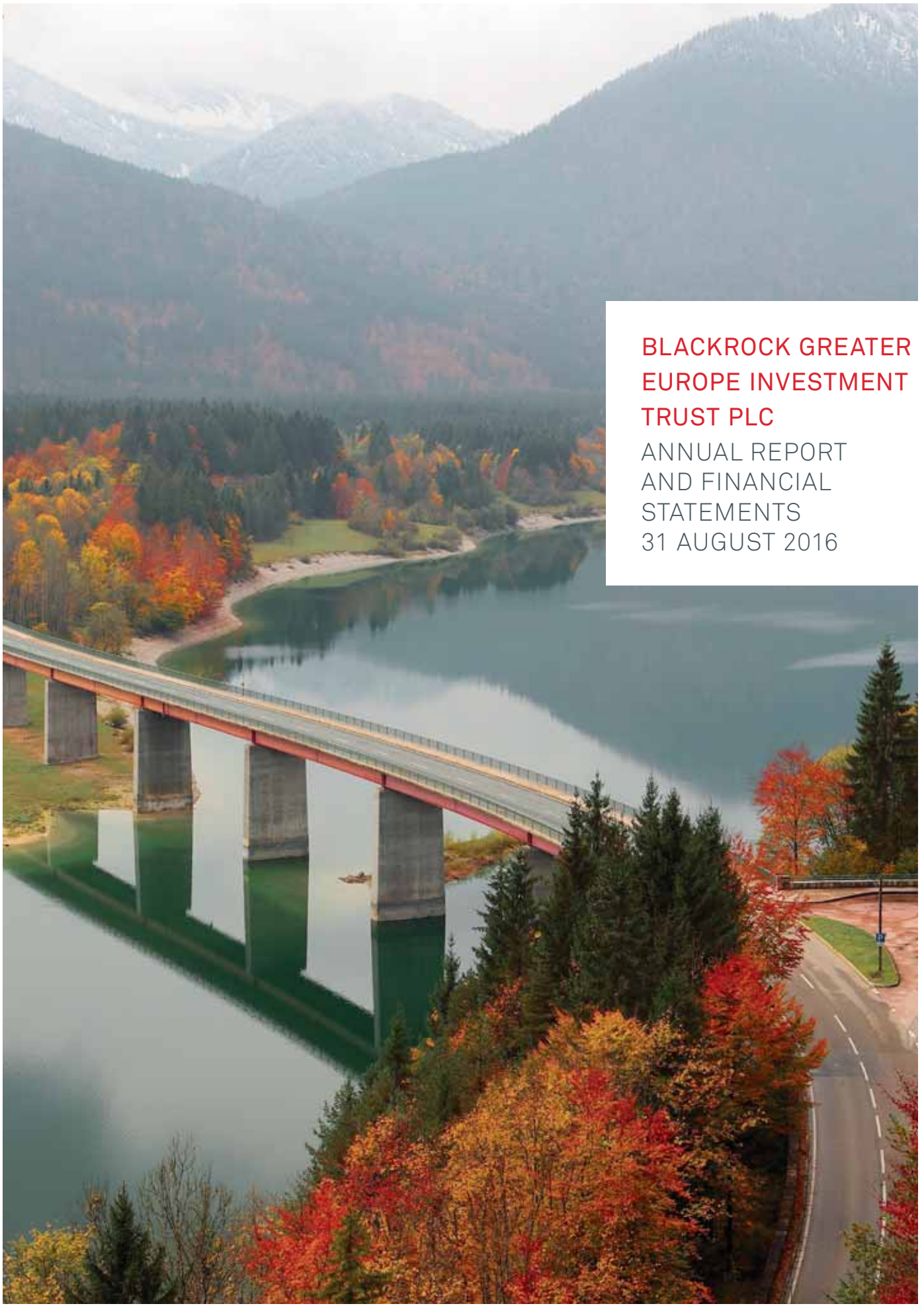


BLACKROCK GREATER EUROPE INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2016

BLACKROCK®

NM1123U-3258137-1/76

Investment Objective

The Company's objective is the achievement of capital growth, primarily through investment in a focused portfolio constructed from a combination of the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe.

The Company will have the flexibility to invest in any country included in the FTSE World Europe ex UK Index, as well as the freedom to invest in developing countries not included in the Index but considered by the Manager and the Directors as part of greater Europe.

aic
The Association of Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Further details about the Company, including the latest annual and half yearly financial reports, fact sheets and stock exchange announcements, are available on the website at blackrock.co.uk/brge

NM1123U-3258137-3/76

Contents

Overview

Performance record 3
Chairman's statement 4

Performance

Strategic report 6
Investment manager's report 11
Ten largest investments 13
Investments 14
Investment exposure 16

Governance

Governance structure and directors' biographies 17
Directors' report 18
Directors' remuneration report 24
Corporate governance statement 27
Report of the audit and management engagement committee 31
Statement of directors' responsibilities in respect of the annual report and financial statements 35

Financial statements

Independent auditor's report 36
Income statement 40
Statement of changes in equity 41
Balance sheet 42
Statement of cash flows 43
Notes to the financial statements 44

Additional information

Shareholder information 61
Analysis of ordinary shareholders 64
Historical record 64
Management & other service providers 65

Regulatory disclosures

AIFMD disclosures 66
Information to be disclosed in accordance with Listing Rule 9.8.4 67

Annual general meeting

Notice of annual general meeting 68

Glossary 72

Share fraud warning 73

NM1123U-3258137-4/76

Overview

Performance record

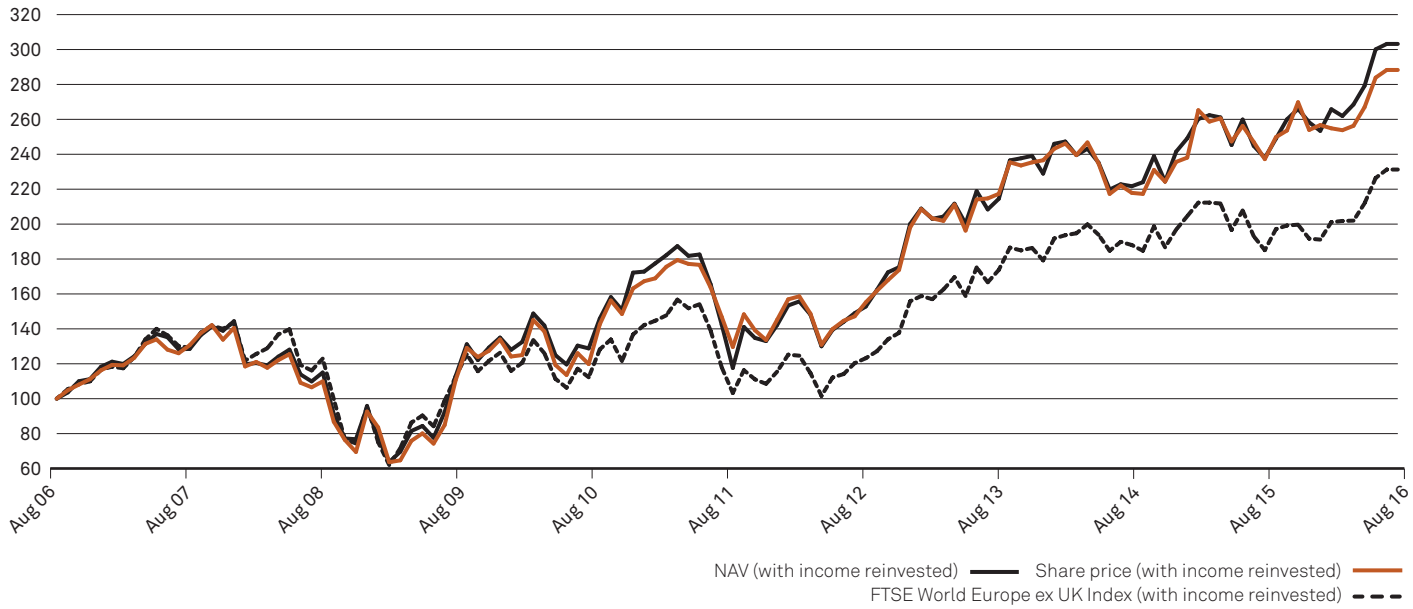
FINANCIAL HIGHLIGHTS

Attributable to ordinary shareholders	As at 31 August 2016	As at 31 August 2015	Change %
Assets			
Net asset value per ordinary share – undiluted	287.43p	250.66p	+14.7
– with income reinvested**	–	–	+16.9
Net asset value per ordinary share – diluted	287.43p	250.22p	+14.9
– with income reinvested**	–	–	+17.1
Net assets (£'000)*	294,908	261,459	+12.8
Ordinary share price (mid-market)	272.00p	244.00p	+11.5
– with income reinvested**	–	–	+13.8

	For the year ended 31 August 2016	For the year ended 31 August 2015	Change %
Revenue			
Net revenue return after taxation (£'000)	5,782	5,609	+3.1
Revenue return per ordinary share	5.60p	5.28p	+6.1
Dividends:			
– Interim	1.65p	1.65p	–
– Final	3.65p	3.35p	+9.0
Total dividends paid and payable	5.30p	5.00p	+6.0

* The change in net assets reflects the tender offer implemented in the year, market movements and the exercise of subscription shares.
** Net asset value and share price performance include the dividend reinvestments.

PERFORMANCE OVER THE TEN YEARS TO 31 AUGUST 2016



Sources: BlackRock and Datastream.
Total return performance record in sterling terms, rebased to 100 at 1 September 2006.

NM1123U-3258137-5/76

Overview

Chairman's statement

I am pleased to present the Annual Report to shareholders for the year ended 31 August 2016.

PERFORMANCE

Over the twelve months to 31 August 2016, the Company's net asset value per share (NAV) increased by 16.9%, compared with a rise of 15.4% in the FTSE World Europe ex UK Index. The share price rose by 13.8% over the same period. (All percentages calculated in sterling terms with income reinvested.) Details of the factors which have contributed to performance are set out in the Investment Manager's Report.

Since the year end and up to close of business on 18 October 2016, the Company's NAV per share has increased by 4.7% compared with a rise in the FTSE World Europe ex UK Index of 5.5% over the same period.

MARKET OVERVIEW

Global equity market returns have been muted in the past two years with high levels of market uncertainty and lacklustre growth. Stocks staged a recovery from the February lows, shaking off fears of a global recession, an oil price collapse and a Chinese currency devaluation. The rally was driven by a normalisation in commodity prices and the European Central Bank's announcement to expand the duration and scope of its stimulus programme. There was also a marked change in expectations for emerging markets, benefiting from a weaker U.S. dollar and a stabilisation in China's slowing economy. Political risk also influenced markets, particularly around the Brexit debate. Although the unexpected Brexit vote initially led to a significant market sell-off, markets rebounded in July.

REVENUE EARNINGS AND DIVIDENDS

The Company's revenue return per share for the year amounted to 5.60p per share, which compares with 5.28p per share for the previous year, an increase of 6.1%. The Board is proposing the payment of a final dividend of 3.65p per share for the year (2015: 3.35p). This, together with the interim dividend of 1.65p per share (2015: 1.65p), makes a total dividend for the year of 5.30p per share (2015: 5.00p). The dividend will be paid on 5 December 2016 to shareholders on the Company's register on 4 November 2016, the ex-dividend date being 3 November 2016.

DISCOUNT CONTROL AND TENDER OFFERS

The Board has the option to implement a tender in order to assist in controlling the discount to NAV at which the shares are traded. In addition, it will consider buying back shares in the market between tenders when it is considered to be in the interests of shareholders to do so.

The Directors exercised their discretion to operate the half yearly tender offer in November 2015, which in common with previous tenders, was for up to 20% of the ordinary shares in issue at the prevailing NAV. Valid tenders for 1,236,927 shares (1.19% of the shares in issue excluding treasury shares) were received at a price of 250.56p per share. The Board concluded that it was not in the interests of shareholders to implement the May semi-annual tender offer, having taken into consideration the narrow discount, the costs of the exercise, and the low take-up last November.

It was announced on 19 September 2016 that the next semi-annual tender offer will take place on 30 November 2016. The tender offer will be for up to 20% of the ordinary shares in issue (excluding treasury shares) at the prevailing cum income fully diluted NAV per share, subject to a discount of 2%. A Circular relating to the tender offer is enclosed with this Annual Report. The Circular will be available on the BlackRock website at blackrock.co.uk/brge, and additional copies may be requested from the Company's registered office c/o The Secretary, BlackRock Greater Europe Investment Trust plc, 12 Throgmorton Avenue, London EC2N 2DL.

In addition to the tender offer, during the year and up to the date of this report, the Company has repurchased 1,600,000 ordinary shares in the market.

Resolutions to renew the Company's semi-annual tender authorities and share buy back authority will be put to shareholders at the forthcoming Annual General Meeting.

SUBSCRIPTION SHARES

In the year under review, the Company issued a total of 530,377 ordinary shares following the conversion of subscription shares into ordinary shares. Total proceeds amounted to £1,315,000. The final opportunity to subscribe for ordinary shares under the subscription share rights was 29 April 2016. As the subscription conversion price, which was 248p per share, was greater than the prevailing share price between 29 April 2016 and 13 May 2016, the 20,014,801 outstanding subscription shares which had not been exercised on or before the final exercise date ceased to have any value and lapsed. The remaining subscription shares were subsequently reclassified as deferred shares and redeemed. The Company currently has 102,003,113 ordinary shares in issue, excluding 8,325,825 shares held in treasury.

THE BOARD

As mentioned at the interim stage, I will be stepping down as Chairman following the Annual General Meeting but will remain on the Board as a non-executive Director. Eric Sanderson will replace me as Chairman and Peter Baxter will succeed Eric as Chairman of the Audit and Management Engagement Committee. After serving on the Board since the Company's launch in 2004, it is my intention to retire as a Director after the Annual General Meeting in 2017. The process of refreshing the Board will continue this December with the search for an additional Director.

OUTLOOK

The United Kingdom's vote to leave the European Union (EU) has increased market anxiety over Europe's future and we should expect an ongoing period of market volatility as the implications of a major country leaving the EU are digested. We are also facing some key events in the coming months,

NM1123U-3258137-6/76

including the Italian referendum on their constitution at the end of the year, the U.S. elections in November, as well as several general elections in European countries in 2017. Amid this uncertainty, and in the current low interest rate environment, our Portfolio Managers will position the portfolio to focus on quality companies with rising dividends, strong cash flows and the ability to grow.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on Wednesday, 30 November 2016 at 12 noon. As in previous years, the Portfolio Managers will make a presentation to shareholders on the Company's performance and the outlook for the year ahead.

