

# **The European Investment Trust plc**

Annual Report and Financial Statements  
for the year ended 30 September 2014

# Contents

Corporate Information	1
Company Summary	2
Financial Summary	3
Portfolio of Investments	4
Distribution of Investments	5
Directors and Investment Manager	6
Strategic Report including:	7
Chairman's Statement	7
Investment Manager's Report	9
Other Statutory Information	11
Directors' Report	16
Directors' Remuneration Report	19
Corporate Governance	23
Report from the Audit and Management Engagement Committee	28
Management Report and Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements	30
Independent Auditors' Report	31
Income Statement	36
Balance Sheet	37
Reconciliation of Movements in Shareholders' Funds	38
Cash Flow Statement	39
Notes to the Financial Statements	40
Ten Year Record	53
Glossary of Investment Trust Technical Terms	55
Shareholder Information	56
Notice of Annual General Meeting	57
Form of Proxy	Enclosed separately

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

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

Registered in England and Wales Number 1055384

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

# Corporate Information

## **Directors (all non-executive)**

Douglas C P McDougall OBE (Chairman)  
William D Eason  
Michael B Moule  
Dr Michael T Woodward

## **Company Secretary and Registered Office**

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

## **Alternative Investment Fund Manager**

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

## **Investment Manager**

Edinburgh Partners Limited  
27-31 Melville Street  
Edinburgh  
EH3 7JF  
Tel: 0131 270 3800  
Fax: 0131 270 3801  
e-mail: [enquiries@edpam.com](mailto:enquiries@edpam.com)  
[www.edinburghpartners.com](http://www.edinburghpartners.com)

## **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

## **Registrar – UK**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Tel: 0870 889 4086  
email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)  
[www.computershare.co.uk](http://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

## **Depository**

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

## **Custodian**

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

## **Stockbroker**

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

## **Bankers**

JPMorgan Chase Bank, NA  
1 Chaseside  
Bournemouth  
BH7 7DA

# Company Summary

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

**Shareholders' funds** £336,729,000 at 30 September 2014.

**Market capitalisation** £314,994,000 at 30 September 2014.

**Capital structure** As at 30 September 2014 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 New 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").

**Alternative Investment Fund Manager** Edinburgh Partners AIFM Limited (the "AIFM").

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

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

## Ten Year Record

**Performance** (rebased to 100 at 30 September 2004)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share	100.0	129.0	150.9	185.2	123.7	130.9	134.3	115.6	126.0	158.6	165.2
Share price	100.0	134.3	159.4	194.8	124.2	132.9	130.7	110.9	121.8	164.1	179.6
Earnings per share	100.0	136.4	170.8	157.3	279.8	259.1	269.9	332.1	301.0	352.6	290.6
Dividends per share	100.0	138.9	166.7	153.7	275.9	251.9	259.3	296.3	296.3	333.3	277.8
Retail price index	100.0	102.7	106.4	110.6	116.1	114.5	119.8	126.5	129.8	133.9	136.9

# Financial Summary

<b>Results for year</b>	<b>30 September 2014</b>	30 September 2013	Change
Shareholders' funds	<b>£336.73m</b>	£323.22m	4.2%
Net asset value per ordinary share ("NAV")	<b>800.41p</b>	768.31p	4.2%
Share price per ordinary share	<b>748.75p</b>	684.50p	9.4%
Share price discount to NAV	<b>6.5%</b>	10.9%	
	<b>Year to</b>	Year to	
	<b>30 September 2014</b>	30 September 2013	
Revenue return per ordinary share*	<b>14.85p</b>	18.02p	
Capital return per ordinary share*	<b>35.26p</b>	156.05p	
Total return per ordinary share*	<b>50.11p</b>	174.07p	
Final dividend per ordinary share**	<b>14.00p</b>	14.00p	
Special dividend per ordinary share**	<b>1.00p</b>	4.00p	
Total dividend per ordinary share**	<b>15.00p</b>	18.00p	

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

\*\* Proposed dividend for the year.

<b>Year's high/low</b>	<b>Year to</b>	Year to
	<b>30 September 2014</b>	30 September 2013
NAV – high	<b>870.31p</b>	784.91p
– low	<b>777.76p</b>	604.41p
Share price – high	<b>794.50p</b>	700.00p
– low	<b>690.00p</b>	500.00p
Share price discount to NAV		
– low	<b>6.4%</b>	9.7%
– high	<b>12.4%</b>	18.6%

<b>Performance</b>	<b>Year to</b>	Year to
	<b>30 September 2014</b>	30 September 2013
NAV Total Return	<b>6.4%</b>	28.9%
FTSE All-World Europe ex UK Index Total Return*	<b>5.3%</b>	27.1%

\* 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.

<b>Cost of running the Company</b>	<b>Year to</b>	Year to
	<b>30 September 2014</b>	30 September 2013
Ongoing charges*	<b>0.61%</b>	0.59%

\* 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 2014

Rank 2014	Rank 2013	Company	Sector	Country	Valuation £'000	% of Net Assets 2014	% of Net Assets 2013
1	9	Danske Bank	Financials	Denmark	10,910	3.2	2.7
2	–	Roche	Health Care	Switzerland	10,819	3.2	–
3	23	BNP Paribas	Financials	France	10,739	3.2	2.4
4	3	Gerresheimer	Health Care	Germany	10,621	3.2	3.0
5	–	Novartis	Health Care	Switzerland	10,482	3.1	–
6	7	PostNL	Industrials	Netherlands	10,438	3.1	2.8
7	–	BB Biotech	Health Care	Switzerland	10,242	3.0	–
8	–	Sanofi	Health Care	France	9,858	2.9	–
9	–	Delta Lloyd	Financials	Netherlands	9,835	2.9	–
10	4	ENI	Oil & Gas	Italy	9,747	2.9	2.9
11	–	Royal Dutch Shell*	Oil & Gas	Netherlands	9,608	2.9	–
12	26	Valeo	Consumer Goods	France	9,191	2.7	2.3
13	18	Ryanair	Consumer Services	Ireland	9,036	2.7	2.5
14	14	Prysmian	Industrials	Italy	9,002	2.7	2.6
15	19	BBVA	Financials	Spain	8,923	2.7	2.5
16	27	Volkswagen**	Consumer Goods	Germany	8,855	2.6	2.3
17	–	GAM	Financials	Switzerland	8,820	2.6	–
18	–	United Internet	Technology	Germany	8,704	2.6	–
19	6	Indra Sistemas	Technology	Spain	8,520	2.5	2.8
20	34	Fresenius Medical Care	Health Care	Germany	8,450	2.5	2.1
21	25	GEA	Industrials	Germany	8,276	2.5	2.4
22	12	Piaggio	Consumer Goods	Italy	8,185	2.4	2.6
23	35	Heineken	Consumer Goods	Netherlands	8,111	2.4	1.9
24	2	Orange	Telecommunications	France	8,101	2.4	3.2
25	–	Unipol Gruppo Finanziario	Financials	Italy	7,880	2.3	–
26	–	KPN	Telecommunications	Netherlands	7,778	2.3	–
27	32	Total	Oil & Gas	France	7,480	2.2	2.1
28	33	Swedbank	Financials	Sweden	7,214	2.1	2.1
29	40	SAP	Technology	Germany	7,020	2.1	1.6
30	30	ABB	Industrials	Switzerland	6,920	2.1	2.3
31	–	Hexagon	Industrials	Sweden	6,895	2.1	–
32	–	Portugal Telecom	Telecommunications	Portugal	6,773	2.0	–
33	–	Pirelli	Consumer Goods	Italy	6,656	2.0	–
34	15	Aryzta	Consumer Goods	Switzerland	6,597	2.0	2.5
35	8	Nutreco	Consumer Goods	Netherlands	6,141	1.8	2.7
36	42	TDC	Telecommunications	Denmark	6,078	1.8	1.2
37	–	Outotec	Industrials	Finland	5,958	1.8	–
38	–	Leoni	Industrials	Germany	5,162	1.5	–
39	31	Ipsos	Consumer Services	France	4,941	1.5	2.3
40	41	Feintool International	Industrials	Switzerland	4,695	1.4	1.3
41	13	Vivendi	Consumer Services	France	4,035	1.2	2.6
Prior year investments sold during the year							38.1
<b>Total equity investments</b>					<b>333,696</b>	<b>99.1</b>	99.8
<b>Cash and other net assets</b>					<b>3,033</b>	<b>0.9</b>	0.2
<b>Net assets</b>					<b>336,729</b>	<b>100.0</b>	100.0

\* The investment is in Class A ordinary shares.

