: £32,000). If there had been an increase in interest rates of 0.25% (2012: 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 and short-term deposits as at 30 September 2013 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 2013 are disclosed in note 17 of these Financial Statements on page 46.

If sterling had strengthened by 10% against all other currencies on 30 September 2013, with all other variables held constant, it would have had the effect of reducing the net capital return before taxation by £31,799,000 (2012: £25,711,000), the net revenue return before taxation by £1,029,000 (2012: £892,000) and therefore would reduce net assets by £32,828,000 (2012: £26,603,000). 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 2013 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 2013 is the fair value of investments of £322,601,000 (2012: £244,923,000).

18 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 2013, 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 £64,520,000 (2012: £48,985,000). 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 2013 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 2013. 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 JPMorgan Chase Bank, NA 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.

The maximum exposure to credit risk as at 30 September 2013 was £326,118,000 (2012: £258,239,000). The calculation is based on the Company's credit risk exposure as at 30 September 2013 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.

18 Risk analysis (continued)

Gearing risk (continued)

On 19 September 2011, the Company entered into a three-year Euro 30,000,000 secured multi-currency revolving loan facility with Scotiabank Europe PLC. As at 30 September 2013, none of this facility had been utilised and the Company therefore had no gearing at 30 September 2013 (2012: £nil). The principal covenants are (a) that the adjusted asset coverage ratio must be not less than 4.00 to 1.00, and (b) that the net asset value of the Company must be not less than £120,000,000 at any time.

The Board undertakes an annual assessment and review of all the risks stated above and in the Strategic Report on pages 14 and 15 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.

19 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, which have been met throughout the year:

- as a public company, the Company has a minimum share capital of £50,000;
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by company law.

Changes to ordinary share capital are set out in note 13 of these Financial Statements on page 44. Dividend payments are set out in note 7 of these Financial Statements on page 42.

The Company's capital comprises:

	2013	2012
	£'000	£'000
Called-up share capital	**10,517**	10,517
Share premium account	**123,749**	123,749
Capital redemption reserve	**8,294**	8,294
Capital reserve	**168,745**	103,097
Revenue reserve	**11,917**	11,067
Total equity shareholders' funds	**323,222**	256,724

The capital reserve consists of realised capital reserves of £123,728,000 and unrealised capital gains of £45,017,000 (2012: realised capital reserves of £102,662,000 and unrealised capital gains of £435,000). The unrealised capital gains consist of unrealised investment holding gains of £45,007,000 (2012: unrealised investment holding gains of £436,000) and unrealised foreign exchange gains of £10,000 (2012: unrealised foreign exchange losses of £1,000).

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

20 Transactions with the Investment Manager

Information with respect to transactions with the Investment Manager is provided in note 3 of these Financial Statements on page 40 and on page 14 in the Strategic Report.

Ten Year Record

Assets

at 30 September (£'000)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Total assets	332,448	350,088	415,207	437,207	495,931	304,198	290,155	277,847	237,350	256,724	**323,222**
Loans	12,617	20,728	23,853	30,517	31,411	11,820	–	–	–	–	**–**
Net assets	319,831	329,360	391,354	406,690	464,520	292,378	290,155	277,847	237,350	256,724	**323,222**

Net asset value ("NAV")

at 30 September	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
NAV per share – pence	433.7	484.4	624.9	731.2	897.3	599.4	634.2	650.7	559.8	610.2	**768.3**
NAV total return on 100p – 5 years (per AIC)											**144.8**
NAV total return on 100p – 10 years (per AIC)											**207.3**

Share price

at 30 September	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Share price – pence	349.5	417.0	560.0	664.5	812.5	518.0	554.0	545.0	462.5	508.0	**684.5**
Discount to NAV – %	19.4	13.9	10.4	9.1	9.5	13.6	12.6	16.2	17.4	16.8	**10.9**
Share price high – pence	388.5	430.0	561.5	690.0	864.0	840.0	554.0	576.0	621.0	552.0	**700.0**
Share price low – pence	258.5	352.0	418.0	533.5	653.0	514.0	317.5	465.5	450.1	446.0	**500.0**
Share price total return on 100p – 5 years (per AIC)											**152.1**
Share price total return on 100p – 10 years (per AIC)											**240.5**

Revenue

for the year ended 30 September

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Available for ordinary shares – £'000s	4,864	3,623	4,680	5,043	4,321	7,264	6,284	6,042	7,198	6,487	**7,581**
Earnings per share – pence	6.5	5.1	7.0	8.7	8.0	14.3	13.2	13.8	17.0	15.4	**18.0**
Dividends per share – pence	6.5[1]	5.4[1]	7.5[1]	9.0[1]	8.3[1]	14.9[2]	13.6[3]	14.0[4]	16.0[5]	16.0[5]	**18.0**[6]

[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.