This year, for the first time, shareholders who are unable to attend in person will be able to watch the meeting via a live stream. Further details of how to register for this are given on page 62.

We, the Directors of your Company, regard the Annual General Meeting as the most important meeting of the year and we encourage you to come along. We have considered the resolutions proposed in the Notice of the Annual General Meeting and believe that all are in the interests of shareholders as a whole. We therefore recommend that you vote in favour of each resolution.

CAROL FERGUSON
19 October 2016

NM1123U-3258137-7/76

Performance

Strategic report

The Directors present the Strategic Report of the Company for the year ended 31 August 2016.

PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio investment.

INVESTMENT OBJECTIVE

The Company's objective is the achievement of capital growth, primarily through investment in a focused portfolio constructed from a combination of the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe. The Company will also have the flexibility to invest in any country included in the FTSE World Europe ex UK Index, as well as the freedom to invest in developing countries not included in the Index but considered by the Manager and the Directors as part of greater Europe.

STRATEGY, BUSINESS MODEL AND INVESTMENT POLICY

Strategy

The Company invests in accordance with the investment objective. The Board is collectively responsible to shareholders for the long term success of the Company and is its governing body. There is a clear division of responsibility between the Board and the Manager. Matters for the Board include setting the Company's strategy, including its investment objective and policy, setting limits on gearing, capital structure, governance, and appointing and monitoring of performance of service providers, including the Manager.

Business model

The Company's business model follows that of an externally managed investment trust; therefore the Company does not have any employees and outsources its activities to third party service providers including the Manager who is the principal service provider.

The management of the investment portfolio and the administration of the Company have been contractually delegated to BlackRock Fund Managers Limited (the Manager). The Manager, operating under an Investment Management Agreement, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

Other service providers include the Depositary, BNY Mellon Trust & Depositary (UK) Limited. The Company delegates fund accounting services to BlackRock Investment Management (UK) Limited (BIM (UK) or the Investment Manager), which in turn sub-delegates these services to Bank of New York Mellon (International) Limited and also sub-delegates registration services to the Registrar, Computershare Investor Services PLC.

Investment policy

The Company's policy is that the portfolio should consist of approximately 30-70 securities and the majority of the portfolio will be invested in larger capitalisation companies, being companies with a market capitalisation of over €5 billion. Up to 25% may be invested in companies in developing Europe with the flexibility to invest up to 5% of the portfolio in unquoted investments. However, overall exposure to developing European companies and unquoted investments together will not exceed 25% of the Company's portfolio.

As at 31 August 2016, the Company held 59 investments and 8.2% of the portfolio was invested in developing Europe. The Company had no unquoted investments.

Investment in developing European securities may be either direct or through other funds, including those managed by BlackRock Fund Managers Limited, subject to a maximum of 15% of the portfolio. Direct investment in Russia is limited to 10% of the Company's assets. Investments may also include depositary receipts or similar instruments representing underlying securities.

The Company also has the flexibility to invest up to 20% of the portfolio in debt securities, such as convertible bonds and corporate bonds. No bonds were held at 31 August 2016. The use of any derivative instruments such as financial futures, options and warrants and the entering into of stock lending arrangements will only be for the purposes of efficient portfolio management.

While the Company may hold shares in other investment companies (including investment trusts), the Board has agreed that the Company will not invest more than 15%, in aggregate, of its gross assets in other listed closed-ended investment funds (save to the extent that such closed-ended investment funds have published investment policies to invest no more than 15% of their total assets in such other listed closed-ended investment funds).

The Company achieves an appropriate spread of risk by investing in a diversified portfolio of securities.

The Investment Manager believes that appropriate use of gearing can add value over time. This gearing typically is in the form of an overdraft facility which can be repaid at any time. The level and benefit of any gearing is discussed and agreed regularly by the Board. The Investment Manager generally aims to be fully invested and it is anticipated that gearing will not exceed 15% of net asset value (NAV) at the time of draw down of the relevant borrowings. At the balance sheet date the Company had net gearing of 0.2% (2015: nil).

The Directors recognise that it is in the long term interests of shareholders that shares do not trade at a significant discount to their prevailing NAV. The Board believes that this may be achieved through the use of regular tender offers and the use of share buy back powers. In the year to 31 August 2016, the

NM1123U-3258137-8/76

Company's share price premium/discount to NAV ranged from a premium of 2.2% to a discount of 7.7% calculated on an undiluted cum income NAV (diluted NAV: from a premium of 2.2% to a discount of 7.9% respectively).

PERFORMANCE

In the year to 31 August 2016, the Company's undiluted NAV per share returned +16.9% (compared with a return in the FTSE World Europe ex UK Index of +15.4%) and the share price returned +13.8% (all percentages calculated in sterling terms with income reinvested).

The Investment Manager's Report on pages 11 and 12 includes a review of the main developments during the year, together with information on investment activity within the Company's portfolio.

RESULTS AND DIVIDENDS

The results for the Company are set out in the Income Statement on page 40. The total profit for the year, after taxation, was £42,881,000 (2015: £18,958,000). The revenue return amounted to £5,782,000 (2015: £5,609,000).

As explained in the Company's Half Yearly Financial Report, the Directors declared an interim dividend of 1.65p per share (2015: 1.65p). The Directors recommend the payment of a final dividend of 3.65p per share making a total dividend of 5.30p per share (2015: 5.00p). Subject to approval at the forthcoming Annual General Meeting, the dividend will be paid on 5 December 2016 to shareholders on the register of members at the close of business on 4 November 2016.

KEY PERFORMANCE INDICATORS

The Directors consider a number of performance measures to help assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

	As at 31 August 2016	As at 31 August 2015
Net asset value per share – undiluted	287.43p	250.66p
Net asset value per share – diluted	287.43p	250.22p
Share price	272.00p	244.00p
Discount to net asset value – undiluted	5.4%	2.7%
Discount to net asset value – diluted	5.4%	2.5%

	Year ended 31 August 2016	Year ended 31 August 2015
Revenue return per share – undiluted	5.60p	5.28p
Ongoing charges*	1.07%	0.89%
Ongoing charges#	1.07%	1.22%

* Ongoing charges (excluding interest costs and any performance fees, after any relief for taxation) as a % of average shareholders' funds.
\# Ongoing charges (including performance fees but excluding interest costs, after any relief for taxation) as a % of average shareholders' funds.

The Board monitors the above KPIs on a regular basis. Additionally, it regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also assesses the Company's performance against its peer group of investment trusts with similar investment objectives.

PRINCIPAL RISKS

The key risks faced by the Company are set out on the following pages. The Board has put in place a robust process to assess and monitor these risks. A core element of this is the Company's risk register. This identifies the risks facing the Company and assesses the likelihood and potential impact of each risk and the quality of controls operating to mitigate it. A residual risk rating is then calculated for each risk based on the outcome of the assessment. This approach allows the effect of any mitigating procedures to be reflected in the final assessment.

The risk register, its method of preparation and the operation of key controls in the Manager's and other third party service providers' systems of internal control, are reviewed on a regular basis by the Audit and Management Engagement Committee. In order to gain a more comprehensive understanding of the Manager's and other third party service providers' risk management processes and how these apply to the Company's business, the Audit and Management Engagement Committee periodically receives presentations from BlackRock's Internal Audit and Risk & Quantitative Analysis teams and receives Service Organisation Control (SOC 1) Reports from the Company's service providers.

In relation to the 2014 update to the UK Corporate Governance Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the reporting period. The Board will continue to assess the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, on an ongoing basis.

The current risk register includes 53 risks. The principal risks and uncertainties faced by the Company during the financial year, together with the potential effects, controls and mitigating factors are set out in the table on pages 8 and 9.

Principal Risk	Mitigation/Control
Counterparty The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments.	Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties. The Depositary is liable for restitution for the loss of financial instruments held in custody unless able to demonstrate the loss was a result of an event beyond its reasonable control.
Investment performance Returns achieved are reliant primarily upon the performance of the portfolio. An inappropriate investment policy may lead to underperformance compared to the benchmark index, a loss of capital and dissatisfied shareholders.	To manage this risk the Board: ▸ regularly reviews the Company's investment mandate and long term strategy; ▸ has set investment restrictions and guidelines which the Investment Manager monitors and regularly reports on; ▸ receives from the Investment Manager a regular explanation of stock selection decisions, portfolio exposure, gearing and any changes in gearing and the rationale for the composition of the investment portfolio; ▸ monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the investment policy; ▸ receives and reviews regular reports showing an analysis of the Company's performance against the FTSE World Europe ex UK Index and other similar indices; and ▸ ensures that the Investment Manager has training and development programmes in place for its employees and its recruitment and remuneration packages are developed in order to retain key staff.
Legal & Compliance The Company has been accepted by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments. Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio. Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010. The Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive and the UK Listing Rules and Disclosure and Transparency Rules.	The Investment Manager monitors investment movements and the amount of proposed dividends to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached. The results are reported to the Board at each meeting. Compliance with the accounting rules affecting investment trusts is also carefully and regularly monitored. The Company Secretary, Manager and the Company's professional advisers provide regular reports to the Board in respect of compliance with all applicable rules and regulation. The Board and Manager also monitor changes in government policy and legislation which may have an impact on the Company.
Market Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through realising investments in the face of negative market movements. Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events and trends, including the impact of the UK leaving the EU, can also substantially and adversely affect the securities and, as a consequence, the Company's prospects and share price.	The Board considers the diversification of the portfolio, asset allocation, stock selection, and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager.

NM1123U-3258137-10/76

Principal Risk	Mitigation/Control
Operational In common with most other investment trust companies, the Company has no employees. The Company therefore relies on the services provided by third parties and is dependent on the control systems of the Manager, BNY Mellon Trust & Depositary (UK) Limited (the Depositary) and the Bank of New York Mellon (International) Limited (the fund accountant), who maintain the Company's assets, dealing procedures and accounting records. The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third party service providers. Failure by any service provider to carry out its obligations could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records could prevent the accurate reporting and monitoring of the Company's financial position.	Due diligence is undertaken before contracts are entered into with third party service providers. Thereafter, the performance of the provider is subject to regular review and reported to the Board. Most third party service providers produce Service Organisation Control (SOC 1) reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. These reports are provided to the Audit and Management Engagement Committee. The Company's assets are subject to a strict liability regime and in the event of a loss of financial instruments held in custody, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate that the loss was a result of an event beyond its reasonable control. The Board reviews the overall performance of the Manager, Investment Manager and all other third party service providers on a regular basis and compliance with the Investment Management Agreement annually. The Board also considers the business continuity arrangements of the Company's key service providers.
Financial The Company's investment activities expose it to a variety of financial risks which include market risk, counterparty credit risk, liquidity risk and the valuation of financial instruments.	Details of these risks are disclosed in note 16 on pages 52 to 60, together with a summary of the policies for managing these risks.
Marketing Marketing efforts are inadequate or do not comply with relevant regulatory requirements. There is a failure to communicate adequately with shareholders or reach out to potential new shareholders resulting in reduced demand for the Company's shares and a widening of the discount.	The Board reviews marketing strategy and initiatives and the Manager is required to provide regular updates on progress. BlackRock has a dedicated investment trust sales team visiting both existing and potential clients on a regular basis. Data on client meetings and issues raised are provided to the Board on a regular basis. All investment trust marketing documents are subject to appropriate review and authorisation.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to by the 'Going Concern' guidelines. The Board conducted this review for a period of three years. This is generally the investment holding period investors consider while investing in the European sector.

In its assessment of the viability of the Company, the Directors have noted that:

- the Company invests predominantly in highly liquid, large listed companies so its assets are readily realisable;
- the Company has limited gearing and no concerns around facilities, headroom or covenants; and
- the business model should remain attractive for much longer than three years, unless there is significant economic or regulatory change.

The Directors have also reviewed:

- the Company's principal risks and uncertainties as set out above;
- the ongoing relevance of the Company's investment objective, business model and investment policy in the current environment; and
- the level of demand for the Company's shares.

The Directors reviewed the assumptions and considerations underpinning the Company's existing going concern assertion which are based on:

- processes for monitoring costs;
- key financial ratios;
- evaluation of risk management controls;
- compliance with the investment objective;
- portfolio risk profile;
- share price discount;
- gearing; and
- counterparty exposure and liquidity risk.

These were extended forward for three years and based on this analysis the Directors have concluded that there is a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the period of their assessment.

FUTURE PROSPECTS

The Board's main focus is to achieve capital growth. The future performance of the Company is dependent upon the success of the investment strategy and, to a large extent, on the performance of financial markets. The outlook for the Company in the next twelve months is discussed in both the Investment Manager's Report and Chairman's Statement.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment trust with no employees, the Company has no direct social or community responsibilities or impact on the environment. However, the Company believes that it is in shareholders' interests to consider human rights issues and environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on pages 29 and 30.

MODERN SLAVERY ACT

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

DIRECTORS, GENDER REPRESENTATION AND EMPLOYEES

The Directors of the Company on 31 August 2016, all of whom held office throughout the year, are set out in the Governance Structure and Directors' Biographies on page 17. The Board currently consists of two male Directors and two female Directors. The Company does not have any employees; therefore there are no disclosures to be made in that respect.

The Chairman's Statement on pages 4 and 5, including the Investment Manager's Report and portfolio analysis on pages 11 to 16, form part of the Strategic Report. The Strategic Report was approved by the Board at its meeting on 19 October 2016.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
19 October 2016

NM1123U-3258137-12/76

Performance

Investment manager's report

MARKET OVERVIEW

The Company's share price and underlying net asset value (NAV) gained over the last twelve months to 31 August 2016 by 13.8% and 16.9% respectively. By way of comparison, the FTSE World Europe ex UK Index rose by 15.4% during the same period. (All figures in sterling terms with income reinvested.)

During the year, the underlying trend for the Europe ex-UK market was downwards, falling by 1.2% in Euro terms. However, returns in sterling terms were strong as the pound weakened from a price of €1.36 against the pound, to €1.18 by the end of the year. This substantial depreciation in sterling was driven principally by the UK referendum on the European Union (EU), with an unexpected decision by the British electorate to 'leave'. This substantial event was one of many influences upon market uncertainty during the year.