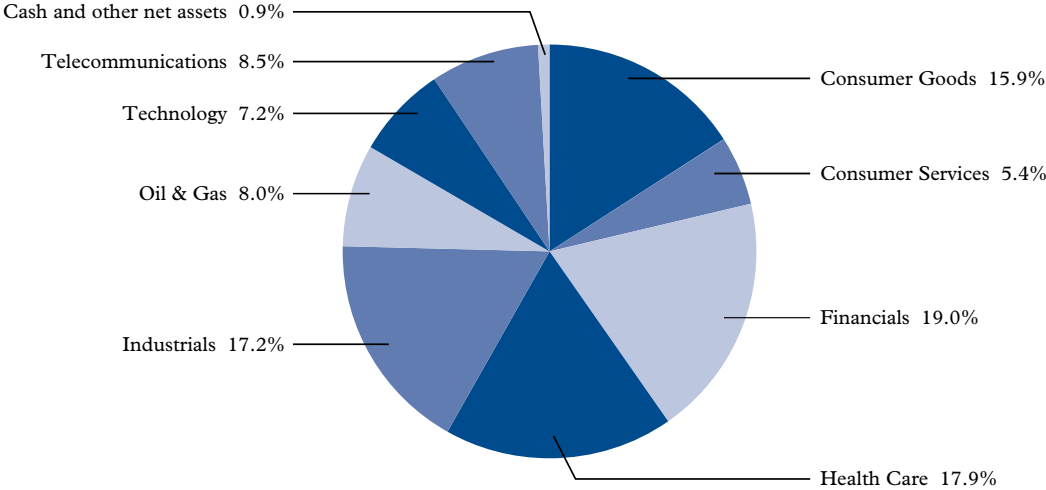
\*\* The investment is in non-voting shares.

Of the ten largest portfolio investments as at 30 September 2014, the valuations at the previous year end, 30 September 2013, were Danske Bank £8,655,000; BNP Paribas £7,854,000; Gerresheimer £9,804,000; PostNL £9,012,000; and ENI £9,391,000. Roche, Novartis, BB Biotech, Sanofi and Delta Lloyd were all new purchases made during the year ended 30 September 2014.

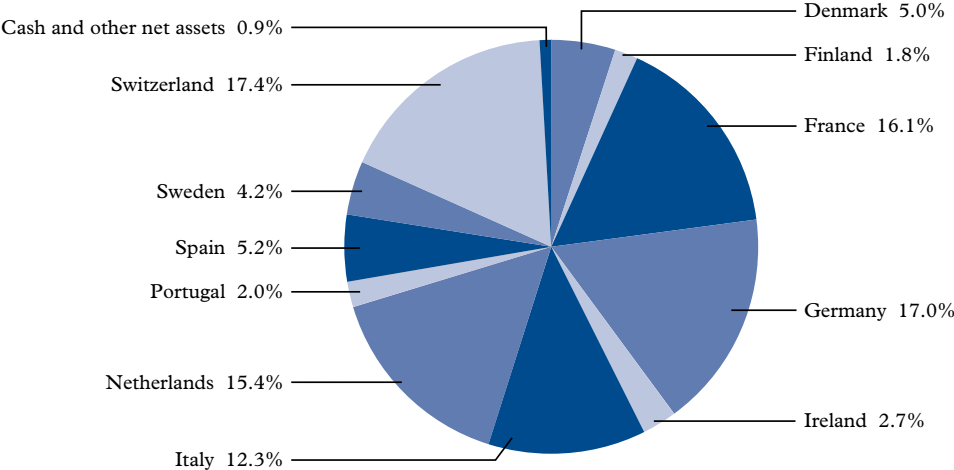
# Distribution of Investments

as at 30 September 2014 (% of net assets)

## Sector distribution



## Geographical distribution



# Directors and Investment Manager

## Directors

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

### **Douglas C P McDougall OBE (Chairman)**

Douglas McDougall is chairman of The Independent Investment Trust PLC 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 a Director of the Company in 1999, and became Chairman that year.

### **William D Eason**

William Eason is Director 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 and is a former chairman of Henderson High Income Trust plc. He was appointed 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 a Director of the Company in 2004.

### **Dr Michael T Woodward**

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 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 2014, the net asset value per share of your Company increased by 4.2% from 768.31p to 800.41p. After taking account of dividends paid in the year of 18.0p, the net asset value total return was 6.4%. This compares with the total return of 5.3% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

During the year, the Company’s share price increased by 9.4% from 684.50p to 748.75p. 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 10.9% to 6.5%. The share price total return, taking account of the 18.0p dividend paid in the year, was 12.1%.

From the appointment of Edinburgh Partners as Investment Manager on 1 February 2010, the net asset value total return to 30 September 2014 was 46.3%. This compares with the total return of 39.3% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

### Revenue

As a consequence of changes in the portfolio of investments and the strength of sterling against the euro, there was a decrease in revenue per share in the year to 30 September 2014 from 18.02p to 14.85p. The Company continues to have a low ongoing charges ratio. For the year to 30 September 2014, the ongoing charges ratio was 0.61%, a marginal increase on the previous year’s ratio of 0.59%.

### Dividends

The Board recommends a final dividend of 14.0p per share and a special dividend of 1.0p per share, a total of 15.0p per share. The proposed total dividend of 15.0p compares with the prior year total dividend of 18.0p. For the prior year, the final dividend was 14.0p and the special dividend was 4.0p. Our aim is to pay a final dividend which we regard as likely to be sustainable and to distribute any further earnings by way of a special dividend.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, these dividends will be paid on 30 January 2015 to shareholders on the register at the close of business on 9 January 2015. The ex-dividend date will be 8 January 2015.

### Share buybacks

The Board continually monitors the discount or premium at which the shares trade relative to net asset value per share. As detailed above in the Results section, there was a further reduction in the share price discount to net asset value per share 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

In the year under review, the most significant changes were the increase in exposure to the health care sector from 5.1% of net assets at the prior year end to 17.9%, and the reduction in the consumer services sector exposure from 19.3% to 5.4%. Partly as a consequence of the increase in exposure to the health care sector, there was a significant increase in the Company’s investment in Switzerland from 8.5% to 17.4%. During the year, new holdings were established in a number of Swiss health care stocks, including Roche, Novartis and BB Biotech, and as at 30 September 2014 these stocks were the second, fifth and seventh largest stocks in the portfolio. In contrast, there was a reduction in the Company’s investments in the periphery of Europe, with the most notable being the reduction in Spain from 11.2% to 5.2% as a move to a more defensive portfolio strategy was implemented.

Following the substantial increase in the Company’s exposure to the telecoms sector in the prior year, there continued to be high exposure, with 8.5% of net assets invested in the sector at the year end. The Investment Manager continues to believe that regulatory and corporate developments will continue to be positive for companies in the sector. During the year under review, there were a number of changes in the Company’s holdings in the telecoms sector. While the Company continued to hold its investments in Orange and TDC, there were disposals of Belgacom in Belgium and Ziggo in the Netherlands. Portugal Telecom and KPN, based in the Netherlands, were purchased during the year.

## Strategic Report (continued)

The Company remained almost fully invested throughout the year and cash and other net assets remained at low levels, marginally increasing from 0.2% to 0.9% of net assets at the year end. There was a marginal reduction in the number of investments held, from 42 to 41.

### **Gearing**

The Company entered into a three-year euro 30 million secured multi-currency revolving loan facility agreement with Scotiabank Europe PLC in September 2011. The facility was not utilised and it was decided to cancel it with effect from 3 July 2014. The Directors, in conjunction with the AIFM and the Investment Manager, will continue to assess whether they believe it is in the best interests of shareholders to put in place a new gearing facility.

### **Alternative Investment Fund Managers' Directive ("AIFMD")**

In order to comply with the AIFMD, which was conceived to provide additional protection to investors, in July 2014 the Company appointed Edinburgh Partners AIFM Limited to act as its Alternative Investment Fund Manager ("AIFM"). The Investment Management Agreement between the Company and Edinburgh Partners, which is not authorised as an AIFM, has been terminated, but the AIFM has delegated the function of managing the Company's investment portfolio to Edinburgh Partners, the manager of the Company's assets since 1 February 2010. There has been no change to the arrangements in respect of the management fee and the notice period.

The Company has appointed Northern Trust Global Services Limited as its Depositary. Custody services, which were previously supplied by JPMorgan Chase Bank, are now being provided by The Northern Trust Company, as a delegate of the Depositary.

Further details about the management and depositary agreements for the Company are set out on page 13.

### **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, 20 January 2015 at Brewers' Hall, Aldermanbury Square, London EC2V 7HR. We look forward to meeting all shareholders who are able to attend.

### **Outlook**

Following the substantial rise in share prices seen in the previous financial year and the slower than expected recovery in corporate earnings in the year under review, European equities are trading at more demanding valuations. Like other equity markets, those of Europe face wider geopolitical and economic uncertainties. However, in view of the current accommodative stance being pursued by the European Central Bank and the potential for economic recovery in Europe, we remain fully invested.

**Douglas McDougall**

Chairman

27 November 2014

# Strategic Report (continued)

## Investment Manager's Report

### Economic and Investment Overview

The recovery from the combined impact of the global financial crisis and the Eurozone crisis was always likely to be protracted and fragile. At the start of the financial year, equity markets expected European economies to deliver growth and companies to report a strong progression in their earnings. Equity markets are always more vulnerable to disappointments when aggregate stock market valuations are above average. As the year progressed and these expectations failed to materialise, equity markets responded with a period of volatility, both prior to the Company's year end and immediately thereafter.

When confidence is fragile it does not take much for markets to take fright, and this proved to be the case. Although not the only geopolitical concern, the main risk for much of the year has been centred in Ukraine. Despite leaving the Russian economy vulnerable to recession, President Putin pressed on with his annexation strategy. The eventual outcome in the Ukraine is difficult to predict, but this had a clear detrimental impact on economic confidence throughout Europe.