Performance

(rebased to 100 at 30 September 2003)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
NAV per share	100.0	111.7	144.1	168.6	206.9	138.2	146.2	150.0	129.1	140.7	**177.2**
Share price	100.0	119.3	160.2	190.1	232.5	148.2	158.5	155.9	132.3	145.4	**195.9**
Earnings per share	100.0	78.1	106.6	133.5	122.9	218.7	202.4	210.9	259.5	235.2	**275.5**
Dividends per share	100.0	83.1	115.4	138.5	127.7	229.2	209.2	215.4	246.2	246.2	**276.9**
Retail price index	100.0	103.1	105.8	109.6	114.0	119.7	118.0	123.5	130.4	133.8	**138.0**

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Operating costs (£'000s)	2,577	2,769	3,069	3,153	3,514	2,549	1,863	1,728	1,692	1,553	**1,739**
Operating costs as a percentage of:											
Average net assets – %	0.9	0.8	0.8	0.8	0.8	0.7*	0.8*	0.6	0.6	0.6	**0.6**
Average total assets – %	0.8	0.7	0.8	0.7	0.7	0.7*	0.8*	0.6	0.6	0.6	**0.6**

* Excludes VAT recovered in respect of management fees.

Gearing

at 30 September	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Effective gearing– %	1.5	5.9	2.8	6.5	8.1	(2.0)	(0.3)	(2.9)	(0.3)	(4.6)	**(0.1)**
Fully invested gearing – %	3.9	6.3	6.2	7.5	6.8	4.0	0.0	0.0	0.0	0.0	**0.0**

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 average of net assets.
Average total assets	The average of total assets.
Effective gearing	Loans, less cash (adjusted for settlements), as a percentage of net assets.
Fully invested gearing	Loans 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, Junior ISAs and SIPPs
Individual Savings Accounts, Junior 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 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 in either additional shares of the trust at the time the shares go ex-dividend (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. The Company's ordinary shares can be bought or sold through a stockbroker or financial adviser. The ordinary shares are eligible for inclusion in ISAs, Junior ISAs and SIPPs. These are available through Alliance Trust Savings, who also offer the opportunity to invest in the Company through a Dealing Account. The Company's shares are also available on other share trading platforms.

Frequency of NAV publication
The Company's ordinary share 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 Edinburgh Partners' website 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 Edinburgh Partners' website at www.edinburghpartners.com. Other useful information on investment trusts, such as prices, net asset values 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 0870 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.computershare.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
Interim results announced	May

Interim management statements
In accordance with the Disclosure and Transparency Rules, the Company will be releasing Interim Management Statements ("IMS") for the quarters ending 31 December 2013 and 30 June 2014. These will be released to the London Stock Exchange and the New Zealand Stock Exchange and may be viewed at the Company's website www.theeuropeaninvestmenttrust.com.

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-FIRST ANNUAL GENERAL MEETING of the Company will be held at Brewers' Hall, Aldermanbury Square, London EC2V 7HR on Tuesday, 14 January 2014, at 11.00 am 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, if thought fit, to accept the Strategic Report, Directors' Report, Auditors' Report and the audited Financial Statements for the year ended 30 September 2013.	Resolution 1
2	To receive and approve the Directors' Remuneration Report for the year ended 30 September 2013.	Resolution 2
3	To receive and approve the Directors' Remuneration Policy.	Resolution 3
4	To re-appoint PricewaterhouseCoopers 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 elect Dr Michael T Woodward as a Director of the Company.	Resolution 6
7	To re-elect Mr Douglas C P McDougall OBE as a Director of the Company.	Resolution 7
8	To re-elect Mr William D Eason as a Director of the Company.	Resolution 8
9	To re-elect Mr Michael B Moule as a Director of the Company.	Resolution 9
10	To declare a final dividend of 14.0p per ordinary share for the year ended 30 September 2013.	Resolution 10
11	To declare a special dividend of 4.0p per ordinary share for the year ended 30 September 2013.	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 6,306,198 (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 mid-market price 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(1) of the Buy-Back and Stabilisation Regulations 2003;

(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 2015), 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 £3,505,780 (being approximately one-third of the issued share capital as at 25 November 2013); and

(b) comprising equity securities (within the meaning of Section 560 of the Act) up to a further aggregate nominal amount of £3,505,780 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 2015) 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 13 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 £525,867 (being approximately 5% of the issued share capital as at 25 November 2013),

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 2015), 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

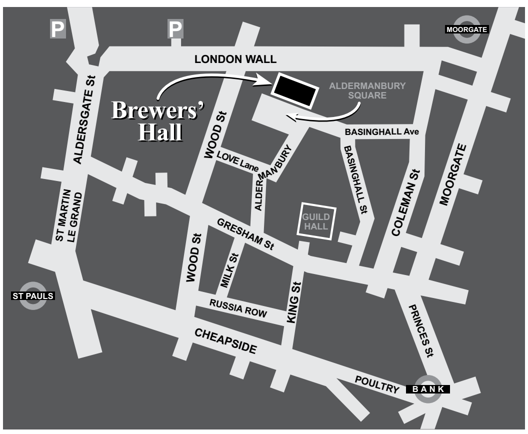
THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

By order of the Board
Kenneth J Greig
Company Secretary

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

25 November 2013

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 together with any power of attorney (if any) under which it is signed (or a certified copy thereof) not later than 48 hours (excluding non-business days) before the time of the meeting or any adjournment thereof. 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 25 November 2013, the Company's issued share capital amounted to 42,069,371 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 10 January 2014 (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: 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 12: The Annual Report 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.

Notes