Over the year to 31 August 2016, Europe continued its trajectory of low growth and low inflation expectations. In March, this environment triggered the European Central Bank to extend its monetary stimulus programme, reducing several key rates and expanding the size and duration of its asset purchase programme. Whilst this is supportive for European markets generally, unprecedented low rates put pressure on the earnings power of the banking sector. In addition to this, financial stocks have been impacted by regulatory uncertainty during the year – especially concerning the treatment, and ultimately the value, of non-performing loans of Italian banks. Consequently, banks have been the weakest performers over the year.

While monetary policy has remained accommodative, political risk has created a drag on returns. In addition to Brexit, heightened uncertainty of the future of the 'European Project', with multiple upcoming European elections, has led investors towards 'safe haven' assets. Therefore, we have seen the best performance within sectors characterised by stable cash flows, such as telecoms, tobacco and food and beverage companies. High levels of market uncertainty have further incentivised investors to bid the valuations of these more expensive stocks even higher.

Policy abroad has also helped shape the European market over the year, with stimulus in China driving a resurgence in metal prices early in 2016. While the injection in capital would likely only have a temporary effect, materials stocks rallied strongly in response, even though the earnings outlook for many companies within this sector looked challenged. The market also saw a revival in energy demand as the oil price stabilised, with oil & gas related stocks outperforming the broader market.

PORTFOLIO ACTIVITY

In an environment characterised by uncertainty, and with markets influenced by policy and political risks, stock selection proved to be a very strong driver of the portfolio's performance when compared with the broader market, whilst the allocation of capital by sector was less profitable. On a sector basis, the decision to have a lower weighting towards the consumer goods sector, caused by the high prices of many of the stocks within it, detracted from performance. The larger relative weighting towards the financial sector also proved negative for performance, although stock selection within this sector was very strong. The greater exposure to both technology and industrials, when compared with the broader market, was positive for performance. The decision to have a small allocation to cash, given the heightened volatility in the market over the twelve months, was a small drag on performance.

Adidas, the German sportswear brand, proved the greatest contributor to performance over the year when compared with the broader market. The share price increased by 164% as investors warmly received the company's plans for restructuring with a new CEO recently joining the company. Both sales and earnings momentum have been very strong for the group, in particular through the UEFA Euro 2016 football tournament where they saw record football-related sales of €2.5 billion during the quarter. Straumann, a Swiss dental implant manufacturer, also provided strong returns. The company has continually reported robust results over the year driven by solid sales growth globally and efficient cost management.

A number of positions within emerging Europe also proved profitable, with allocation to the region over the year being positive for performance. In particular, we saw strong returns in our Russian positions Yandex and Sberbank. Yandex, an IT company specialising in internet-related services and products and operating the largest search engine in Russia, performed well as internet advertising accelerated with the recovery of the Russian economy. Sberbank, Russia's largest state-owned bank with a 50% share in the retail deposit market, reported strong results in the first half of 2016. The bank continues to build on its restructuring strategy that has driven much of its success over the past few years, through improving its services and the efficiency with which they are delivered.

On a less positive note, detractions came from a number of names within the financial sector, including Italian bank Intesa Sanpaolo and asset manager Anima. Anima was especially impacted by the market volatility seen over the year, despite inflows into the business remaining solid. However, concerns in the Italian banking system pertaining to bank capitalisation have impacted a number of Anima's distribution partners and thus raised questions about the future ability of the asset manager to gather assets. Given this, we have reduced the size of the position.

NM1123U-3258137-13/76

A position in Mail.Ru, a Russian IT company providing social media platforms and gaming, detracted from returns as the online gaming business posted negative results in the first half of 2016. However, we believe that the stock remains attractive as the recent introduction of in-stream mobile advertising has the potential to drive revenues in the medium term as 70 million of Russia's 80 million internet users have active VK (Russia's most popular social network VKontakte) accounts.

Bank of Ireland also detracted from performance. Partially, the falling share price came as a result of the UK's decision to exit the EU, given its large exposure to the UK economy, where the bank garners 25% of its profitability. More broadly, the stock was impacted by political pressures at home, as well as increasing regulatory costs and a UK banking tax. However, despite the environment of compressing yields, company results showed resilience within its core operations and we believe the stock has room to recover.

At the end of the year, the portfolio was particularly weighted towards positions in the industrials, technology and consumer services sectors. Exposure to the financial sector was reduced throughout the twelve months, especially through holdings in banks. The portfolio maintained lower levels of exposure to oil & gas, basic materials, utilities and consumer goods during the year, although investment in the consumer goods sector increased during 2016. In general, the portfolio had a focus on businesses that are able to deliver attractive growth in a low growth environment, selected income opportunities (especially as dividend yields' relative attraction has grown as bond yields have fallen) and companies which offer resilient cash flows.

OUTLOOK

Our outlook remains cautiously positive for the market. Given the low overall growth rate and relatively full valuation of the market when compared with historical levels, we believe that an active approach to stock selection is key to generating returns in the present climate. Low volatility and low trading volume characterised markets over the summer and mixed economic data underscored the uncertain global growth outlook. European companies can offer significant value at present, with the spread between dividend yields and corporate bond yields at an all-time high. The accommodative policy from the European Central Bank continues to keep the growth of the economy in place, with plenty of room for further recovery in earnings in the coming years.

We believe that positioning the portfolio towards cash generative businesses such as Anheuser-Busch Inbev and Vinci; those with the ability to restructure and improve efficiencies, such as Zurich Insurance Group and Carlsberg; and those with the ability to generate growth in what remains a low growth economy, such as Lonza Group and Ontex, will help provide superior returns.

VINCENT DEVLIN AND SAM VECHT
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
19 October 2016

NM1123U-3258137-14/76

Performance

Ten largest investments as at 31 August 2016

Zurich Insurance Group: 3.4% (2015: 2.8%) is a Swiss insurance company which we believe has the potential to enhance efficiencies through restructuring the business. The group's new CEO is focusing on organisational and management changes, as well as redefining group strategy. We expect him to be able to deliver on costs, efficiency improvements (potentially making disposals) and improve underwriting performance. We believe this should lead to reduced earnings volatility and an improved dividend paying capacity.

Vinci: 2.9% (2015: nil) is a French concession and construction company which, following its 2015 acquisitions, is one of the world's top five airport operators. The company is also prominent within the road transport sector, operating more than half of France's motorways under concession. Both the contracting and concessions businesses are performing well, reflected in positive traffic and construction growth. Management is looking to steer the business towards concessions and international exposure, which we believe warrants a higher price multiple for the stock than it has historically traded at. The business is attractively valued with focus on margin recovery.

Tenaris: 2.9% (2015: nil) is one of the leading suppliers of steel tubes in oil wells (80% of sales) and thus exposed to the oil industry, particularly U.S. shale. In the context of a very challenging outlook for oil services companies, Tenaris is relatively well positioned with a strong balance sheet and geographic exposure to some attractive end markets for medium term oil supply growth. We believe Tenaris can benefit from a resumption in production of U.S. shale as the oil price stabilises.

RELX: 2.9% (2015: 2.3%) is a world-leading provider of information and analytics for professional and business customers across a multitude of industries. The company is aiming to evolve its core business by building out new products. RELX has established high barriers to entry, giving confidence to its competitive position and allowing for more predictable revenues going forward. The stock offers steady compounding growth for an attractive valuation.

Adidas: 2.9% (2015: nil) is one of the global leaders in the sporting goods industry. Whilst the company has a solid market share in Europe, it has lagged the Nike brand in the U.S. The company has the opportunity to vastly improve market share in this area through increasing focus towards social media, sponsorships and new products. Since purchasing the stock, we have seen Adidas branded sales growth (circa 85% of total sales) already begin to accelerate. In addition, the company can benefit from an improvement in cost management with a new CEO who joined the group in 2016.

Unibail-Rodamco: 2.8% (2015: 2.5%) is a large commercial real estate company, specialising in high quality shopping centres in France. The company has a strong portfolio of assets, consistently growing rents above indexation and can create value through the development of its portfolio. The company also offers an attractive dividend yield in today's low rate environment.

Anheuser-Busch Inbev: 2.8% (2015: nil) is the world's largest brewer, headquartered in Belgium. The company is benefiting from exposure to a growing end market in Brazil and has the potential to expand into markets such as Africa with the SAB Miller deal. The deal would bring together a complementary footprint in markets with significant growth opportunities and expected synergies.

Bayer: 2.7% (2015: 3.9%) is a German Life Science company, specialising in pharmaceuticals, consumer health, crop science and animal health. The stock offers M&A optionality, with the proposed deal to buy Monsanto reinforcing Bayer's core business segments as well as targeting attractive long term growth industries in crop protection. Monsanto is an innovative biotech business which is highly cash generative; the deal is expected to be greatly beneficial to core earnings over time.

KPN: 2.6% (2015: 1.4%) is a Dutch telecommunications company. The company has a strong market position which it can build upon through cross-selling to households. KPN has introduced a cost cutting programme which, in addition to price increases the business can put through to consumers, has the potential to drive operating leverage and earnings higher.

CRH: 2.5% (2015: nil) is a holding company with subsidiaries which manufacture and supply a wide range of materials for the construction industry. The stock provides exposure to the potentially rising infrastructure spend in developed markets, and to the U.S. which is already growing at attractive rates. Given energy costs are a significant input for CRH, they have been able to benefit from globally declining energy prices.

All percentages reflect the value of the holding as a percentage of total assets.
Percentages in brackets represent the value of the holding as at 31 August 2015.
Together, the ten largest investments represent 28.4% of the Company's portfolio (31 August 2015: 34.0%).

NM1123U-3258137-15/76

Performance

Investments as at 31 August 2016

	Country of operation	Market value £'000	% of investments
Industrials			
Vinci	France	8,678	2.9
CRH	Ireland	7,254	2.5
Hexagon	Sweden	6,591	2.2
Thales	France	6,535	2.2
DSV	Denmark	6,421	2.2
Kone	Finland	6,172	2.1
Assa Abloy	Sweden	6,032	2.1
Safran	France	5,608	1.9
Geberit	Switzerland	5,134	1.7
Wartsila	Finland	4,551	1.5
Ferrovial	Spain	4,513	1.5
Atlantia	Italy	3,754	1.3
Kingspan	Ireland	3,210	1.1
Teleperformance	France	2,647	0.9
Dassault Aviation	France	1,983	0.7
		79,083	**26.8**
Financials			
Zurich Insurance Group	Switzerland	9,944	3.4
Unibail-Rodamco	France	8,404	2.8
Sberbank	Russia	4,854	1.7
KBC Groep	Belgium	4,728	1.6
PZU	Poland	3,918	1.3
Sampo Oyj	Finland	3,758	1.3
Bank of Ireland	Ireland	3,661	1.3
Halk Bank	Turkey	3,275	1.1
Avanza Bank	Sweden	3,223	1.1
Garanti Bank	Turkey	3,033	1.0
Anima	Italy	2,495	0.8
Helvetia	Switzerland	1,785	0.6
Azimut	Italy	1,577	0.5
		54,655	**18.5**
Consumer Goods			
Adidas	Germany	8,451	2.9
Anheuser-Busch Inbev	Belgium	8,320	2.8
Heineken	Netherlands	5,861	2.0
Pernod Ricard	France	5,770	2.0
Pandora	Denmark	5,753	1.9
Carlsberg	Denmark	5,324	1.8
Remy Cointreau	France	4,988	1.7
Glanbia	Ireland	2,950	1.0
Steinhoff International Holdings	Germany	2,514	0.8
Ontex	Belgium	2,113	0.7
SEB	France	2,071	0.7
		54,115	**18.3**

NM1123U-3258137-16/76

	Country of operation	Market value £'000	% of investments
Consumer Services			
RELX	Netherlands	8,475	2.9
Ahold	Netherlands	6,743	2.3
Elior	France	4,807	1.6
TUI	Germany	3,758	1.3
Paddy Power Betfair	Ireland	3,619	1.2
ProSieben	Germany	2,994	1.0
Telenet	Belgium	2,420	0.8
		32,816	**11.1**
Technology			
Capgemini	France	7,254	2.5
ASML	Netherlands	6,227	2.1
Mail.Ru	Russia	5,119	1.6
Luxoft	Ukraine	4,039	1.4
Scout24	Germany	2,872	1.0
		25,511	**8.6**
Health Care			
Fresenius Medical Care	Germany	6,169	2.1
Lonza Group	Switzerland	6,013	2.0
Straumann	Switzerland	5,143	1.7
William Demant	Denmark	4,902	1.7
Roche	Switzerland	2,918	1.0
		25,145	**8.5**
Basic Materials			
Tenaris	Luxembourg	8,485	2.9
Bayer	Germany	8,003	2.7
		16,488	**5.6**
Telecommunications			
KPN	Netherlands	7,779	2.6
		7,779	**2.6**
Total Investments		**295,592**	**100.0**

All investments are in ordinary shares unless otherwise stated. The total number of investments held at 31 August 2016 was 59 (31 August 2015: 53).

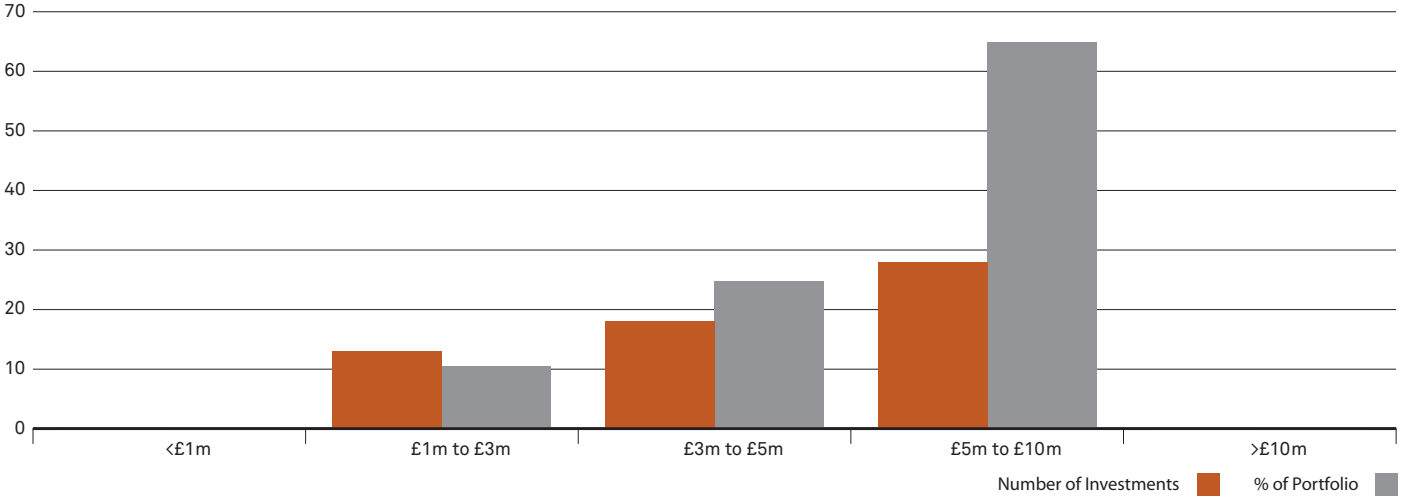
As at 31 August 2016, the Company did not hold any equity interests comprising more than 3% of any company's share capital.