Europe's updated post-crisis report card shows a wide range of results. Growth is projected to be strongest in Spain, Ireland and Portugal as these countries have taken on much of the recommended advice and made structural changes to their economies. At the other end of the spectrum, reforms are badly needed in Italy and France in order to lift moribund growth rates.

The current economic uncertainty brings risks. As we look forward to 2015, a combination of falling oil prices, a declining euro exchange rate and an accommodative monetary policy pursued by the European Central Bank should see economic growth rates recover. Whilst it is our belief that European economic recovery is only delayed, we should not overlook the fact that this is not a normal economic recovery and achievable growth rates, both within and outside Europe, are likely to be below levels delivered for much of the last 15 years. This is a consequence of the need for there to be a gradual reduction in what are still elevated levels of total debt.

### Portfolio Strategy

Towards the end of 2013 and at the start of 2014, as economic recovery was starting to be priced into share valuations, we started to reduce the risk profile of the portfolio. Amongst the positions sold were A.P. Moller-Maersk (shipping conglomerate), Azimut (Italian asset manager) and Gazprom (Russian gas operator). The largest increase was made in the health care sector, where the combination of improving sales growth prospects alongside reasonable valuations provided attractive investment opportunities. Investments were made in Novartis, Roche, Sanofi and BB Biotech, adding to existing positions in Fresenius Medical Care (kidney dialysis and care) and Gerresheimer (pharmaceutical packaging).

Most of the subsequent activity in the portfolio has been stock specific. Examples of two recent additions to the portfolio are Hexagon and United Internet.

Hexagon is a Swedish company and a global leader in measurement technologies. The measurement technology market can be segmented by the level of precision required. The macro/geospatial market segment measures large objects such as bridges, dams and roads. The micro market segment, where precision is down to 0.3 micrometres, has more industrial applications, such as ensuring drilling measurements on production lines conform to CAD drawings. Hexagon's technology can provide substantial cost savings to their customers. Precision measurement and visualisation technology is a growth sector, albeit with some cyclicity. Hexagon's strategy is transitioning the company from a provider of hardware to one where increasing revenues are being generated from a more recurring software business model. This should lead to increasing earnings over time. We also expect a continuation of the company's acquisition strategy to augment organic growth.

United Internet is a provider of telecom and internet services, primarily in Germany. Its telecom business has a strong position in both the provision of fixed line and mobile services to the German consumer. The internet business is the leading provider of web hosting, cloud and related services to the domestic SME sector. These core businesses share the characteristics of steady growth and visible cash generation. The company's strong balance sheet has allowed it to make some interesting investments outside its core business, and earning a return on these investments is also a part of our investment case.

## Strategic Report (continued)

Our investments in Portugal proved to be something of a curate's egg, providing both our best and worst contributing stocks for the year under review. Banco Espirito Santo was purchased as a potential beneficiary of the recovery in the Portuguese economy and appreciated materially prior to disposal, at a time when we considered the shares were fully valued. Portugal Telecom was in the process of merging with Brazilian company Oi when the company disclosed that the cash held on its balance sheet was not in fact cash but an investment in short-dated commercial paper of a just declared bankrupt financial holding company. The company's share price fell sharply as merger terms were renegotiated. This type of event would normally invalidate our investment case and result in a disposal, however, in this instance we decided to remain invested. The company is negotiating the sale of its Portuguese business and is likely to use these funds to participate in the consolidation in the Brazilian telecoms market. Our expectation is this process will give us a better selling opportunity.

Since our appointment to manage the Company's investments on 1 February 2010, European markets have seen strong gains and the portfolio has outperformed the relevant stock market index against which it is measured. Portfolio strategy for much of this period has been geared towards the prospect of economic recovery. As this is eventually priced into equity market valuations, it is likely that the portfolio will continue to travel in a more defensive direction.

### Outlook

With global growth at 2.5%, minimal inflation and a debt overhang in developed economies, the current accommodative monetary policy stance is likely to continue. Our expectation is for European economic growth to recover in 2015, albeit at more modest rates. From a global equity perspective, we anticipate that we should see reasonable returns from equities over the next few years, although this could be punctuated by periods of correction. As a consequence of all the above factors, your portfolio continues to be fully invested.

### Dale Robertson

Edinburgh Partners

27 November 2014

# Strategic Report (continued)

## Other Statutory Information

### Objective

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

### Strategy and business model

#### *Investment policy*

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

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

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

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

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

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

#### *Investment strategy*

Investments are selected for the portfolio only after extensive research which the Investment Manager believes to be key. The whole process through which an equity must pass in order to be included in the portfolio is very rigorous. Only a security where the Investment Manager believes that the price will be significantly higher in the future will pass the selection process. The Company's Investment Manager believes the key to successful stock selection is to identify the long-term value of a company's shares and to have the patience to hold the shares until that value is appreciated by other investors. Identifying long-term value involves detailed analysis of a company's 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 been approved by HM Revenue & Customs ("HMRC") as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 ("CTA") for each 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 its members.

## Strategic Report (continued)

### *Portfolio analysis*

A detailed review of how the Company's assets have been invested is contained in the Investment Manager's Report on pages 9 and 10. A detailed list of all the Company's investments is contained in the Portfolio of Investments on page 4. The Portfolio of Investments details that the Company held 41 investments, excluding cash and other net assets, as at 30 September 2014, with the largest representing 3.2% 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 36 and the Reconciliation of Movements in Shareholders' Funds on page 38.

For the year ended 30 September 2014, the net revenue return attributable to shareholders was £6.2 million (2013: £7.6 million) and the net capital return was £14.8 million (2013: £65.6 million). Total shareholders' funds increased by 4.2% to £336.7 million (2013: £323.2 million).

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

### **Key performance indicators**

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

#### *Net asset value*

In the year to 30 September 2014, the net asset value per share increased by 4.2% from 768.31p to 800.41p. After taking account of dividends paid in the year of 18.0p, the net asset value total return was 6.4%. This compares with the total return of 5.3% 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 2014 was 46.3%. This compares with the total return of 39.3% from the FTSE All-World Europe ex UK Index, adjusted to sterling.

#### *Share price*

In the year to 30 September 2014, the Company's share price increased by 9.4% from 684.50p to 748.75p. The share price total return, taking account of the 18.0p dividend paid in the year, was 12.1%.

#### *Share price premium/discount to net asset value per share*

The share price discount to net asset value per share narrowed from 10.9% to 6.5% in the year to 30 September 2014.

#### *Revenue return per ordinary share*

There was a decrease in the revenue per share in the year to 30 September 2014 of 17.6% from 18.02p to 14.85p.

#### *Dividends per ordinary share*

The Directors are recommending a final dividend of 14.0p per ordinary share and a special dividend of 1.0p per ordinary share, making a total dividend of 15.0p per ordinary share. This compares with a prior year total dividend of 18.0p.

#### *Ongoing charges*

The Company continues to have low expenses. The ongoing charges ratio was 0.61% (2013: 0.59%) in the year to 30 September 2014.

The longer-term records of the key performance indicators are shown in the Ten Year Record on pages 53 and 54.

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

## Strategic Report (continued)

### Management Agreement

For the period from 1 October 2013 to 16 July 2014, the Company's investments were managed by Edinburgh Partners under an Investment Management Agreement dated 29 January 2010. The Investment Manager received a management fee of 0.55% per annum of the Company's equity market capitalisation, payable quarterly in arrears. No performance fee was payable during this period.

As detailed in the Chairman's Statement on page 8, on 17 July 2014, the Company appointed Edinburgh Partners AIFM Limited as the Company's AIFM on the terms, and subject to the conditions, of a new management agreement (the "Management Agreement") between the Company and the AIFM. Edinburgh Partners AIFM Limited has been approved as an AIFM by the UK's Financial Conduct Authority ("FCA").

The existing management agreement between the Company and Edinburgh Partners, which is not authorised as an AIFM, has been terminated. Edinburgh Partners has been appointed by the AIFM as Investment Manager to the Company pursuant to a delegation agreement, so there has been no change to the day-to-day management arrangements.

The arrangements in respect of the management fee and notice period remain unchanged, except that the management fee which was previously paid on a quarterly basis is now payable on a monthly basis.

The Management Agreement may be terminated by either party giving three months' written notice. No additional compensation is payable to the AIFM on the termination of this agreement other than the fees payable during the notice period. No performance fee will be paid. Further details relating to the Management Agreement are detailed in note 3 of the Financial Statements on page 42.

The AIFM is required to make remuneration disclosures in respect of the AIFM's first relevant reporting period, the year ending 29 February 2016, and these will be made available in the Company's Annual Reports and Financial Statements issued after that date. Accordingly, and in line with FCA guidance on reporting under AIFMD, no remuneration disclosures relating to the AIFM have been included in this Annual Report and Financial Statements for the year ended 30 September 2014.

### Continuing appointment of the AIFM

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

### Depositary Agreement

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

## Strategic Report (continued)

### **Principal risks and uncertainties**

The Board considers that the following are the principal financial risks associated with investing in the Company: investment and strategy risk, discount volatility risk, market risk (comprising interest rate risk, currency risk and price risk), liquidity risk, credit risk and gearing risk. An explanation of these risks and how they are managed and the policy and practice with regard to financial instruments are contained in note 18 of the Financial Statements on pages 49 to 52.