Performance

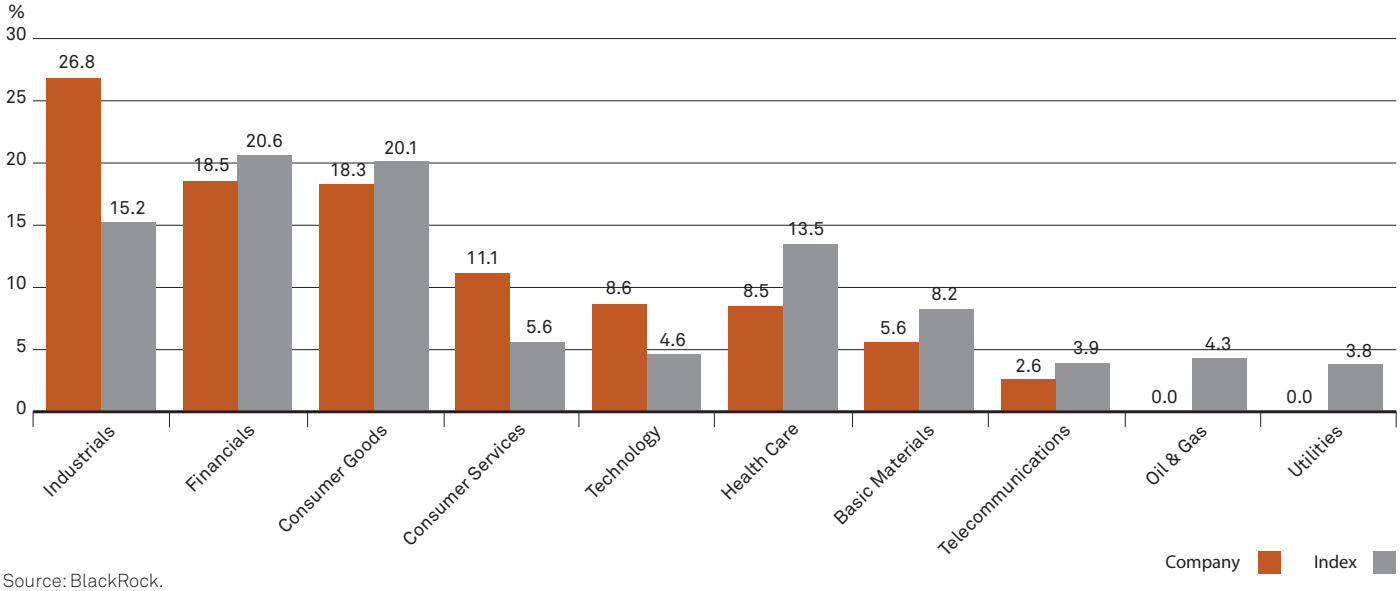
Investment exposure

MARKET CAPITALISATION AS AT 31 AUGUST 2016

INVESTMENT SIZE AS AT 31 AUGUST 2016



DISTRIBUTION OF INVESTMENTS AS AT 31 AUGUST 2016



Source: BlackRock.

NM1123U-3258137-18/76

Governance

Governance structure and Directors' biographies

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company it has no employees and outsources investment management and administration to the Manager and other external service providers.

The Board

Four non-executive Directors (NEDs), all independent of the Manager

Chairman: Carol Ferguson (since December 2013)

5 full scheduled meetings per annum

Objectives:

- To determine investment policy, strategy and parameters;
- To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed and the Company's assets to be safeguarded;
- To challenge constructively and scrutinise performance of all outsourced activities; and
- To establish the Company's remuneration policy and keep under review.

Committees

Audit and Management Engagement Committee

2 scheduled meetings per annum

Membership: All NEDs

Chairman: Eric Sanderson (since December 2013)

Key objectives:

- To oversee financial reporting and the control environment;
- To review other service providers; and
- To review the performance of the Manager.

Nomination Committee

1 scheduled meeting per annum

The Board as a whole performs this function

Key objectives:

- To review regularly the Board's structure and composition;
- To be responsible for the Board's succession planning; and
- To make recommendations for any new appointments.

Directors

Carol Ferguson

Chairman,
Appointed June 2004

is a qualified accountant and has over twenty five years' experience in the investment and financial services industry. She is also a non-executive director of Standard Life UK Smaller Companies Trust plc and Chairman of Invesco Asia Trust plc. She is also on the board of Vernalis plc.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2
Nomination Committee: 1/1

Eric Sanderson

Audit and Management Engagement Committee Chairman,
Appointed April 2013

is a chartered accountant and a banker and was chief executive of British Linen Bank from 1989 to 1997 and a member of the management board of Bank of Scotland in his role as head of group treasury operations from 1997 to 1999. He was formerly chairman of MyTravel Group PLC, MWB Group Holdings and Dunedin Fund Managers Limited. He is presently chairman of Schroder UK Mid Cap Fund plc.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2
Nomination Committee: 1/1

Davina Curling

Appointed December 2011

has over 25 years' experience of investment management and was managing director and head of Pan European Equities at Russell Investments. Prior to this she was head of European Equities at F&C, ISIS, Royal & SunAlliance and Nikko Capital Management (UK). She is also a non-executive director of Invesco Income Growth Trust plc and a member of the St James's Place Wealth Management Investment Committee.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2
Nomination Committee: 1/1

Peter Baxter

Appointed April 2015

has 30 years' experience in the investment management industry. He was chief executive of Old Mutual Asset Managers (UK) and previously worked for Schroders and Hill Samuel in a variety of investment strategy roles. He is a member of the Board of Trust for London, where he chairs the investment committee, and a member of the Financial Reporting Council's Conduct Committee.

Attendance record:
Board: 5/5
Audit and Management Engagement Committee: 2/2
Nomination Committee: 1/1

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

NM1123U-3258137-19/76

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 August 2016.

STATUS OF THE COMPANY

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is domiciled in the UK as an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company and has no employees.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers' Directive (AIFMD). The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers' Regulations 2013) (The Regulations) and is required to be authorised by the Financial Conduct Authority (FCA) and must comply with a number of obligations, including the appointment of an Alternative Investment Fund Manager (AIFM) and a depositary to carry out certain functions. The AIFM must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the FCA. Further details are set out on the Company's website at blackrock.co.uk/brge, the Regulatory Disclosures section on pages 66 and 67 and in the notes to the financial statements on pages 44 to 60.

The Company's ordinary shares are eligible for inclusion in the stocks and shares component of a New Individual Savings Account (NISA).

THE COMMON REPORTING STANDARD

New tax legislation under the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced on 1 January 2016.

The legislation requires investment trust companies to provide personal information to HMRC about investors who purchase shares in investment trusts. The Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held in CREST, entered on to the share register will be sent a certification form for the purposes of collecting this information.

FACILITATING RETAIL INVESTMENTS

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

DIVIDENDS

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 7.

INVESTMENT MANAGEMENT AND ADMINISTRATION

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014, having been authorised as an AIFM by the FCA on 1 May 2014. The management contract is terminable by either party on six months' notice.

BlackRock Investment Management (UK) Limited (BIM (UK)) continues to act as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Secretary of the Company throughout the year. Up to and including 31 August 2015, BFM received an annual fee of 0.70% of market value plus a performance fee of 15% of any outperformance of the FTSE World Europe ex UK Index, up to a maximum total investment management fee of 1.15% of performance fee market value. With effect from 1 September 2015, the arrangements were replaced with a base fee of 0.85% of net asset value and the performance fee was removed.

Where the Company invests in other investment or cash funds managed by BIM (UK), any underlying fee charged is rebated. Fees are adjusted by adding all dividends declared during the period. Further details are disclosed in note 4 on page 47.

BFM and BIM (UK) are subsidiaries of BlackRock, Inc. (BlackRock) which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm. The PNC Financial Services Group, Inc. has a significant economic interest in BlackRock, Inc. PNC Financial Services Group, Inc. is a U.S. public company.

The Company contributes to a focused investment trust sales and marketing initiative operated by BIM (UK) on behalf of the investment trusts under its management. The Company's

NM1123U-3258137-20/76

contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represents a budget of up to 0.025% per annum of its net assets (£270 million) as at 31 December 2015 and this contribution is matched by BIM (UK). In addition, a budget of a further £15,000 has been allocated for Company specific sales and marketing activity. Total fees paid or payable for these services for the year ended 31 August 2016 amounted to £49,000 (excluding VAT) (2015: £48,000). The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

APPOINTMENT OF THE MANAGER

The Board considers the arrangements for the provision of investment management services to the Company on an ongoing basis and a formal review is conducted annually. As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. The Board has concluded that the continuing appointment of the Manager, on the terms disclosed above, is in the interests of shareholders as a whole given their proven track record in successfully investing in Europe.

DEPOSITARY AND CUSTODIAN

The Company appointed BNY Mellon Trust & Depositary (UK) Limited (BNYMTD or the Depositary) in this role with effect from 2 July 2014. Their duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depositary under the AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. BNYMTD receives a fee payable at 0.0115% of the net assets of the Company. The Company has appointed BNYMTD in a tripartite agreement to which BFM as AIFM is also a signatory. The Depositary is also liable for the loss of financial instruments held in custody. The depositary agreement is subject to 90 days' notice of termination by any party.

Under the depositary agreement, custody services in respect of the Company's assets have been delegated to the Bank of New York Mellon (International) Limited (BNYM). BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held.

REGISTRAR

The Company has appointed Computershare Investor Services PLC as its Registrar (the Registrar). The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to any corporate actions, dividend administration, shareholder documentation, the Common Reporting Standard and FATCA.

CHANGE OF CONTROL

There are no agreements which the Company is party to that might be affected by a change of control of the Company.

EXERCISE OF VOTING RIGHTS IN INVESTEE COMPANIES

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager by BFM. BIM (UK)'s approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BIM (UK) believes that sound corporate governance practices by companies contribute to their long term financial performance and thus to better risk-adjusted returns. BIM (UK)'s proxy voting process is led by its Corporate Governance and Responsible Investment team, located in six offices around the world. In addition to its own professional staff, the Corporate Governance and Responsible Investment team draws upon the expertise of BIM (UK)'s portfolio managers, researchers and other internal and external resources globally.

BIM (UK)'s global corporate governance and engagement principles are published on the website blackrock.com/corporate/en-gb/about-us/investment-stewardship/voting-guidelines-reports-position-papers. The principles set out BIM UK's views on the overarching features of corporate governance that apply in all markets. For each region, BIM (UK) also publish market-specific policies, which are updated every year to ensure that they remain relevant.

The voting guidelines are principles-based and not prescriptive because BIM (UK) believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BIM (UK) believe in their professional judgement will best protect the economic interests of their clients.

Details of the voting record in respect of the Company's portfolio for the year ended 31 August 2016 are set out in the table below:

Number of meetings voted	Number of proposals	% of meetings voted against one or more management recommendations	% of proposals voted against management recommendations
55	798	42.86	7.84

PRINCIPAL RISKS

The key risks faced by the Company are set out in the Strategic Report on pages 8 and 9.

GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis. Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements. A statement on the medium term viability of the Company can be found in the Strategic Report on pages 9 and 10. The Company is able to meet all of its liabilities from its assets and income generated from these assets and the ongoing charges are 1.07% of net assets.

DIRECTORS

The Directors of the Company as at 31 August 2016 and their biographies are set out on page 17. Details of their interests in the shares of the Company are set out in the Directors' Remuneration Report on page 26. All of the Directors held office throughout the year under review.

All appointments to the Board and re-elections of Directors are carried out in accordance with the Companies Act and the Company's Articles of Association. The Company's Articles of Association provide that one third of Directors retire by rotation each year and that each Director shall retire and offer himself/herself for re-election at intervals of no more than three years. The Board may also appoint Directors to the Board but any Director so appointed must stand for election by the shareholders at the next Annual General Meeting in accordance with the Articles of Association. Directors are required to retire if they have served more than nine years on the Board, but then may offer themselves for annual re-election.

In accordance with the provisions of the Articles of Association, Mr Sanderson will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election. Having served for more than nine years, Ms Ferguson will also retire and seek re-election. The Board has considered the continued appointment of Ms Ferguson and its view is that length of tenure does not compromise independence and that experience can add strength to a Board. The Board is conscious of the need to maintain continuity and believes that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to shareholders.

The Board believes that the performance of Ms Ferguson and Mr Sanderson continues to be effective and that they demonstrate a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. The Board, having considered the retiring Directors' performance within the annual Board performance evaluation process, therefore recommends that shareholders vote in favour of each Director's proposed re-election.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors has a service contract with the Company. No Director is entitled to compensation for loss of office on the takeover of the Company.

DIRECTORS' INDEMNITY

In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into Deeds of Indemnity with Directors individually which are available for inspection at the Company's registered office and will also be available at the Annual General Meeting.

CONFLICTS OF INTEREST

The Board has put in place a framework in order for Directors to report conflicts of interest or potential conflicts of interest which it believes has worked effectively during the year. All Directors are required to notify the Company Secretary of any situations or potential situations where they consider that they have or may have a direct or indirect interest, or duty that conflicted, or possibly conflicted, with the interests of the Company. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to review all notified situations on a regular basis.

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report is set out on pages 24 to 26. An ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

SUBSTANTIAL SHARE INTERESTS

As at 31 August 2016, the following investors had declared a notifiable interest in the Company's voting rights.

	Number of ordinary shares	% of issued share capital
BlackRock Investment Management (UK) Limited*	22,692,145	22.1

* 20.7% held through the BlackRock Investment Trust Savings Plan and NISA.

As at 14 October 2016, the Company had received notification of the following interests.

	Number of ordinary shares	% of issued share capital
BlackRock Investment Management (UK) Limited*	22,483,578	22.0

* 20.6% held through the BlackRock Investment Trust Savings Plan and NISA.

NM1123U-3258137-22/76

SHARE CAPITAL

Full details of the Company's issued share capital are given in note 13 to the Financial Statements on page 51. Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 71. The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights or the transfer of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company.

TENDER OFFERS

The Directors exercised their discretion to operate the half yearly tender offer on 30 November 2015 and the Company offered to repurchase up to 20% of its issued ordinary shares (excluding treasury shares). The tender offer was undersubscribed with 1,236,927 ordinary shares (1.19% of the ordinary shares in issue excluding treasury shares) being tendered. The tender price calculated as at close of business on 30 November 2015, the calculation date, was 250.56p per share. The ordinary shares were repurchased and placed in treasury at a cost of £3,115,000 including expenses. All shares tendered were repurchased by the Company.

The Directors have decided to exercise their discretion to implement a further tender offer subject to a maximum 20% in aggregate of the shares in issue (excluding treasury shares). The tender offer NAV will be calculated at close of business on 30 November 2016 and will be for 98% of the NAV per share. Full details of the tender offer and the procedure for tendering shares are contained in the Circular to shareholders dated 31 October 2016.

The current tender offer authority will expire on 31 January 2017 and the Directors are proposing that their authority to make further regular tender offers be renewed at the forthcoming Annual General Meeting.

SHARE REPURCHASES

The Company has authority to purchase ordinary shares in the market to be held in treasury or for cancellation. In addition to the tender offer, during the year the Company bought back 1,000,000 ordinary shares at an average price of 247.9p and at an average discount of 5.3%. Since the year end, the Company has repurchased a further 600,000 ordinary shares at an average price of 276.9p at an average discount of 5.6% for a total cost of £1,662,000. All shares have been placed in treasury. The Company currently has 102,003,113 ordinary shares (excluding 8,325,825 treasury shares) in issue.

The latest buy back authority was granted to Directors on 10 December 2015 and expires at the conclusion of the Annual General Meeting on 30 November 2016. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

SUBSCRIPTION SHARES

From 1 September 2015 to 31 August 2016, a total of 530,377 subscription shares were converted into ordinary shares at a conversion price of 248p per share raising proceeds of £1,315,000. The final exercise date was 29 April 2016, after which the subscription share rights lapsed.

ISSUE OF SHARES

Other than in respect of the conversion of subscription shares, no ordinary shares were issued in the year.

TREASURY SHARES

At the 2015 Annual General Meeting the Company was authorised to repurchase ordinary shares into treasury for reissue or cancellation at a future date. Following the November 2015 tender offer, the 1,236,927 ordinary shares tendered were placed in treasury. The 1,600,000 ordinary shares which have been repurchased in the market during the year and up to the date of this report have also been placed in treasury. The Board has reviewed the policy in relation to the amount of shares which can be held in treasury. As there is now no limit to the number of shares which can be held in treasury, the previous policy of limiting the percentage held to 10% has been removed.

The Company currently has the authority to reissue its ordinary shares from treasury on a non pre-emptive basis at a discount of no greater than 2% to the NAV per share. A resolution to renew this authority will again be put to shareholders at the forthcoming Annual General Meeting. The sale of treasury shares will be limited to an aggregate nominal amount of £10,200, being 10% of the Company's total issued share capital as at the date of the notice of Annual General Meeting, which is set out at the back of this Annual Report.

The Directors have the discretion to implement twice yearly tender offers at which time the Company will not repurchase ordinary shares into treasury at a discount to NAV of less than 2% on the date of purchase. It has therefore been agreed that treasury shares will only be reissued at a lesser discount to that at which they were acquired in the tenders and in addition at a price which is not less than the market bid price at the time of sale. This ensures that the combined purchase of shares into treasury and subsequent sale of shares out of treasury is NAV enhancing on the roundtrip. The Directors will still have the discretion to issue shares out of treasury at a price in excess of the NAV per share if it determines that this is in the interests of shareholders.

The use of treasury shares should assist the Manager in the objective of providing a discount management mechanism and enhancing the NAV of the Company's shares. This will provide the Directors with the additional flexibility to manage the Company's investment portfolio but only if they believe it to be advantageous to the Company as a whole to do so.

NM1123U-3258137-23/76

GLOBAL GREENHOUSE GAS EMISSIONS FOR THE PERIOD 1 SEPTEMBER 2015 TO 31 AUGUST 2016

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles of Association must be made by special resolution.

ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming Annual General Meeting is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy or Form of Direction) 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 onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 8 Authority to allot shares

The Directors may only allot shares for cash if authorised to do so by shareholders in general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £10,200 which is equivalent to 10,200,311 ordinary shares of 0.1p each and represents 10% of the current issued ordinary share capital excluding treasury shares. The Directors will use this authority when it is in the best interests of the Company to issue shares for cash. This authority will expire at the conclusion of next year's Annual General Meeting, unless renewed prior to that date at an earlier general meeting.

Resolution 9 Authority to disapply pre-emption rights

By law, Directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 9 empowers the Directors to (i) allot new shares for cash in each case or; (ii) to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £10,200 which is equivalent to 10,200,311 ordinary shares of 0.1p each and represents 10% of the Company's issued ordinary share capital excluding treasury shares at the date of this notice. Unless renewed at a general meeting prior to such time, these authorities will expire at the conclusion of the Annual General Meeting of the Company to be held in 2017.

Resolution 10 Authority to buy back ordinary shares

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own ordinary shares. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares.

Under the Listing Rules of the Financial Conduct Authority, the maximum price payable by the Company for each ordinary share is the higher of (i)105% of the average of the middle market quotations of the ordinary shares for the five dealing days prior to the date of the market purchase and (ii) the higher of the price quoted for (a) the last independent trade and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The Directors are seeking authority to purchase up to 15,290,266 ordinary shares (being 14.99% of the ordinary shares in issue at the date of this report) or, if less, 14.99% of the ordinary shares at 30 November 2016. This authority, unless renewed at an earlier general meeting, will expire at the conclusion of next year's Annual General Meeting in 2017.

Resolutions 11 and 12 Regular tender offers

Resolutions 11 and 12 seek shareholder approval to renew the authorities to operate the semi-annual tender offers in accordance with the terms and conditions of the Company's regular tender offers. The Directors are seeking authority to purchase up to a maximum of 20% of the ordinary shares in issue at each relevant tender offer date. The authorities, if renewed, will expire on 31 July 2017 and 31 January 2018.

Recommendation:

The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

LIVE STREAMING

The Annual General Meeting will be live streamed on the internet and can be viewed via a link on the Company's website, www.blackrock.co.uk/brge.

Further details are provided on page 62.

NM1123U-3258137-24/76

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 27 to 30. The Corporate Governance Statement forms part of this Directors' Report.

AUDIT INFORMATION

As required by section 418 of the Companies Act 2006, the Directors who held office at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Ernst & Young LLP, has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the Directors to determine its remuneration for the ensuing year will be submitted at the Annual General Meeting.

The Directors' Report was approved by the Board at its meeting on 19 October 2016.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
19 October 2016

NM1123U-3258137-25/76

Governance

Directors' remuneration report

The Board presents the Directors' Remuneration Report for the year ended 31 August 2016 which has been prepared in accordance with sections 420-422 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The remuneration policy which is subject to a triennial binding vote is set out in the policy table on page 25.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 36 to 39.

STATEMENT BY THE CHAIRMAN

The Board's policy on remuneration is set out in the policy table on page 25. A key element is that fees payable to Directors should reflect the time spent by them on the Company's affairs and should be sufficient to attract and retain individuals with suitable knowledge and experience.

The basis for determining the level of any increase in Directors' remuneration is set out in the policy report below. With effect from 1 September 2016, the remuneration of the Chairman was increased from £33,000 to £35,000, the Chairman of the Audit and Management Engagement Committee from £27,500 to £29,000 and for the other Directors from £23,000 to £25,000. Prior to this increase, the remuneration was last increased on 1 September 2013.

REMUNERATION COMMITTEE

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. It is not considered necessary to have a separate Committee as the Company's Directors are all non-executive and independent of the Manager.

POLICY REPORT

In setting the appropriate level of Directors' fees, a number of factors are considered, including the workload of the Directors, their responsibilities, any change in these responsibilities and additional legal duties (for example as a result of new legislation being implemented), the relationship with their suppliers and the size and complexity of the Company. The time commitment required, the level of skills and appropriate experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity are also taken into account. The Board also considers the average rate of inflation during the period since the last fee increase, and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate, as well as taking account of any data published by the Association of Investment Companies to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary. The review is performed on an annual basis.

No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long term performance incentives to any of the Directors. None of the Directors has a service contract with the Company or receives any non cash benefits, pension entitlements or compensation for loss of office. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting Directors' fees.

CONSIDERATION OF SHAREHOLDERS' VIEWS

An ordinary resolution to approve the remuneration report is put to members at each Annual General Meeting and shareholders have the opportunity to express their views and raise any queries in respect of the remuneration policy at this meeting. To date, no shareholders have commented in respect of the remuneration policy. In accordance with the Companies Act 2006, the Company obtained shareholder approval at the 2014 Annual General Meeting for its remuneration policy as set out in the table on page 25. The policy is subject to shareholder approval on a triennial basis and it is the intention of the Board that the above policy on remuneration will apply for financial years of the Company up to 31 August 2017.

At the Company's previous Annual General Meeting held on 10 December 2015, 98.10% of votes cast (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the Directors' Remuneration Report in respect of the year ended 31 August 2015 and 1.90% were against. At the Company's Annual General Meeting held on 3 December 2014, 98.92% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the remuneration policy and 1.08% of votes cast were against. The next such resolution will be put to shareholders at the Annual General Meeting in 2017.

NM1123U-3258137-26/76

POLICY TABLE

Purpose and link to strategy		Fees payable to Directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key Committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the level of complexity of responsibilities borne by the Directors.
Description		Current levels of fixed annual fee: Chairman – £35,000 Audit and Management Engagement Committee Chairman – £29,000 Directors – £25,000 All reasonable expenses to be reimbursed.
Maximum levels		Remuneration consists of a fixed fee each year, set in accordance with the stated policies and any increase granted must be in line with the stated policies. The Company's Articles of Association set an aggregate limit of £200,000 in respect of the remuneration that may be paid to Directors in any financial year. In addition, the Directors propose a limit of £20,000 per annum in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.
Operation	Fixed fee element	The Board reviews the quantum of Directors' pay each year to ensure that this is in line with the level of Directors' remuneration for other investment trusts of a similar size. When making recommendations for any changes in fees, the Board will consider wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). There is no compensation for loss of office.
Operation	Taxable benefits	Taxable benefits comprise travel and subsistence expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered office in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred.

REMUNERATION IMPLEMENTATION REPORT

A single figure for the total remuneration of each Director is set out in the table below for the year ended 31 August 2016:

	2016	2015	2016	2015	2016	2015
Directors	Fees £	Fees £	Taxable benefits* £	Taxable benefits* £	Total £	Total £
Carol Ferguson (Chairman)	33,000	33,000	–	66	33,000	33,066
Eric Sanderson (Chairman of Audit and Management Engagement Committee)	27,500	27,500	2,915	1,653	30,415	29,153
Davina Curling	23,000	23,000	–	–	23,000	23,000
Gerald Holtham[1]	6,368	23,000	–	–	6,368	23,000
Peter Baxter[2]	23,000	9,584	–	–	23,000	9,584
Total	112,868	116,084	2,915	1,719	115,783	117,803

1. Retired as a Director on 10 December 2015.
2. Appointed as a Director on 1 April 2015.
* Taxable benefits relate to travel and subsistence costs.

The information in the above table has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors. As at 31 August 2016, fees of £9,000 (2015: £11,000) were outstanding to Directors in respect of their annual fees.

RELATIVE IMPORTANCE OF SPEND ON REMUNERATION

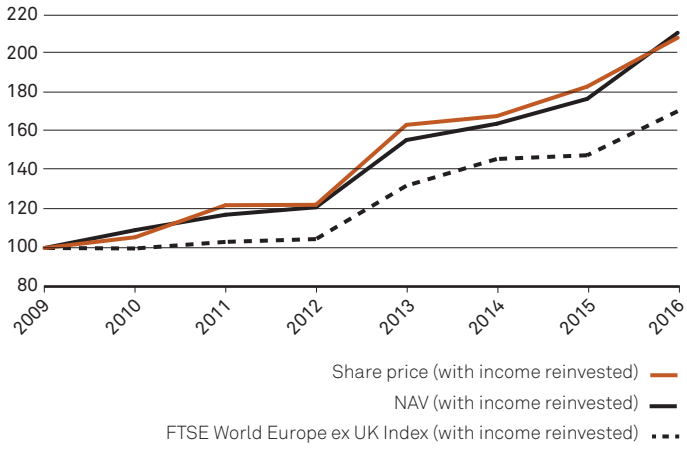
As the Company has no employees, the table on page 25 comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared with the Company's dividend distributions and share buybacks. As the Company has no employees, no consideration is required to be given to employment conditions elsewhere in setting Directors' pay.

	2016	2015	Change
	£'000	£'000	£'000
Directors' total remuneration	116	118	-2
Dividends paid and payable	5,416	5,238	+178
Buy back of ordinary shares	5,582	11,360	-5,778

PERFORMANCE

The graph below compares the Company's NAV and share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total notional shareholder return on an equivalent investment in the FTSE World Europe ex UK Index. This index was chosen for comparison purposes as it is the best proxy whereby the success of the Investment Manager's investment decisions may be judged.

PERFORMANCE FROM 1 SEPTEMBER 2009 TO 31 AUGUST 2016



Sources: BlackRock and Datastream.
Total return performance record in sterling terms rebased to 100 at 1 September 2009.