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

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

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

#### *Operational risk*

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

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

#### *Other financial risk*

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

The AIFM employs 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 49 to 52, 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 and 8 and the Investment Manager's Report on pages 9 and 10. The Board's main focus is on the investment return and approach, with attention paid to the integrity and success of the investment approach and on factors which may have an impact on this approach.



# Strategic Report (continued)

## Forward looking statements

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

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

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

## Employees, human rights and community issues

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

## Gender diversity

The Board of Directors of the Company comprised four male Directors during, and at the end of, the year to 30 September 2014. 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 by the AIFM to the Company’s Investment Manager, Edinburgh Partners, which has an Environmental, SRI and Corporate Governance (“ESG”) policy in place, which can be found on its website at [www.edinburghpartners.com](http://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

27 November 2014

# Directors' Report

## Directors

The Directors in office during the year and at the date of this report are as shown on page 1.

## 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 27, and includes details of the directors' and officers' liability insurance on page 27.

## Share capital

The Company made no share issues during the year ended 30 September 2014. As at 30 September 2014, 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 2014		27 November 2014	
	No of shares	% of voting rights	No of shares	% of voting rights
1607 Capital Partners, LLC	7,528,944	17.90	7,528,944	17.90
Investec Wealth & Investment Limited	5,473,654	13.01	5,907,135	14.04
Wells Capital Management, Inc.	2,150,578	5.11	2,150,578	5.11

## 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 page 2 and above.
- Details of the substantial shareholders in the Company are listed above.
- An amendment to the Company's Articles of Association and the giving of powers to issue or buy back the Company's shares require the relevant 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 17 and 18.
- 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"), an 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 15. In addition, notes 18 and 19 of the Financial Statements on pages 49 to 52 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its risk exposure. The Company's principal risks are detailed in the Strategic Report on page 14. The Company's assets consist principally of a diversified portfolio of listed European equity shares, which in most circumstances are realisable within a short period of time and exceed its liabilities to creditors by a significant amount.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

## Directors' Report (continued)

### **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 20 January 2015.

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 page 14 and in note 18 of the Financial Statements on pages 49 to 52.

### **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-second Annual General Meeting to be held on 20 January 2015 is set out on pages 57 to 62. 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 2014;

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

Resolution 3 – the re-appointment of PricewaterhouseCoopers LLP as Auditors;

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

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

Resolutions 9 and 10 – the approval of the final and special dividends recommended by the Board.

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

### *Special business*

At the Annual General Meeting held on 14 January 2014, 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 11 (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 27 November 2014, 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 2016).

## Directors' Report (continued)

Resolution 12 (an Ordinary Resolution), as set out in the notice of meeting, if passed, will renew the Directors' authority to issue up to an aggregate nominal value of £3,505,780, representing 14,023,120 ordinary shares (being approximately one-third of the issued share capital as at 27 November 2014) 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 12 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 2016). 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 13 (a Special Resolution), as set out in the notice of meeting, if passed, will renew the Directors' authority to issue shares (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions), and (iii) to persons other than existing shareholders up to an aggregate nominal value of £525,867, representing 2,103,468 ordinary shares (being approximately 5% of the issued share capital as at 27 November 2014) 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 2016). 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 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

27 November 2014

# 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 31 to 35.

## Directors' Remuneration Report

### Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2014.

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

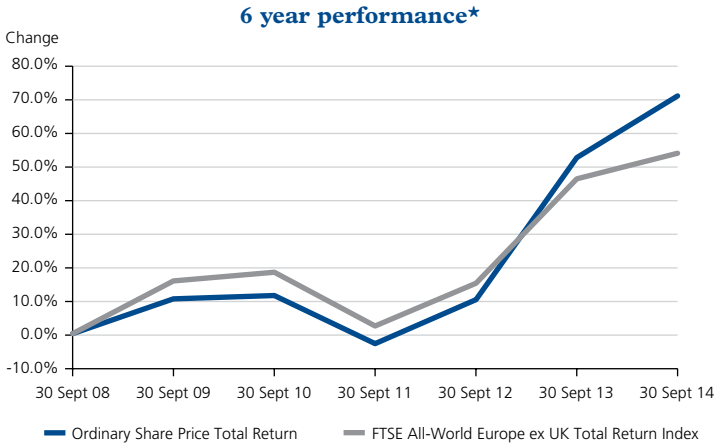
During the year ended 30 September 2014, the annual fees were set at the rate of £28,000 for the Chairman and £19,000 for the other Directors, with an additional payment of £1,500 to the Chairman of the Audit and Management Engagement Committee.

The Board has reviewed the current levels of remuneration paid to the Directors and agreed that, with effect from 1 October 2014, these be increased to £30,000 for the Chairman and £20,000 for the other Directors, with an additional fee of £1,500 for the Chairman of the Audit and Management Engagement Committee. The fees payable to the Directors in respect of subsequent financial periods will be determined following an annual review, as detailed in the Directors' Remuneration Policy on page 22.

An Ordinary Resolution will be put to shareholders at the forthcoming Annual General Meeting to be held on 20 January 2015 to receive and approve the Directors' Remuneration Report.

### 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.



*Source: Edinburgh Partners*

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

## Directors' Remuneration Report (continued)

### *Directors' emoluments for the year ended 30 September 2014 (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 2014	Year to 30 September 2013	Year to 30 September 2014	Year to 30 September 2013
Douglas McDougall (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	–	£15,782
Michael Moule	£19,000	£19,000	£19,000	£19,000
Michael Woodward (appointed 1 August 2013)	£19,000	£3,167	£19,000	£3,167
	<u>£86,500</u>	<u>£86,449</u>	<u>£86,500</u>	<u>£86,449</u>

### *Relative importance of spend on pay*

The table below sets out, in respect of the financial year ended 30 September 2014 and the preceding financial year:

- the remuneration paid to the Directors; and
- the distributions made to shareholders by way of dividend.

	Year ended 30 September 2014	Year ended 30 September 2013	Change
Total remuneration	£86,500	£86,449	0.06%
Dividend	£7,572,487	£6,731,099	12.50%

### *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 2014	30 September 2013
	Beneficial	Beneficial
Douglas McDougall	10,000	10,000
William Eason	10,000	10,000
Michael Moule	7,500	7,500
Michael Woodward	3,634	1,723

There have been no changes to these holdings between 30 September 2014 and the date of this report.

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

### *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.

## Directors' Remuneration Report (continued)

The Directors' Remuneration Report for the year ended 30 September 2013 and the Directors' Remuneration Policy were approved by shareholders at the Annual General Meeting held on 14 January 2014. The votes cast by proxy were as follows:

<b>Directors' Remuneration Report</b>	<b>Number of votes</b>	<b>% of votes cast</b>
For	18,007,901	98.16%
Against	289,884	1.58%
At Chairman's discretion	<u>48,187</u>	<u>0.26%</u>
Total votes cast	18,345,972	100.00%
Number of votes withheld	52,050	
<b>Directors' Remuneration Policy</b>	<b>Number of votes</b>	<b>% of votes cast</b>
For	18,010,263	98.19%
Against	283,719	1.55%
At Chairman's discretion	<u>48,187</u>	<u>0.26%</u>
Total votes cast	18,342,169	100.00%
Number of votes withheld	55,853	

## Directors' Remuneration Report (continued)

### Directors' Remuneration Policy

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

The Board has set three levels of fees: one for the Chairman, one for other Directors, and an additional fee that is paid to the Director who chairs the Audit and Management Engagement Committee. Fees are reviewed annually in accordance with the above policy.

	<b>Expected fees for year to 30 September 2015</b>	Fees for year to 30 September 2014
Chairman basic fee	<b>£30,000</b>	£28,000
Non-executive Director basic fee	<b>£20,000</b>	£19,000
Additional fee for chairman of the Audit and Management Engagement Committee	<b>£1,500</b>	£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	<b>£150,000</b>	£150,000

The total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £150,000, as set out in the Company's Articles of Association; any increase in this limit would require approval of shareholders.

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 was approved by shareholders at the Annual General Meeting held on 14 January 2014.

The Directors' Remuneration Policy will be put to shareholders' vote at least once every three years and in any year if there is to be change in the Directors' Remuneration Policy.

### Approval

The Directors' Remuneration Report was approved by the Board on 27 November 2014 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](http://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](http://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 2014 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, Douglas McDougall, to chair the Audit and Management Engagement Committee because it does not believe that the provisions of the AIC Code relating to Audit Committees are appropriate to an investment company with a small Board comprised wholly of independent, non-executive Directors. It believes that Douglas McDougall provides a valuable contribution to the Audit and Management Engagement Committee and that his chairmanship enhances the operation of the Committee 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 19 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. Michael Moule is the Senior Independent Director. Brief biographical details of the Directors can be found on page 6.

## Corporate Governance (continued)

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 2014. This process consisted of a series of appraisal meetings and discussions between the Chairman and each of the other Directors. The performance of the Chairman was similarly evaluated by the other Directors, led by the Senior Independent Director. As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company. This process is carried out on an annual basis. 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, however, the option of doing so will be regularly reviewed.