SHAREHOLDINGS

There is no requirement for Directors to hold shares in the Company.

The interests of the Directors in the ordinary shares of the Company are set out in the table below. The Company does not have a share option scheme, therefore none of the Directors has an interest in share options.

	31 August 2016	31 August 2015
	Ordinary shares	Ordinary shares
Carol Ferguson	57,600	57,600
Eric Sanderson	4,000	4,000
Davina Curling	–	–
Peter Baxter	–	–
Gerald Holtham	n/a	13,320

The information in the above table has been audited.

All of the holdings of the Directors are beneficial. No changes to these holdings had been notified up to the date of this report.

RETIREMENT OF DIRECTORS

Further details are given in the Directors' Report on page 20.

ON BEHALF OF THE BOARD

CAROL FERGUSON
Chairman
19 October 2016

NM1123U-3258137-28/76

Governance

Corporate governance statement

CHAIRMAN'S INTRODUCTION

Corporate governance is the process by which the Board seeks to look after shareholders' interests and protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run our Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

As a UK-listed investment trust company our principal reporting obligation is driven by the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council in September 2014. However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the AIC Code) issued in February 2015, which addresses the governance issues relevant to investment companies and meets the approval of the Financial Reporting Council.

The UK Code is available from the Financial Reporting Council's website at frc.org.uk. The AIC Code is available from the Association of Investment Companies at theaic.co.uk.

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility, authority and accountability.

COMPLIANCE

The Board has made the appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive. Thus, not all of the provisions of the UK Code are directly applicable to the Company.

The Board considers that the Company has complied with the recommendations of the AIC Code and the provisions contained within the UK Code that are relevant to the Company throughout this accounting period, except the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director.

Information on how the Company has applied the principles of the AIC Code and UK Code is set out below.

THE BOARD

Board composition

The Board currently consists of four non-executive Directors, all of whom are independent of the Company's Manager. The provision of the UK Code (A.2.1) which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors. The UK Code (A.4.1) recommends that the Board should appoint one of the independent non-executive directors to be the senior independent director. However, as the Board's structure is relatively simple, with no executive directors and just four non-executive directors, the Board does not consider it necessary to nominate a senior independent director.

The Directors' biographies, on page 17, demonstrate a breadth of investment knowledge, business and financial skills which enables them to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can also be found on page 17.

Diversity

The Board's policy on diversity, including gender, is to take this into account during the recruitment and appointment process. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report.

Board independence and tenure

The Board regularly reviews the independence of its members and considers all of the Directors to be independent. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. It is considered that Ms Ferguson, who has served as a Director for over nine years, has continued to be independent in both character and judgement.

The Company does not have a chief executive as day-to-day management of the Company's affairs is delegated to the Manager. None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. Copies of these letters are available on request from the Company's registered office and will be available at the Annual General Meeting.

NM1123U-3258137-29/76

Directors' appointment, retirement and rotation

The rules concerning the appointment, retirement and rotation of Directors are discussed in the Directors' Report on page 20. The Board has considered the position of each of the Directors as part of the evaluation process and believes it would be in the best interests of the Company for each Director retiring to be proposed for re-election at the forthcoming Annual General Meeting given their material level of contribution and commitment to the Company.

The Directors support a planned and progressive renewing of the Board. The Board's tenure and succession policy seeks to ensure that the Board is well-balanced through the appointment of new Directors with the skills and experience necessary. Directors must be able to demonstrate commitment to the Company, including in terms of time.

Directors' training and induction

When a new Director is appointed to the Board, he or she is provided with all the relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with the Portfolio Managers, the Company Secretary and other key employees of the Manager whereby he or she will become familiar with the working and processes of the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the auditor and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect them or the Company.

Directors' liability insurance

The Company has maintained appropriate Directors' liability insurance cover throughout the year.

BOARD'S RESPONSIBILITIES

The Board is responsible for the effective stewardship of the Company's affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. Investment policy and strategy are determined by the Board. It is also responsible for the gearing policy, dividend policy, public documents such as the reports and financial statements, the terms of the discount control mechanism, buy back policy and corporate governance matters. In order to enable them to discharge their responsibilities, the Board has full and timely access to relevant information.

The Board currently meets at least five times a year to review investment performance, financial reports and other reports of a strategic nature. Board or Board committee meetings are also held on an ad hoc basis to consider particular issues as they arise. Key representatives of the Manager and/or Investment Manager attend each meeting and between these meetings there is regular contact with the Manager and Investment Manager.

The Board has direct access to company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Board has established a procedure whereby Directors wishing to do so in the furtherance of their duties, may take independent advice at the Company's expense. The appointment and removal of the Company Secretary is a matter for the whole Board.

PERFORMANCE EVALUATION

In order to review the effectiveness of the Board, its Committees and the individual Directors, the Board carries out an annual appraisal process. The annual evaluation for the year ended 31 August 2016 has been carried out and took the form of self and peer group assessments using written questionnaires followed by individual discussions between the Chairman and Directors. The performance of the Chairman was reviewed by the other Directors, led by Mr Sanderson. The appraisal process is considered to be constructive in terms of identifying areas for improving the functioning and the performance of the Board and its Committees and the contribution of individual Directors, as well as building on and developing individual and collective strengths. There were no significant actions arising from the evaluation process.

DELEGATION OF RESPONSIBILITIES

The Board has delegated the following areas of responsibility:

Management and administration

The management of the investment portfolio and the administration of the Company have been contractually delegated to BFM, as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BIM (UK) (the Investment Manager). The contractual arrangements with the Manager are summarised on pages 18 and 19. The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. The Board has final investment authority on unquoted investments.

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting. In addition, a formal review is undertaken annually, details of which are set out on page 19 of the Directors' Report.

The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is the Bank of New York Mellon Trustee and Depositary (UK) Limited. The address at which this business is conducted is given on page 65.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the

NM1123U-3258137-30/76

Investment Manager. Details of the Investment Manager's voting policy are set out on pages 19 and 20.

Committees of the Board

Nomination Committee

As the Board is small and comprises only non-executive Directors it fulfils the function of the Nomination Committee and is chaired by the Chairman of the Board. The role of the Committee is to review the Board structure, size and composition, the balance of knowledge, experience and skill ranges and to consider succession planning and tenure policy. Appointments of new Directors will be made on a formalised basis, with the Committee agreeing the selection criteria and the method of selection, recruitment and appointment. The services of an external search consultant may be used to identify potential candidates.

Audit and Management Engagement Committee

A separately chaired Audit and Management Engagement Committee has been established and comprises the whole Board. Further details are given in the Report of the Audit and Management Engagement Committee on pages 31 to 34.

Remuneration Committee

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 24 to 26. As stated in the Directors' Remuneration Report, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

INTERNAL CONTROLS

The Board is responsible for the internal controls of the Company and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company's significant risks. As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses and should a case be categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by the Manager's corporate audit department. This accords with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the UK Corporate Governance Code'.

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks. The Audit and Management Engagement Committee (the Committee) formally review this register on a semi-annual basis and BFM as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock's internal audit department report to the Committee on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the custodian, the fund accountant and the AIFM and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad hoc basis to the extent this is required. The Committee also receives annual and quarterly Service Organisation Control (SOC 1) Reports respectively from BlackRock and Bank of New York Mellon on the internal controls of their respective operations, together with the opinion of their reporting accountants.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Manager and the Depositary. The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

The Company does not have its own internal audit function, as all the administration is delegated to the Manager and other third party service providers. The Board monitors the controls in place through the SOC 1 reports and the Manager's internal audit department and feels that there is currently no need for the Company to have its own internal audit function although this matter is kept under review.

FINANCIAL REPORTING

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 35, the Independent Auditor's Report on pages 36 to 39 and the statement of Going Concern on page 20.

SOCIALLY RESPONSIBLE INVESTMENT

Investment trusts do not employ staff and accordingly have no direct impact on social matters but can be significant investors in the economies of the regions in which they invest. The Company invests in the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe. The Board believes that it is important to invest in companies whose

NM1123U-3258137-31/76

boards act responsibly in respect of environmental, ethical and social issues. The Investment Manager's evaluation procedure and financial analysis of the companies within the portfolio includes research and appraisal, and also takes into account environmental policies and other business issues.

The Manager is supportive of the UK Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies, and is voluntary and operates on a 'comply or explain' basis. The Manager's approach to the UK Stewardship Code, and policies on Socially Responsible Investment, are detailed on their website at blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports.

BRIBERY PREVENTION POLICY

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

COMMUNICATION WITH SHAREHOLDERS

All shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting which is sent out 20 working days in advance of the meeting sets out the business of the Meeting and any item not of an entirely routine nature is explained in the Directors' Report on page 22. Separate resolutions are proposed for substantive issues.

In addition, regular updates on performance are available to shareholders and the Portfolio Managers will review the Company's portfolio and performance at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit and Management Engagement Committee and representatives of the Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the Annual General Meeting and will be made available on the BlackRock website shortly after the meeting.

The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programmes of institutional presentations made by the Investment Manager. The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders and it also receives reports from its corporate broker. The Chairman and Directors are also available to meet with shareholders periodically without the Investment Manager being present. If any shareholder wishes to contact the Chairman directly they should contact the Secretary whose details are given on page 65.

There is a section within this report entitled 'Additional Information – Shareholder Information', on pages 61 to 63 which provides an overview of useful information available to shareholders. The Company's financial statements, regular factsheets and other information are also published on the BlackRock website at blackrock.co.uk/brge. The work undertaken by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 18 to 23 because it is information which refers to events that have taken place during the course of the year.

FOR AND ON BEHALF OF THE BOARD

CAROL FERGUSON
Chairman
19 October 2016

NM1123U-3258137-32/76

Governance

Report of the Audit and Management Engagement Committee

As Chairman of the Company's Audit and Management Engagement Committee (the Committee) I am pleased to present the Committee's report to shareholders for the year ended 31 August 2016.

COMPOSITION

All of the Directors are members of the Committee. The Directors' biographies are given on page 17 and the Board considers that at least one member of the Committee has competence in accounting and/or auditing and the Committee as a whole has competence relevant to the sector in which the Company operates. The Chairman of the Company is a member of the Committee to enable her to be kept fully informed of any issues which may arise.

ROLE AND RESPONSIBILITIES

The Committee meets at least twice a year. The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from the Manager's corporate audit and compliance departments. The Committee does not consider that as an investment trust company it needs to hold an additional meeting, although this is kept under review.

The Committee operates within written terms of reference detailing its scope and duties and these are available on the Company's website at blackrock.co.uk/brge. The Committee's principal duties, as set out in the terms of reference, are set out below. In accordance with these duties, the principal activities of the Committee during the year included:

Internal controls, financial reporting and risk management systems

- ensuring the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management systems;
- reasonably satisfying itself that such systems meet relevant legal and regulatory requirements;
- monitoring the integrity of the financial statements;
- reviewing the consistency of, and any changes to, accounting policies;
- reviewing the half yearly and annual report and financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders;
- evaluating the need for an internal audit function;
- reviewing semi-annual reports from the Manager on its activities as AIFM; and
- reviewing semi-annual reports from the Depositary on its activities.

Narrative reporting

- reviewing the content of the annual report and financial statements and advising the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

External audit

- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditor;
- reviewing and approving the audit and non-audit fees payable to the external auditor and the terms of its engagement;
- reviewing and approving the external auditor's plan for the financial year, with a focus on the identification of areas of audit risk and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the efficiency of the external audit process and the quality of the audit engagement partner and the audit team, and making a recommendation with respect to the reappointment of the auditor;
- reviewing the role of the Manager and third party service providers in an effective audit process;
- considering the quality of the formal audit report to shareholders; and
- overseeing the relationship with the external auditor.

Management engagement

- reviewing the investment management agreement to ensure the terms remain competitive;
- satisfying itself that the continuing appointment of the Manager is in the interests of shareholders as a whole; and
- considering the remuneration of the Manager.

Third party service providers

- considering the appointment of other third party service providers; and
- ensuring that third party service providers comply with the terms of their agreements and that the provisions of such agreements remain competitive.

NM1123U-3258137-33/76

Reporting responsibilities

- reporting to the Board on its proceedings and how it has discharged its responsibilities, making whatever recommendations it deems appropriate on any area within its remit; and
- compiling a report on its activities to be included in the Annual Report and Financial Statements.

Internal audit

- considering the need for an internal audit function, as set out in the Corporate Governance Statement on page 29.

The fees paid to the external auditor are set out in note 5 on page 47. An explanation of how auditor objectivity and independence is safeguarded is reported under 'Assessment of the effectiveness of the external audit process' on pages 33 and 34.

WHISTLEBLOWING POLICY

The Committee has also reviewed and accepted the 'whistleblowing' policy that has been put in place by the Manager under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, insofar as they affect the Company.

SIGNIFICANT ISSUES CONSIDERED REGARDING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Committee reviews the effectiveness of the Company's system of internal controls on an ongoing basis to identify, evaluate and manage the Company's significant risks. During the year, as part of this process, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table on page 33 sets out the key areas of risk identified by the Committee and also explains how these were addressed.

As the provision of portfolio valuation, fund accounting and administration services is delegated to the Manager, who sub-delegates fund accounting to The Bank of New York (International) Limited, and the provision of depositary services is provided by BNYMTD, the Committee has also reviewed the Service Organisation Control (SOC 1) Reports prepared by BlackRock, the custodian and fund accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified above and are adequate and appropriate and have been confirmed as operating effectively by their reporting auditors.

NM1123U-3258137-34/76

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices from third party vendors. The Board reviews detailed portfolio valuations on a regular basis throughout the year from reports separately provided by the fund accountants and Depositary and receives confirmation from the Manager that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company, and that the carrying values are materially correct.
The risk of misappropriation of assets and unsecured ownership of investments	The Depositary is responsible for financial restitution for the loss of financial investments held in custody. The Depositary reports to the Committee on a twice yearly basis. The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.
The accuracy of the calculation of management fees	The management fee is calculated in accordance with the contractual terms in the investment management agreement by the fund accountants and is reviewed in detail by the Manager and is also subject to an analytical review by the Board. The audit also includes checks on the calculation of the management fee to ensure that it is correctly calculated.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income	The Committee reviews income forecasts, including special dividends, and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year numbers.

AUDITOR AND AUDIT TENURE

The Committee is mindful of the EU regulations on mandatory auditor rotation which require the appointment of a new auditor or an audit tender every ten years. As a result, the Company carried out a formal tender process in October 2015 and Ernst & Young LLP (EY) was successful in retaining the audit. The Company will be required to put its audit contract out to tender again by no later than 2025.

The Committee will continue to review the auditor's appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor. No other services were provided to the Company by the auditor (2015: nil).

ASSESSMENT OF THE EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

To assess the effectiveness of the external audit, members of the Committee work closely with the Manager to obtain a good understanding of the progress and efficiency of the audit. The Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- the quality of the audit engagement partner and the audit team;
- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Committee, the Manager and third party service providers in an effective audit process;
- communications by the auditor with the Committee;
- how the auditor supports the work of the Committee and how the audit contributes added value;
- policies and procedures to pre-approve and monitor non-audit services including gifts and hospitality;
- the independence and objectivity of the audit firm; and
- the quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The external auditor is invited to attend the Committee meetings at which they have the opportunity to meet with the Committee without representatives of the Manager or Investment Manager being present.

The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of the

independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the auditor and the Committee.

To form a conclusion with regard to the independence of the external auditor, the Committee considers whether the skills and experience of the auditor make them a suitable supplier of any non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of any such services. On an annual basis, EY review the independence of their relationship with the Company and report to the Committee, providing details of any other relationship with the Manager. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's auditor, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the audit firm and its staff and the Company, as well as an overall confirmation from the auditor of their independence and objectivity. As a result of their review, the Committee has concluded that EY is independent of the Company and the Manager.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Committee advise on whether these criteria are satisfied. In so doing, the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process by the Manager, the Depositary and the third party service providers responsible for accounting services, and the Committee;
- the controls that are in place at the Manager and third party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control Reports that have been reviewed and reported on by external auditors to verify the effectiveness of the internal controls of BlackRock, the Depositary, custodian and fund accountants.

In addition to the work outlined above, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry in general and of investment trusts in particular. The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities on page 35.

ERIC SANDERSON
Chairman
Audit and Management Engagement Committee
19 October 2016

NM1123U-3258137-36/76

Governance

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 as at the end of each financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with United Kingdom Generally Accepted Accounting Practice and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report, the Corporate Governance Statement and the Report of the Audit and Management Engagement Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules. The Directors have delegated responsibility to the Manager for the maintenance and integrity of the Company's corporate and financial information included on the BlackRock website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors at the date of this report, whose names are listed on page 17, confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2014 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit and Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit and Management Engagement Committee's Report on pages 31 to 34. As a result, the Board has concluded that the Annual Report for the year ended 31 August 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

FOR AND ON BEHALF OF THE BOARD
CAROL FERGUSON
Chairman
19 October 2016

NM1123U-3258137-37/76

Financial statements

Independent auditor's report to the members of BlackRock Greater Europe Investment Trust plc

OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of BlackRock Greater Europe Investment Trust plc's (the Company's) affairs as at 31 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of the Company for the year ended 31 August 2016 which comprise the:

Company
Income Statement for the year ended 31 August 2016
Statement of Changes in Equity for the year ended 31 August 2016
Balance Sheet as at 31 August 2016
Statement of Cash Flows as at 31 August 2016
Related notes 1 to 19 to the financial statements

The financial statements of the Company have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. Incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity appropriately.
Audit scope	All audit work was performed directly by the audit engagement team.
Materiality	Overall materiality of £2.94 million represents 1% of net assets.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income The Company has reported income in the form of overseas dividend income of £6.3 million (2015: £6.9 million). We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders.	**We performed the following procedures:** Assessed the Manager's and the Administrator's systems and controls in this area to ensure the accurate recording of revenue. Agreed a sample of dividends received from the underlying financial records to an independent pricing source and agreed to bank statements as supporting documentation. For this sample, we agreed the exchange rates used to convert the dividend income received in foreign currencies to sterling. Performed a review of all material special dividends received during the period and assessed the appropriateness of the accounting treatment adopted. To test for completeness, we checked a sample of dividends announced to an independent source to confirm that they were recorded in the correct accounting period.
What we reported to the Audit and Management Engagement Committee Based on the work performed we had no matters to report to the Audit and Management Engagement Committee.	

NM1123U-3258137-38/76

Risk	Our response to the risk
Incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity appropriately The valuation of the portfolio is £295.6 million (2015: £262.8 million), all of which are represented by level 1 investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	**We performed the following procedures:** Assessed the Manager's and the Administrator's systems and controls in this area to ensure the accurate recording of security pricing and units held. Agreed all of the investment holding prices at the year end to a relevant independent source. Agreed all of the foreign exchange rates used to an independent source. Agreed the number of shares held for each security to confirmations of legal title received from the Company's custodian, Bank of New York Mellon (International) Limited.
What we reported to the Audit and Management Engagement Committee Based on the work performed we had no matters to report to the Audit and Management Engagement Committee.	

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Company and effectiveness of company-wide controls, and other factors such as recent Service Organisation Control (SOC) reporting when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.94 million, which is 1% of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments and our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £2.20 million. Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £270,000 for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of £147,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 235, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

Matters on which we are required to report by exception

ISAs (UK and Ireland)

We are required to report to you if, in our opinion, financial and non-financial information in the annual financial report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual financial report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual financial report appropriately addresses those matters that we communicated to the Audit and Management Engagement Committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the Directors' statement in relation to going concern set out on page 20, and longer term viability, set out on pages 9 and 10; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual financial report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual financial report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their

NM1123U-3258137-40/76

identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

- the Directors' explanation in the annual financial report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Susan Dawe (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
19 October 2016

Notes:
1. The maintenance and integrity of the BlackRock Greater Europe Investment Trust plc website is the responsibility of BlackRock; the work carried out by the auditor 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.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

Income Statement for the year ended 31 August 2016

	Notes	2016 Revenue £'000	2015 Revenue £'000	2016 Capital £'000	2015 Capital £'000	2016 Total £'000	2015 Total £'000
Gains on investments held at fair value through profit or loss	10	–	–	38,028	15,112	38,028	15,112
Exchange gains on foreign exchange	10	–	–	967	710	967	710
Income from investments held at fair value through profit or loss	3	6,306	6,931	–	–	6,306	6,931
Other income	3	162	195	–	–	162	195
Total income		6,468	7,126	38,995	15,822	45,463	22,948
Investment management and performance fees	4	(462)	(358)	(1,850)	(2,306)	(2,312)	(2,664)
Operating expenses	5	(544)	(561)	(36)	(18)	(580)	(579)
Total operating expenses		(1,006)	(919)	(1,886)	(2,324)	(2,892)	(3,243)
Net profit before finance costs and taxation		5,462	6,207	37,109	13,498	42,571	19,705
Finance costs	6	(53)	(17)	(10)	(34)	(63)	(51)
Net profit on ordinary activities before taxation		5,409	6,190	37,099	13,464	42,508	19,654
Taxation credit/(charge)	7	373	(581)	–	(115)	373	(696)
Net profit on ordinary activities after taxation	9	5,782	5,609	37,099	13,349	42,881	18,958
Earnings per ordinary share	9	5.60p	5.28p	35.94p	12.57p	41.54p	17.85p

The total column of this statement represents the profit or loss of the Company.

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations and no operations were acquired or discontinued during the year. All income is attributable to the equity holders of the Company.

The net profit for the year disclosed above represents the Company's total comprehensive income.

The notes on pages 44 to 60 form part of these financial statements.

NM1123U-3258137-42/76

Financial statements

Statement of changes in equity for the year ended 31 August 2016

	Note	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Special reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 August 2016								
At 31 August 2015		130	61,899	110	178,960	10,115	10,245	261,459
Total comprehensive income:								
Profit for the year		–	–	–	37,099	–	5,782	42,881
Transactions with owners, recorded directly to equity:								
Exercise of subscription shares		–	1,315	–	–	–	–	1,315
Ordinary shares purchased into treasury		–	–	–	–	(5,582)	–	(5,582)
Subscription shares cancelled		(20)	–	20	–	–	–	–
Share purchase costs written back		–	–	–	–	22	–	22
Dividend paid (a)	8	–	–	–	–	–	(5,187)	(5,187)
At 31 August 2016		110	63,214	130	216,059	4,555	10,840	294,908
For the year ended 31 August 2015								
At 31 August 2014		135	61,644	105	165,611	21,630	9,862	258,987
Total comprehensive income:								
Profit for the year		–	–	–	13,349	–	5,609	18,958
Transactions with owners, recorded directly to equity:								
Exercise of subscription shares		–	255	–	–	–	–	255
Ordinary shares purchased into treasury		–	–	–	–	(317)	–	(317)
Ordinary shares purchased and cancelled		(5)	–	5	–	(11,043)	–	(11,043)
Share purchase costs		–	–	–	–	(155)	–	(155)
Dividend paid (b)	8	–	–	–	–	–	(5,226)	(5,226)
At 31 August 2015		130	61,899	110	178,960	10,115	10,245	261,459

(a) Interim dividend paid in respect of the year ended 31 August 2016 of 1.65p per share was declared on 19 April 2016 and paid on 27 May 2016. Final dividend paid in respect of the year ended 31 August 2015 of 3.35p per share was declared on 22 October 2015 and paid on 18 December 2015.
(b) Interim dividend paid in respect of the year ended 31 August 2015 of 1.65p per share was declared on 23 April 2015 and paid on 29 May 2015. Final dividend paid in respect of the year ended 31 August 2014 of 3.20p per share was recommended on 21 October 2014 and paid on 12 December 2014.

The notes on pages 44 to 60 form part of these financial statements.

Financial statements

Balance sheet as at 31 August 2016

	Notes	2016	2015
		£'000	£'000
Fixed assets			
Investments held at fair value through profit or loss	10	295,592	260,507
Current assets			
Debtors	11	1,841	2,206
Cash and cash equivalents		432	2,420
		2,273	4,626
Creditors – amounts falling due within one year			
Other creditors	12	(2,957)	(3,674)
Net current (liabilities)/assets		(684)	952
Net assets		294,908	261,459
Capital and reserves			
Called-up share capital	13	110	130
Share premium account	14	63,214	61,899
Capital redemption reserve	14	130	110
Capital reserves	14	216,059	178,960
Special reserve	14	4,555	10,115
Revenue reserve	14	10,840	10,245
Total shareholders' funds		294,908	261,459
Net asset value per ordinary share – undiluted	9	287.43p	250.66p
Net asset value per ordinary share – diluted	9	287.43p	250.22p

The financial statements on pages 40 to 60 were approved and authorised for issue by the Board of Directors on 19 October 2016 and signed on its behalf by Ms Carol Ferguson, Chairman.

BlackRock Greater Europe Investment Trust plc

Registered in England, No. 5142459

The notes on pages 44 to 60 form part of these financial statements.

NM1123U-3258137-44/76

Financial statements

Statement of cash flows for year ended 31 August 2016

	Note	2016	2015
		£'000	£'000
Operating activities			
Net profit before taxation*		42,508	19,654
Interest expense		63	51
Gains on investments held at fair value through profit or loss		(38,028)	(15,112)
Net gains on foreign exchange		(997)	(38)
Sales of investments held at fair value through profit or loss		191,634	254,006
Purchases of investments held at fair value through profit or loss		(188,018)	(242,004)
(Increase)/decrease in debtors		(100)	86
(Decrease)/increase in creditors		(761)	1,156
Tax on investment income		(858)	(1,210)
Refund of withholding tax reclaim		1,024	1,183
Net cash generated from operating activities		6,467	17,772
Financing activities			
Purchase of ordinary shares		(5,582)	(11,360)
Shares issue and share purchase costs refunded/(paid)		65	(124)
Proceeds from issue of subscription shares		1,315	255
Interest paid		(63)	(42)
Dividends paid	8	(5,187)	(5,226)
Net cash used in financing activities		(9,452)	(16,497)
(Decrease)/increase in cash and cash equivalents		(2,985)	1,275
Cash and cash equivalents at the start of the year		2,420	1,107
Effect of foreign exchange rate changes		997	38
Cash and cash equivalents at the end of the year		432	2,420
Comprised of:			
Cash at bank		2	95
BlackRock's Institutional Cash Series plc – Euro Assets Liquidity Fund		430	2,325
		432	2,420

* Dividends and interest received in the year amounted to £6,198,000 and £162,000 (2015: £7,012,000 and £238,000) respectively.

The notes on pages 44 to 60 form part of these financial statements.

NM1123U-3258137-45/76

1. PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

2. ACCOUNTING POLICIES

(a) Basis of preparation

This is the first year that the Company has presented its results and financial position under FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), which forms part of revised Generally Accepted Accounting Practice (New UK GAAP) issued by the Financial Reporting Council (FRC) in 2013. The last financial statements prepared under the previous UK GAAP were for the year ended 31 August 2015.

The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the revised Statement of Recommended Practice – 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP) issued by the Association of Investment Companies (AIC) in November 2014.

As a result of the first time adoption of New UK GAAP and the revised SORP, comparative amounts and presentation formats have been amended where required. The changes to accounting policies relate to the composition of cash and cash equivalents, change in the presentation of cash flows (see below) and fair value hierarchy of financial instruments (see note 16). There were no adjustments to the Company's Income Statement for the financial year ended 31 August 2016 and the total equity as at 1 September 2014 and 31 August 2014 between UK GAAP as previously reported and FRS 102 as a result of changes to accounting policies.

The Company's Statement of Cash Flows reflects the presentation requirements of FRS 102, which are different to that prepared under previous UK GAAP. In addition, the Statement of Cash Flows reconciles to cash and cash equivalents, whereas under previous UK GAAP the Statement of Cash Flows reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash in hand and demand deposits, bank overdrafts repayable on demand and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in previous UK GAAP as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The Company's investment in BlackRock's Institutional Cash Series plc – Euro Assets Liquidity Fund of £430,000 (2015: £2,325,000) is managed as part of the Company's cash management policy and, accordingly, this investment along with purchases and sales of this investment has been classified in the Balance Sheet and Statement of Cash Flows as cash and cash equivalents. The comparative figures in the Statement of Cash Flows have been restated.

The principal accounting policies adopted by the Company are set out below. Unless specified otherwise, the policies have been applied consistently throughout the year and are consistent with those applied in the preceding year. All of the Company's operations are of a continuing nature.