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

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

### Re-election of Directors

It is the Company's policy for all Directors to stand for re-election annually. Each of the Directors has made a valuable and effective contribution to your Company and the Board therefore recommends that 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 Douglas McDougall and Michael Moule, who have served as Directors for 15 years and 10 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 William Eason, Michael Moule, Michael Woodward and Douglas McDougall, who is Chairman. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit and Management Engagement Committee.

The Report from the Audit and Management Engagement Committee is set out on pages 28 and 29.

## Corporate Governance (continued)

### Meeting attendance

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

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 2014 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 2014 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;

## Corporate Governance (continued)

- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

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

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

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

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

The key procedures which have been established to provide internal financial 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 the AIFM. Kenneth J Greig, a director of the AIFM and the Investment Manager, is the Company Secretary, and Capita Sinclair Henderson Limited provides certain accounting, administrative and secretarial support services to the AIFM;
- custody of assets is undertaken by The Northern Trust Company;
- the duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information provided by the AIFM and Capita Sinclair Henderson Limited in detail on a regular basis.

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

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 2014, as set out above. No significant failings or weaknesses were identified.

## Corporate Governance (continued)

### 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 2014 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.

### The Depositary

As detailed on page 13, the Company has appointed Northern Trust Global Services Limited to act as its Depositary under an agreement dated 22 July 2014. The Depositary is responsible for the safekeeping of all custodial assets of the Company, for verifying ownership and maintaining a record of all other assets of the Company and for the collection of income that arises from those assets. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the FCA's Investment Funds Sourcebook ("FUND") from 22 July 2014 and the Company's Articles of Association.

### Dialogue with shareholders

Communication with shareholders is given a high priority by both the Board and the AIFM. A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers through the AIFM, which regularly reports to the Board on any such contact, the views of shareholders and any changes to the composition of the share register. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the AIFM 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 57 to 62. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the Registered Office address.

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

By order of the Board  
**Kenneth J Greig**  
Company Secretary

27 November 2014

# Report from the Audit and Management Engagement Committee

The Audit and Management Engagement Committee Report for the year ended 30 September 2014 is detailed below.

## **Role of the Audit and Management Engagement Committee**

The primary responsibilities of the 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 Annual Report and 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;
- to make recommendations to the Board in relation to the appointment and remuneration of the Auditors; and
- to review annually the performance of third party service providers.

## **Matters considered during the year**

During the year ended 30 September 2014, the Committee met three times and each Director's attendance at these meetings is set out in the table on page 25. The Committee has:

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

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

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

(a) *Valuation of investments*

During the year, the Committee held discussions with the AIFM and the Investment Manager about the valuation process of the Company's investments and the systems in place to ensure the accuracy of these valuations, particularly in view of the fact that investments represent the principal element of the net asset value as detailed in the Balance Sheet on page 37.

(b) *Accuracy and completeness of revenue and expenses*

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

(c) *Internal controls*

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

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

(d) *Going concern*

The Committee considered the Company's financial requirements for the forthcoming year and concluded that the Company had adequate resources to continue in operation for the foreseeable future.

# Report from the Audit and Management Engagement Committee

(continued)

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

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

## **Audit fees and non-audit services**

An audit fee of £20,000 has been agreed in respect of the audit for the year ended 30 September 2014. Details of the fees paid to the Auditors are set out in note 4 of the Financial Statements on page 42.

All non-audit work proposed to be carried out by the Auditors must be approved by the Committee in advance to ensure that auditor objectivity and independence is safeguarded, and the Auditors may be excluded from carrying out certain types of non-audit work. No non-audit services were provided during the year ended 30 September 2014.

## **Independence and objectivity of the Auditor**

PricewaterhouseCoopers LLP has been the Auditor of the Company since 18 September 1998, and is the successor firm of the previous auditors, Price Waterhouse, following its merger with Coopers and Lybrand. Rotation of the audit partner takes place every five years in accordance with Ethical Standard 3: 'Long Association with the Audit Engagement' of the Auditing Practices Board. There are no contractual obligations that would restrict the Committee in selecting an alternative external auditor. No tender for the audit of the Company has been undertaken. The Committee regularly considers the need to put the audit out to tender, the Auditors' fees and independence, along with matters raised during each audit.

The Committee is aware that reforms to the statutory audits of EU listed companies are being introduced by the European Parliament, including the mandatory rotation of audit firms. The Committee will consider the impact of these reforms on the Company when they are introduced into UK law.

## **Re-appointment of the 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.

## **Douglas McDougall**

Chairman of the Audit and Management Engagement Committee

27 November 2014

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

## Management report

Listed companies are required by the FCA’s Disclosure 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 15, including the Chairman's Statement on pages 7 and 8 and the Investment Manager's Report on pages 9 and 10. Therefore no separate management report has been included.

## Statement of Directors’ responsibilities

The Directors are responsible for preparing the Annual Report, 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

27 November 2014



# Independent Auditors' Report

to the Members of The European Investment Trust plc  
for the year ended 30 September 2014

## Report on the Financial Statements

### Our opinion

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

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 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.

### What we have audited

The European Investment Trust plc's financial statements comprise:

- the Balance Sheet as at 30 September 2014;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movement in Shareholders' Funds 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Our audit approach

#### *Overview*

- Overall materiality: £3.4 million which represents 1% of net assets.
- The Company is a standalone Investment Trust Company and engages Edinburgh Partners AIFM Limited (the 'AIFM') to manage its assets. The AIFM has delegated the function of managing the Company's investment portfolio to Edinburgh Partners Limited (together "Edinburgh Partners").
- We conducted our audit of the financial statements at Capita Sinclair Henderson Limited (the 'Administrator') to whom the AIFM has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

#### *The scope of our audit and our areas of focus*

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

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

# Independent Auditors’ Report (continued)

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p><i>Revenue</i></p> <p>Refer to pages 28 and 29 (Audit and Management Engagement Committee Report), pages 40 and 41 (Accounting Policies) and page 42 (notes).</p> <p>We focussed on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the ‘AIC SORP’).</p> <p>This is because incomplete or inaccurate revenue could have a material impact on the Company’s net asset value.</p>	<p>We assessed the accounting policy for revenue recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy as set out in note 1 on pages 40 and 41 of the financial statements.</p> <p>In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. To test for completeness, on a sample basis we compared the number of dividends received for a given security per the information provided to the number of dividends declared per a third party source.</p>
<p><i>Valuation and existence of investments</i></p> <p>Refer to pages 28 and 29 (Audit and Management Engagement Committee Report), pages 40 and 41 (Accounting Policies) and page 45 (notes).</p> <p>The investment portfolio at the year-end comprised listed equity investments valued at £334m.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from The Northern Trust Company.</p>

*How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the AIFM and Administrator, the accounting processes and controls, and the industry in which the Company operates.

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

## Independent Auditors' Report (continued)

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

### *Materiality*

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

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

<i>Overall materiality</i>	£3.4 million (2013: £3.2 million).
<i>How we determined it</i>	1% of net assets.
<i>Rationale for benchmark applied</i>	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £168,365 (2013: £161,611) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *Going concern*

Under the Listing Rules we are required to review the Directors' report, set out on page 16, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' report, the Directors have concluded that it is appropriate to prepare the Company's 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.

## **Other required reporting**

### **Consistency of other information**

#### *Companies Act 2006 opinions*

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.

# Independent Auditors’ Report (continued)

*ISAs (UK & Ireland) reporting*

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
<ul style="list-style-type: none"> <li>• information in the Annual Report is:               <ul style="list-style-type: none"> <li>• materially inconsistent with the information in the audited financial statements; or</li> <li>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or</li> <li>• is otherwise misleading.</li> </ul> </li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>• the statement given by the Directors on page 30, in accordance with provision C.1.1 of the UK Corporate Governance Code (the “Code”), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company’s performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.</li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>• the section of the Annual Report on pages 28 and 29, as required by provision C.3.8 of the Code, describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.</li> </ul>	We have no exceptions to report arising from this responsibility.

**Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

**Directors’ remuneration**

*Directors’ Remuneration Report – Companies Act 2006 opinion*

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

*Other Companies Act 2006 reporting*

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

**Corporate governance statement**

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

## Responsibilities for the Financial Statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

### What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material 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.

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

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through understanding the control environment at Edinburgh Partners and the Administrator, and substantive procedures.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

27 November 2014

### Notes:

- (a) The maintenance and integrity of The European Investment Trust plc's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Income Statement

for the year ended 30 September 2014

	Notes	2014			2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	9	-	15,612	15,612	-	65,516	65,516
Foreign exchange (losses)/gains		(60)	(779)	(839)	12	132	144
Income	2	9,528	-	9,528	10,413	-	10,413
Management fee	3	(1,752)	-	(1,752)	(1,387)	-	(1,387)
Other expenses	4	(367)	-	(367)	(429)	-	(429)
<b>Net return before finance costs and taxation</b>		<b>7,349</b>	<b>14,833</b>	<b>22,182</b>	<b>8,609</b>	<b>65,648</b>	<b>74,257</b>
Finance costs	5	(95)	-	(95)	(127)	-	(127)
<b>Net return before taxation</b>		<b>7,254</b>	<b>14,833</b>	<b>22,087</b>	<b>8,482</b>	<b>65,648</b>	<b>74,130</b>
Tax on ordinary activities	6	(1,008)	-	(1,008)	(901)	-	(901)
<b>Net return attributable to shareholders</b>		<b>6,246</b>	<b>14,833</b>	<b>21,079</b>	<b>7,581</b>	<b>65,648</b>	<b>73,229</b>
<b>Return per ordinary share*</b>	8	<b>pence 14.85</b>	<b>pence 35.26</b>	<b>pence 50.11</b>	<b>pence 18.02</b>	<b>pence 156.05</b>	<b>pence 174.07</b>

\* 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 40 to 52 form part of these Financial Statements.

# Balance Sheet

as at 30 September 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets investments:</b>			
Investments at fair value through profit or loss	9	333,696	322,601
<b>Current assets:</b>			
Debtors	11	784	972
Cash at bank and short-term deposits		5,026	2,545
		<u>5,810</u>	<u>3,517</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	2,777	2,896
<b>Net current assets</b>		<u>3,033</u>	<u>621</u>
<b>Net assets</b>		<u>336,729</u>	<u>323,222</u>
<b>Capital and reserves:</b>			
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		183,578	168,745
Revenue reserve		10,591	11,917
<b>Total equity shareholders' funds</b>		<u>336,729</u>	<u>323,222</u>
<b>Net asset value per ordinary share*</b>	14	<u>pence</u> <u>800.41</u>	<u>pence</u> <u>768.31</u>

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

The Financial Statements on pages 36 to 52 were approved and authorised for issue by the Board of Directors of The European Investment Trust plc on 27 November 2014 and were signed on its behalf by:

**Douglas McDougall**  
Chairman

Registered in England and Wales No. 1055384

The notes on pages 40 to 52 form part of these Financial Statements.

## Reconciliation of Movements in Shareholders' Funds for the year ended 30 September 2014

	Notes	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Year ended 30 September 2014</b>							
At 1 October 2013		10,517	123,749	8,294	168,745	11,917	323,222
Net return after taxation for the year		-	-	-	14,833	6,246	21,079
Dividends paid	7	-	-	-	-	(7,572)	(7,572)
At 30 September 2014		<u>10,517</u>	<u>123,749</u>	<u>8,294</u>	<u>183,578</u>	<u>10,591</u>	<u>336,729</u>
<b>Year ended 30 September 2013</b>							
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		<u>10,517</u>	<u>123,749</u>	<u>8,294</u>	<u>168,745</u>	<u>11,917</u>	<u>323,222</u>

The notes on pages 40 to 52 form part of these Financial Statements.



# Cash Flow Statement

for the year ended 30 September 2014

	Notes	2014 £'000	2013 £'000
<b>Operating activities:</b>			
Investment income received		9,465	10,426
Other income received		3	–
Management fees paid		(1,861)	(1,283)
Other cash payments		(387)	(476)
<b>Net cash inflow from operating activities</b>	15	<u>7,220</u>	<u>8,667</u>
<b>Servicing of finance:</b>			
Finance costs		(95)	(127)
<b>Taxation:</b>			
Irrecoverable overseas tax paid		(877)	(901)
Recoverable overseas tax paid		(161)	(154)
<b>Total taxation paid</b>		<u>(1,038)</u>	<u>(1,055)</u>
<b>Capital expenditure and financial investment:</b>			
Purchases of investments		(162,177)	(130,066)
Sales of investments		166,922	119,074
Exchange gains/(losses) on settlement		39	(48)
<b>Net cash inflow/(outflow) from capital and financial investment</b>		<u>4,784</u>	<u>(11,040)</u>
<b>Equity dividends paid</b>	7	<u>(7,572)</u>	<u>(6,731)</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>3,299</u>	<u>(10,286)</u>
<b>Financing:</b>			
Payment for own shares purchased and cancelled		–	–
<b>Increase/(decrease) in cash</b>	16	<u>3,299</u>	<u>(10,286)</u>

The notes on pages 40 to 52 form part of these Financial Statements.

# Notes to the Financial Statements

## at 30 September 2014

### 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 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.

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 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 that mature within three months. The carrying value of cash at bank and short-term deposits is equal to its fair value.

#### Foreign currency

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

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

#### Taxation

The charge for taxation is based on the net return for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not been reversed by the Balance Sheet date, unless such provision is not permitted by 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.

## Notes to the Financial Statements (continued)

at 30 September 2014

<b>2 Income</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income from investments:</b>		
Overseas dividends	9,525	10,413
Other income	3	–
Total income	<u>9,528</u>	<u>10,413</u>

<b>3 Management fee</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Management fee	<u>1,752</u>	<u>1,387</u>

Edinburgh Partners was appointed to provide management, marketing and general administrative services to the Company with effect from 1 February 2010 until 16 July 2014. Under the agreement, Edinburgh Partners was entitled to a fee paid quarterly in arrears, at the rate of 0.55% per annum of the equity market capitalisation of the Company. No performance fee was payable during this period.

During the year ended 30 September 2014, the management fees payable to Edinburgh Partners totalled £1,394,000 (2013: £1,387,000). At 30 September 2014, there was £nil outstanding payable to Edinburgh Partners (2013: £396,000) in relation to management fees.

In addition to the management fee, in the year ended 30 September 2014, the Company paid Edinburgh Partners £nil (2013: £6,000) for marketing-related services. At 30 September 2014, there was £nil outstanding to Edinburgh Partners (2013: £nil) in relation to marketing-related services. This cost is included in other expenses as detailed in note 4 of these Financial Statements.

With effect from 17 July 2014, the Company appointed Edinburgh Partners AIFM Limited as the Company's AIFM. Under the Management Agreement, the AIFM is entitled to a fee paid monthly in arrears at a rate of 0.55% per annum of the equity market capitalisation of the Company. No performance fee will be paid.

During the year ended 30 September 2014, the management fees payable to the AIFM totalled £358,000 (2013: £nil). At 30 September 2014, there was £287,000 outstanding payable to the AIFM (2013: £nil) in relation to management fees.

<b>4 Other expenses</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Audit services	20	19
Directors' remuneration*	87	86
Other	260	324
	<u>367</u>	<u>429</u>

\* See the Directors' Remuneration Report on pages 19 to 22.

## Notes to the Financial Statements (continued)

at 30 September 2014

### 5 Finance costs

	2014	2013
	£'000	£'000
Loan non-utilisation fee	<u>95</u>	<u>127</u>

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 was available for three years and interest was payable on amounts drawn down at the rate of 1.55% above the British Bankers' Association Interest Settlement Rate. A non-utilisation fee of 0.5% per annum was payable. The facility was cancelled with effect from 3 July 2014.

### 6 Tax on ordinary activities

#### a) Analysis of charge for the year

	2014			2013		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current tax:</b>						
UK corporation tax	-	-	-	-	-	-
Overseas tax suffered	<u>1,008</u>	-	<u>1,008</u>	<u>901</u>	-	<u>901</u>
Total tax charge for the year	<u>1,008</u>	-	<u>1,008</u>	<u>901</u>	-	<u>901</u>

b) The standard rate of corporation tax in the UK ("corporation tax rate") was 23% in the year to 31 March 2014 and is 21% in the year to 31 March 2015. Accordingly, the Company's profits for the year ended 30 September 2014 are taxed at an effective rate of 22% (2013: 23.5%). The corporation tax rate is expected to be reduced to 20% from 1 April 2015 and as a consequence, the effective rate of corporation tax for the Company for the year ending 30 September 2015 would be 20.5%.

The taxation charge for the Company for the year ended 30 September 2014 is lower (2013: lower) than the effective rate of 22% (2013: 23.5%). The differences are explained below:

	2014			2013		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net return before taxation	<u>7,254</u>	<u>14,833</u>	<u>22,087</u>	<u>8,482</u>	<u>65,648</u>	<u>74,130</u>
Theoretical tax at UK corporation tax rate of 22% (2013: 23.5%)	<u>1,596</u>	<u>3,263</u>	<u>4,859</u>	<u>1,993</u>	<u>15,427</u>	<u>17,420</u>
Effects of:						
- Foreign dividends that are not taxable	(1,951)	-	(1,951)	(2,025)	-	(2,025)
- Non-taxable investment gains	-	(3,263)	(3,263)	-	(15,427)	(15,427)
- Disallowed expenses	1	-	1	1	-	1
- Unrelieved management expenses	354	-	354	31	-	31
- Overseas tax suffered	<u>1,008</u>	-	<u>1,008</u>	<u>901</u>	-	<u>901</u>
	<u>1,008</u>	-	<u>1,008</u>	<u>901</u>	-	<u>901</u>

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 6 Tax on ordinary activities (continued)

c) Factors that may affect future tax charges

At 30 September 2014, the Company had unrelieved management expenses of £2,577,000 (2013: £968,000). 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

		2014	2013
Declared and paid	Payment date	£'000	£'000
Final dividend for the year ended 30 September 2013 of 14.0p	31 January 2014	<b>5,889</b>	–
Special dividend for the year ended 30 September 2013 of 4.0p	31 January 2014	<b>1,683</b>	–
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
		<u>7,572</u>	<u>6,731</u>

The Directors recommend a final dividend in respect of the year ended 30 September 2014 of 14.0p and a special dividend of 1.0p payable on 30 January 2015 to all shareholders on the register at the close of business on 9 January 2015, a total of 15.0p (2013: 18.0p). The ex-dividend date will be 8 January 2015. The recommended final dividend and special dividend are subject to approval by shareholders at the Annual General Meeting to be held on 20 January 2015. Based on 42,069,371 ordinary shares in issue at the date of this report, the total dividend payment will amount to £6,310,000 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.

	2014	2013
Proposed	£'000	£'000
2014 final dividend of 14.0p (2013: 14.0p) per ordinary share*	<b>5,889</b>	5,889
2014 special dividend of 1.0p (2013: 4.0p) per ordinary share*	<b>421</b>	1,683
	<u>6,310</u>	<u>7,572</u>

\* Based on 42,069,371 shares in issue at 27 November 2014.

### 8 Return per ordinary share

	2014			2013		
	Net return	Ordinary shares*	Per share	Net return	Ordinary shares*	Per share
	£'000		pence	£'000		pence
Net revenue return after taxation	<u>6,246</u>	<u>42,069,371</u>	<u>14.85</u>	<u>7,581</u>	<u>42,069,371</u>	<u>18.02</u>
Net capital return after taxation	<u>14,833</u>	<u>42,069,371</u>	<u>35.26</u>	<u>65,648</u>	<u>42,069,371</u>	<u>156.05</u>
Total return	<u>21,079</u>	<u>42,069,371</u>	<u>50.11</u>	<u>73,229</u>	<u>42,069,371</u>	<u>174.07</u>

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

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 9 Listed investments

	2014	2013
	£'000	£'000
<i>Analysis of investment portfolio movements</i>		
Opening book cost	277,594	244,487
Opening investment holding gains	45,007	436
Opening valuation	<b>322,601</b>	244,923
Movements in the year:		
Purchases at cost	162,188	131,382
Sales – proceeds	(166,705)	(119,220)
Sales – realised gains on sales	33,995	20,945
Investment holding (losses)/gains	(18,383)	44,571
Closing valuation	<b>333,696</b>	322,601
Closing book cost	307,072	277,594
Closing investment holding gains	26,624	45,007
	<b>333,696</b>	322,601
	2014	2013
	£'000	£'000
<i>Analysis of capital gains and losses</i>		
Gains on sales	33,995	20,945
Investment holding (losses)/gains	(18,383)	44,571
Gains on investments	<b>15,612</b>	65,516

### 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 40. 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 2014, the Company incurred transaction costs of £270,000 (2013: £231,000) and £233,000 (2013: £168,000) 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 36.

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 10 Significant holdings

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

### 11 Debtors

	2014	2013
	£'000	£'000
Due from brokers	–	217
Taxation recoverable	754	723
Prepayments and accrued income	30	32
	<u>784</u>	<u>972</u>

### 12 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Due to brokers	2,361	2,349
Other creditors and accruals	129	151
Management fee accrued	287	396
	<u>2,777</u>	<u>2,896</u>

### 13 Called-up share capital

	2014	2013
	£'000	£'000
Allotted, called-up and fully paid: 42,069,371 (2013: 42,069,371) ordinary shares of 25p each	<u>10,517</u>	<u>10,517</u>

During the year to 30 September 2014, no ordinary shares were purchased and cancelled (2013: no ordinary shares were purchased and cancelled).

### 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

	2014	2013
	£'000	£'000
Net asset value per ordinary share	<u>800.41p</u>	<u>768.31p</u>

The net asset value per ordinary share is based on net assets of £336,729,000 (2013: £323,222,000) and on 42,069,371 (2013: 42,069,371) ordinary shares, being the number of ordinary shares in issue at the year end.



# Notes to the Financial Statements (continued)

at 30 September 2014

<b>15 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities</b>	2014	2013
	£'000	£'000
Net return before finance costs and taxation	22,182	74,257
Adjust for returns from non-operating activities:		
– Gains on investments	(15,612)	(65,516)
– Foreign exchange losses/(gains) of a capital nature	779	(132)
	<hr/>	<hr/>
Return from operating activities	7,349	8,609
Adjustment for non-cash flow items:		
– Decrease/(increase) in debtors and accrued income	2	(7)
– (Decrease)/increase in creditors and accruals	(131)	65
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>7,220</u>	<u>8,667</u>

<b>16 Reconciliation of net cash flows to movement in net cash</b>	2014	2013
	£'000	£'000
Movement in net cash resulting from cash flows	3,299	(10,286)
Foreign exchange movements	(818)	180
	<hr/>	<hr/>
Movement in net cash	2,481	(10,106)
Net cash brought forward	2,545	12,651
	<hr/>	<hr/>
Net cash carried forward	<u>5,026</u>	<u>2,545</u>

### Analysis of net cash

	At 1 October 2013 £'000	Cash flows £'000	Foreign exchange movement £'000	At 30 September 2014 £'000
Cash at bank	2,545	3,299	(818)	5,026
	<hr/>			

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

# Notes to the Financial Statements (continued)

at 30 September 2014

## 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:

	2014			2013		
	No interest rate exposure £'000	Cash flow interest rate risk exposure £'000	Total £'000	No interest rate exposure £'000	Cash flow interest rate risk exposure £'000	Total £'000
<b>Equity shares</b>						
Euro	244,023	–	244,023	254,550	–	254,550
Swiss franc	58,576	–	58,576	27,579	–	27,579
Danish kroner	16,988	–	16,988	20,664	–	20,664
Swedish krona	14,109	–	14,109	6,678	–	6,678
US dollar	–	–	–	7,419	–	7,419
Sterling	–	–	–	5,711	–	5,711
<b>Cash at bank and short-term deposits</b>						
Euro	–	4,949	4,949	–	2,499	2,499
Sterling	–	77	77	–	46	46
<b>Debtors</b>						
Euro	560	–	560	776	–	776
Swiss franc	79	–	79	67	–	67
Norwegian krone	91	–	91	97	–	97
Danish kroner	24	–	24	–	–	–
Sterling	22	–	22	24	–	24
NZ dollar	8	–	8	8	–	8
<b>Creditors: amounts falling due within one year</b>						
Euro	(2,361)	–	(2,361)	(1,708)	–	(1,708)
Sterling	(415)	–	(415)	(547)	–	(547)
NZ dollar	(1)	–	(1)	–	–	–
Danish kroner	–	–	–	(641)	–	(641)
	<b>331,703</b>	<b>5,026</b>	<b>336,729</b>	<b>320,677</b>	<b>2,545</b>	<b>323,222</b>

	2014	2013
<b>Exchange rates vs sterling</b>		
Euro	1.2834	1.1963
Swiss franc	1.5490	1.4644
Danish kroner	9.5529	8.922
US dollar	1.6212	1.6194
Swedish krona	11.6860	10.4016
Norwegian krone	10.4122	9.7395
NZ dollar	2.0799	1.9443

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 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 AIFM, is responsible for the Company's risk management, as set out on page 14 of the Strategic Report.

The principal risks the Company faces are:

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

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

#### **Investment and strategy risk**

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

The Investment Manager meets regularly with the Board to discuss the portfolio performance and strategy. The Board receives regular reports from the Investment Manager detailing all portfolio transactions and any other significant changes in the market or stock outlooks. Details of the investment policy are given on page 11 of the Strategic Report.

#### **Discount volatility risk**

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

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

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

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 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 2014 are disclosed in note 17 of these Financial Statements on page 48.

The majority of the Company's assets were non-interest bearing as at 30 September 2014. There was no exposure to interest bearing liabilities during the year ended 30 September 2014.

If interest rates had reduced by 0.25% (2013: 0.25%) from those obtained as at 30 September 2014, 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 £13,000 (2013: £6,000). If there had been an increase in interest rates of 0.25% (2013: 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 2014 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 2014 are disclosed in note 17 of these Financial Statements on page 48.

If sterling had strengthened by 10% against all other currencies on 30 September 2014, with all other variables held constant, it would have had the effect of reducing the net capital return before taxation by £33,705,000 (2013: £31,799,000), the net revenue return before taxation by £943,000 (2013: £1,029,000) and therefore would reduce net assets by £34,648,000 (2013: £32,828,000). 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](http://www.theeuropeaninvestmenttrust.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://www.edinburghpartners.com).

Fixed asset investments are valued at their fair value. Details of the Company's investment portfolio as at 30 September 2014 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 2014 is the fair value of investments of £333,696,000 (2013: £322,601,000).

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 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 2014, 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 £66,739,000 (2013: £64,520,000). 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 2014 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 2014. In certain circumstances, the market prices at which investments are valued may not represent the realisable value of those investments, taking into account both the size of the Company's holding and the frequency with which such investments are traded. The Company does not normally invest in derivative products. The Investment Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

#### **Credit risk**

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

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

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

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

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality. As at 30 September 2014, The Northern Trust Company London Branch (NTC) had a long-term rating from Standard and Poor's of AA-.

The maximum exposure to credit risk as at 30 September 2014 was £339,506,000 (2013: £326,118,000). The calculation is based on the Company's credit risk exposure as at 30 September 2014 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.

# Notes to the Financial Statements (continued)

## at 30 September 2014

### 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. The principal covenants were (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 facility was not utilised and was cancelled with effect from 3 July 2014. As at 30 September 2014, the Company therefore had no gearing.

The Board undertakes an annual assessment and review of all the risks stated above and in the Strategic Report on page 14 together with a review of any new risks which may have arisen during the year. These risks are formalised within the Company's risk assessment matrix.

### 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.

Any changes to the ordinary share capital are set out in note 13 of these Financial Statements on page 46. Dividend payments are set out in note 7 of these Financial Statements on page 44.

The Company's capital comprises:

	2014	2013
	£'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	183,578	168,745
Revenue reserve	10,591	11,917
Total equity shareholders' funds	<u>336,729</u>	<u>323,222</u>

The capital reserve consists of realised capital reserves of £156,950,000 and unrealised capital gains of £26,628,000 (2013: realised capital reserves of £123,728,000 and unrealised capital gains of £45,017,000). The unrealised capital gains consist of unrealised investment holding gains of £26,624,000 (2013: £45,007,000) and unrealised foreign exchange gains of £4,000 (2013: £10,000).

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 AIFM and the Investment Manager

Information with respect to transactions with the AIFM and the Investment Manager is detailed in note 3 of these Financial Statements on page 42 and on page 13 in the Strategic Report.

# Ten Year Record

## Assets

at 30 September (£'000)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total assets	350,088	415,207	437,207	495,931	304,198	290,155	277,847	237,350	256,724	323,222	336,729
Loans	20,728	23,853	30,517	31,411	11,820	–	–	–	–	–	–
Net assets	329,360	391,354	406,690	464,520	292,378	290,155	277,847	237,350	256,724	323,222	336,729

## Net asset value (“NAV”)

at 30 September	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share – pence	484.4	624.9	731.2	897.3	599.4	634.2	650.7	559.8	610.2	768.3	800.4
NAV total return on 100p – 5 years (per AIC)											141.4
NAV total return on 100p – 10 years (per AIC)											195.9

## Share price

at 30 September	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Share price – pence	417.0	560.0	664.5	812.5	518.0	554.0	545.0	462.5	508.0	684.5	748.8
Discount to NAV – %	13.9	10.4	9.1	9.5	13.6	12.6	16.2	17.4	16.8	10.9	6.5
Share price high – pence	430.0	561.5	690.0	864.0	840.0	554.0	576.0	621.0	552.0	700.0	794.5
Share price low – pence	352.0	418.0	533.5	653.0	514.0	317.5	465.5	450.1	446.0	500.0	690.0
Share price total return on 100p – 5 years (per AIC)											153.9
Share price total return on 100p – 10 years (per AIC)											222.2

## Revenue

### for the year ended 30 September

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Available for ordinary shares											
– £'000s	3,623	4,680	5,043	4,321	7,264	6,284	6,042	7,198	6,487	7,581	6,246
Earnings per share – pence	5.1	7.0	8.7	8.0	14.3	13.2	13.8	17.0	15.4	18.0	14.9
Dividends per share – pence	5.4 <sup>1</sup>	7.5 <sup>1</sup>	9.0 <sup>1</sup>	8.3 <sup>1</sup>	14.9 <sup>2</sup>	13.6 <sup>3</sup>	14.0 <sup>4</sup>	16.0 <sup>5</sup>	16.0 <sup>5</sup>	18.0 <sup>6</sup>	15.0 <sup>6</sup>

<sup>1</sup> Comprises a final dividend of 1.7p together with a special dividend.

<sup>2</sup> Comprises a final dividend of 12.0p together with a special dividend.

<sup>3</sup> Comprises a final dividend of 10.2p together with a special dividend.

<sup>4</sup> Comprises a final dividend of 11.0p together with a special dividend.

<sup>5</sup> Comprises a final dividend of 12.0p together with a special dividend.

<sup>6</sup> Comprises a final dividend of 14.0p together with a special dividend.

## Performance

### (rebased to 100 at 30 September 2004)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV per share	100.0	129.0	150.9	185.2	123.7	130.9	134.3	115.6	126.0	158.6	165.2
Share price	100.0	134.3	159.4	194.8	124.2	132.9	130.7	110.9	121.8	164.1	179.6
Earnings per share	100.0	136.4	170.8	157.3	279.8	259.1	269.9	332.1	301.0	352.6	290.6
Dividends per share	100.0	138.9	166.7	153.7	275.9	251.9	259.3	296.3	296.3	333.3	277.8
Retail price index	100.0	102.7	106.4	110.6	116.1	114.5	119.8	126.5	129.8	133.9	136.9

## 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

<b>30 September</b>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	<b>2014</b>
Operating costs (£'000s)	2,769	3,069	3,153	3,514	2,549	1,863	1,728	1,692	1,553	1,739	<b>2,117</b>
Operating costs as a percentage of:											
Average net assets – %	0.8	0.8	0.8	0.8	0.7*	0.8*	0.6	0.6	0.6	0.6	<b>0.6</b>
Average total assets – %	0.7	0.8	0.7	0.7	0.7*	0.8*	0.6	0.6	0.6	0.6	<b>0.6</b>

\* Excludes VAT recovered in respect of management fees.

### Gearing

<b>at 30 September</b>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	<b>2014</b>
Effective gearing – %	5.9	2.8	6.5	8.1	(2.0)	(0.3)	(2.9)	(0.3)	(4.6)	(0.1)	<b>(0.8)</b>
Fully invested gearing – %	6.3	6.2	7.5	6.8	4.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>

### Definitions

Operating costs	All costs charged to revenue and capital, other than interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling investments.
Average net assets	The monthly average of net assets.
Average total assets	The monthly average of total assets.
Effective gearing	Loans, 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.

## **New ISAs, Junior ISAs and SIPPs**

New 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 New 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](http://www.theeuropeaninvestmenttrust.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://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](http://www.theeuropeaninvestmenttrust.com) and on the website of Edinburgh Partners at [www.edinburghpartners.com](http://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](http://www.londonstockexchange.com) and the AIC at [www.theaic.co.uk](http://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](mailto:web.queries@computershare.co.uk). Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 1. You can check your shareholding and find practical help on transferring shares or updating your details at [www.investorcentre.co.uk](http://www.investorcentre.co.uk).

## Key dates

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

## Risk warning

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

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTY-SECOND ANNUAL GENERAL MEETING of the Company will be held at Brewers' Hall, Aldermanbury Square, London EC2V 7HR on Tuesday, 20 January 2015, 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 2014.  | Resolution 1  |
| 2  | To receive and approve the Directors' Remuneration Report for the year ended 30 September 2014.   | Resolution 2  |
| 3  | 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 3  |
| 4  | To authorise the Directors to determine the remuneration of the Auditors of the Company.  | Resolution 4  |
| 5  | To re-elect Mr Douglas C P McDougall OBE as a Director of the Company.  | Resolution 5  |
| 6  | To re-elect Mr William D Eason as a Director of the Company.  | Resolution 6  |
| 7  | To re-elect Mr Michael B Moule as a Director of the Company.  | Resolution 7  |
| 8  | To re-elect Dr Michael T Woodward as a Director of the Company.   | Resolution 8  |
| 9  | To declare a final dividend of 14.0p per ordinary share for the year ended 30 September 2014.   | Resolution 9  |
| 10 | To declare a special dividend of 1.0p per ordinary share for the year ended 30 September 2014.  | Resolution 10 |

### Special business

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

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;

## Notice of Annual General Meeting (continued)

- (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 2016), 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.

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

Resolution 12

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 27 November 2014); 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 2016) 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.

## Notice of Annual General Meeting (continued)

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

Resolution 13

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

- (a) in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 12, by way of a rights issue only):
  - (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities (if any) as required by the rights of those securities or as Directors otherwise consider necessary,

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 27 November 2014),

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 2016), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

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

Resolution 14

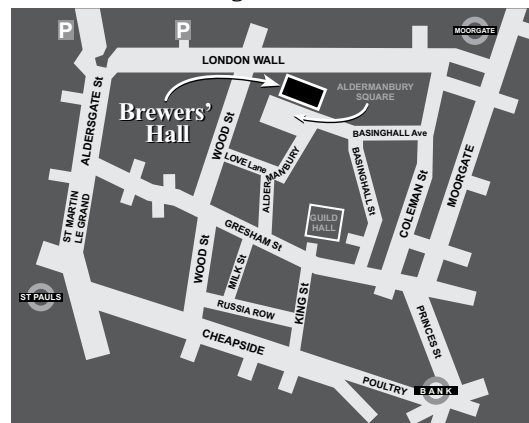
THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days’ notice, such authority to expire at the conclusion of the next annual general meeting of the Company.

By order of the Board  
**Kenneth J Greig**  
Company Secretary

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

27 November 2014

**Location of Meeting**



## Notice of Annual General Meeting (continued)

Note 1: Pursuant to Section 324 of the Companies Act 2006 (the “Act”), a member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy or proxies to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, should be lodged at the office of the Company’s Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY 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](http://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](http://www.euroclear.com/crest)). The message, in order to be valid, must be transmitted so as to be received by the Company’s agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

## Notice of Annual General Meeting (continued)

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

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

- Note 4: A person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a “Nominated Person”) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 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 27 November 2014, 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 16 January 2015 (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.

## Notice of Annual General Meeting (continued)

Note 9: Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's Financial Statements (including the auditor's report and the conduct of the audit) that are to be laid before the 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 and Financial Statements incorporating this Notice of Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website: [www.theeuropeaninvestmenttrust.com](http://www.theeuropeaninvestmenttrust.com).



## Notes

# Notes