The Company's financial statements are presented in sterling, which is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

(b) Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and a capital nature has been presented alongside the Income Statement.

(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

(d) Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Fixed returns on non equity securities are recognised on an effective yield basis. Interest income is accounted for on an accruals basis.

Special dividends are treated as a capital receipt or revenue receipt depending on the facts or circumstances of each particular case.

NM1123U-3258137-46/76

Dividends are accounted for in accordance with Section 29 of FRS 102 on the basis of income actually receivable, without adjustment for tax credits attaching to the dividend. Dividends from overseas companies continue to be shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses have been treated as revenue except as follows:

- expenses including finance costs which are incidental to the acquisition or disposal of an investment are charged to capital. Details of transaction costs on the purchases and sales of investments are disclosed in note 10, on page 50;

- the investment management fee has been allocated 80% to the capital column and 20% to the revenue column of the Income Statement in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

(f) Finance costs

Finance costs are accounted for on an effective yield method and on an accruals basis. Finance costs are allocated, insofar as they relate to the financing of the Company's investments, 80% to the capital column and 20% to the revenue column of the Income Statement, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

(g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to less taxation in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. This is subject to deferred taxation 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 timing differences can be deducted.

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the accounting period.

(h) Investments held at fair value through profit or loss

The Company's investments are classified as held at fair value through profit or loss in accordance with Section 11 and 12 of FRS 102 and are managed and evaluated on a fair value basis in accordance with its investment strategy.

All investments are designated upon initial recognition as held at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales are recognised at the trade date of the disposal and the proceeds are measured at fair value, which is regarded as the proceeds of the sale less any transaction costs.

The fair value of the financial investments is based on their quoted bid price at the balance sheet date on the exchange on which the investment is quoted, without deduction for the estimated future selling costs. Unquoted investments are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines. This policy applies to all current and non current asset investments of the Company.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'Gains on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments.

2. ACCOUNTING POLICIES continued

Amendments to FRS 102 – Fair value hierarchy disclosures amends paragraphs 34.22 and 34.42 of FRS 102, revising the disclosure requirements for financial instruments held at fair value and aligning the disclosures with those required by EU-adopted IFRS. The Company has chosen to early adopt these amendments to FRS 102; however, there were no changes to the classification within the fair value hierarchy. There are no accounting policy or disclosure changes as a result of this adoption.

The fair value hierarchy consists of the following three levels:

Level 1 – Quoted prices for identical instruments in active markets

Level 2 – Valuation techniques using observable inputs

Level 3 – Valuation techniques using significant unobservable inputs

(i) Debtors

Debtors include sales for future settlement, other debtors and pre-payments and accrued income in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Debtors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

(j) Creditors

Creditors include purchases for future settlements, interest payable, share buyback costs and accruals in the ordinary course of business. Creditors are classified as creditors – amounts due within one year if payment is due within one year or less. If not, they are presented as creditors – amounts falling due after more than one year. Creditors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

(k) Dividends payable

Under Section 32 of FRS 102, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the balance sheet date.

Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been approved by shareholders and have become a liability of the Company. Interim dividends are only recognised in the financial statements in the period in which they are paid.

(l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents include bank overdrafts repayable on demand and short term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(m) Foreign currency translation

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Exchange differences arising on the revaluation of investments held as fixed assets are included in capital reserves. Exchange differences arising on the translation of foreign currency assets and liabilities are taken to capital reserves.

3. INCOME

	2016 £'000	2015 £'000
Investment income:		
Overseas dividends	6,306	6,931
	6,306	6,931
Other income:		
Bank interest	–	10
Interest on WHT reclaims	162	185
	162	195
Total	6,468	7,126

Special dividends of £410,000 have been recognised in capital (2015: £182,000) and deducted from investment cost.

NM1123U-3258137-48/76

4. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	462	1,850	2,312	358	1,434	1,792
Performance fee	–	–	–	–	872	872
Total	462	1,850	2,312	358	2,306	2,664

Effective from 1 September 2015, the investment management fee is levied quarterly, based on 0.85% per annum of net asset value on the last day of each month. Until 31 August 2015, the investment management fee was 0.70% per annum of the market capitalisation of the Company's ordinary shares on the last day of each month. The investment management fee is allocated 80% to capital reserves and 20% to the revenue reserve.

Effective from 1 September 2015, the Company no longer pays a performance fee (2015: £872,000). The performance fee accrued at 31 August 2015 was based on the outperformance of the Company's share price relative to the FTSE World Europe ex UK Index over a three year rolling period.

5. OPERATING EXPENSES

	2016 £'000	2015 £'000
Taken to revenue:		
Custody fees	30	26
Depositary fees	37	36
Audit fees	24	25
Registrar's fees	84	82
Directors' emoluments	116	118
Marketing fees	49	48
Other administration costs	204	226
	544	561
Taken to capital:		
Transaction charges	36	18
	580	579
The Company's ongoing charges, calculated as a percentage of average shareholders' funds and using operating expenses, excluding performance fees, finance costs, and taxation were:	1.07%	0.89%
The Company's ongoing charges, calculated as a percentage of average shareholders' funds and using operating expenses, including performance fees but excluding finance costs, after relief for any taxation were:	1.07%	1.22%

6. FINANCE COSTS

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable – bank overdraft	3	10	13	9	34	43
Interest payable – Euro Assets Liquidity Fund	7	–	7	–	–	–
Interest accrued – corporation tax	43	–	43	8	–	8
	53	10	63	17	34	51

7. TAXATION

(a) Analysis of (credit)/charge in year

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas tax suffered	549	–	549	583	115	698
French WHT recovered	(922)	–	(922)	–	–	–
Overseas tax – prior year adjustment	–	–	–	(2)	–	(2)
Total current taxation (credit)/charge (note 7 (b))	(373)	–	(373)	581	115	696

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company of 20.00% (2015: 20.58%). The differences are explained below:

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit on ordinary activities before taxation	5,409	37,099	42,508	6,190	13,464	19,654
Profit on ordinary activities multiplied by standard rate of 20.00% (2015: 20.58%)	1,082	7,420	8,502	1,274	2,771	4,045
Effects of:						
Overseas tax suffered	549	–	549	583	115	698
Corporation tax prior year adjustment	–	–	–	(2)	–	(2)
French WHT recovered	(922)		(922)	–	–	–
Exchange gains not taxable	–	(193)	(193)	–	(138)	(138)
Overseas dividends not subject to tax	(1,261)	–	(1,261)	(1,426)	–	(1,426)
Current year expenses not utilised	179	372	551	173	474	647
Non-trade loan relationship deficit set against revenue income	–	–	–	(21)	–	(21)
Excess non trade loan relationship deficit not utilised	–	–	–	–	7	7
Disallowed expenses	–	7	7	–	4	4
Capital gains not taxable	–	(7,606)	(7,606)	–	(3,118)	(3,118)
Total corporation tax (credit)/charge (note 7(a))	(373)	–	(373)	581	115	696

At 31 August 2016 the Company had net surplus management expenses of £17.5 million (2015: £14.8 million) and a non-trade loan relationship deficit of £0.2 million (2015: £0.3 million) giving total unutilised losses of £17.7 million (2015: £15.1 million). A deferred tax asset has not been recognised in respect of these losses because the Company is not expected to generate taxable income in the future in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing expenses or loan relationship deficits. There was an unrecognised deferred tax asset of £3.2 million at the financial reporting date (2015: £3.0 million).

8. DIVIDENDS

	Record date	Payment date	2016 £'000	2015 £'000
2014 Final dividend of 3.20p	31 October 2014	12 December 2014	–	3,482
2015 Interim dividend of 1.65p	1 May 2015	29 May 2015	–	1,744
2015 Final dividend of 3.35p	6 November 2015	18 December 2015	3,494	–
2016 Interim dividend of 1.65p	29 April 2016	27 May 2016	1,693	–
			5,187	5,226

The Directors have proposed a final dividend of 3.65p per share in respect of the year ended 31 August 2016. The dividend will be paid on 5 December 2016, subject to shareholders' approval on 30 November 2016, to shareholders on the Company's register on 4 November 2016. The proposed final dividend has not been included as a liability in these financial statements, as final dividends are only recognised in the financial statements when they have been approved by shareholders, or in the case of special dividends not recognised until they are paid.

NM1123U-3258137-50/76

The total dividends payable in respect of the year which form the basis of determining retained income for the purpose of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amount proposed for the year ended 31 August 2016, meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares	2016 £'000	2015 £'000
Interim paid of 1.65p (2015: 1.65p)	1,693	1,744
Final proposed of 3.65p* (2015: 3.35p)	3,723	3,494
	5,416	5,238

* Based on 102,003,113 ordinary shares (excluding treasury shares) in issue on 19 October 2016.

All dividends paid or payable are distributed from the Company's revenue profits.

9. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE

Revenue and capital earnings per share are shown below and have been calculated using the following:

Undiluted	2016	2015
Net revenue profit attributable to ordinary shareholders (£'000)	5,782	5,609
Net capital profit attributable to ordinary shareholders (£'000)	37,099	13,349
Total profit attributable to ordinary shareholders (£'000)	42,881	18,958
Total shareholders' funds (£'000)	294,908	261,459
The weighted average number of ordinary shares in issue during the year on which the earnings per ordinary share was calculated was:	103,222,155	106,194,950
The actual number of ordinary shares in issue at the end of the year on which the net asset value was calculated was:	102,603,113	104,309,663
The number of ordinary shares in issue, including treasury shares, at the year end was:	110,328,938	109,798,561

	2016			2015		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Earnings per share						
Calculated on weighted average number of shares in issue during the year	5.60	35.94	41.54	5.28	12.57	17.85
Calculated on actual number of shares in issue at the year end	5.64	36.15	41.79	5.38	12.80	18.18
Net asset value per share			287.43			250.66
Ordinary share price			272.00			244.00
Subscription share price*			n/a			12.63

* Expired and cancelled on 1 June 2016.

9. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE continued

Diluted	2016	2015
Net revenue profit attributable to ordinary shareholders (£'000)	5,782	5,609
Net capital profit attributable to ordinary shareholders (£'000)	37,099	13,349
Total profit attributable to ordinary shareholders (£'000)	42,881	18,958
Equity shareholders' funds* (£'000)	294,908	312,411
The weighted average number of ordinary shares in issue during the year, on which the diluted return per ordinary share was calculated was:	103,222,155	106,194,950
The actual number of ordinary shares and subscription shares, at the year end on which the fully diluted net asset value was calculated was:	102,603,113	124,854,841

	2016			2015		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Earnings per share						
Calculated on weighted average number of shares in issue during the year**	5.60	35.94	41.54	5.28	12.57	17.85
Net asset value per share*			287.43			250.22

* In accordance with the AIC SORP, to the extent that the Company's NAV is in excess of the exercise price, the subscription shares are considered to be dilutive for the calculation of the NAV per share. During the year ended 31 August 2016, 530,377 subscription shares were converted into ordinary shares and, following the final conversion in April 2016, the opportunity to subscribe for ordinary shares lapsed. As the subscription share price was greater than the prevailing share price, the outstanding subscription shares ceased to have any value and, as such, 20,014,801 subscription shares were cancelled. The diluted NAV per share at 31 August 2015 was calculated by adjusting equity shareholders' funds for consideration receivable on the exercise of 20,545,178 subscription shares, at the exercise price of 248 pence per share, and dividing by the total number of shares that would have been in issue at 31 August 2015 had all the subscription shares been exercised. As the Company's NAV was not in excess of the exercise price at 31 August 2015 no dilutive price was calculated for 2015.

** In accordance with FRS 102, there is no dilutive impact on the return per share for the year ended 31 August 2015 as the average mid-market price of the ordinary shares for the year of 239.20p was below the exercise price of the subscription shares of 248 pence per share.

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 £'000	2015 £'000
Overseas quoted investments	295,592	260,507
Opening cost of equity investments	234,310	234,951
Additions at cost	188,018	242,004
Disposals at cost	(173,568)	(242,645)
Cost carried forward	248,760	234,310
Closing investment holding gains	46,832	26,197
Closing valuation of equity investments	295,592	260,507

Transaction costs of £326,000 were incurred on the acquisition of investments (2015: £416,000). Costs relating to the disposal of investments during the year amounted to £119,000 (2015: £211,000). All transaction costs have been included within capital reserves.

Gains on investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Realised gains on sales	17,393	9,015
Increase in investment holding gains	20,635	6,097
Gains on foreign currency translations	967	710
	38,995	15,822

11. DEBTORS

	2016 £'000	2015 £'000
Sales for future settlement	738	1,410
Prepayments and accrued income	124	24
Taxation recoverable	979	772
	1,841	2,206

12. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Taxation payable	894	894
Other payables	376	342
Interest payable	191	147
Performance fee accrual	–	872
Accrued expenditure	1,496	1,419
	2,957	3,674

13. SHARE CAPITAL

	Ordinary shares number	Treasury shares number	Subscription shares number	Total shares	£
Allotted, called up and fully paid share capital comprised:					
Ordinary shares of 0.1p each					
At 31 August 2015	104,309,663	5,488,898	–	109,798,561	109,798
Shares repurchased and held in treasury pursuant to tender offer	(1,236,927)	1,236,927	–	–	–
Shares repurchased and held in treasury	(1,000,000)	1,000,000	–	–	–
	102,072,736	7,725,825	–	109,798,561	109,798
Subscription shares of 0.1p each					
At 31 August 2015	–	–	20,545,178	20,545,178	20,545
Conversion of subscription shares into ordinary shares	530,377	–	(530,377)	–	–
Cancellation of subscription share rights	–	–	(20,014,801)	(20,014,801)	(20,015)
At 31 August 2016	102,603,113	7,725,825	–	110,328,938	110,328

During the year, 2,236,927 ordinary shares were repurchased and held in treasury (2015: 4,489,088 repurchased and cancelled and 131,977 held in treasury) for a total consideration, including expenses, of £5,560,000 (2015: £11,515,000). The number of ordinary shares in issue at the year end was 110,328,938 (2015: 109,798,561) of which 7,725,825 were held in treasury (2015: 5,488,898) and there were no subscription shares in issue (2015: 20,545,178). No treasury shares were cancelled during the year (2015: 72,755) and no shares issued from treasury in 2016 (2015: nil). As a result of the conversion of 530,377 subscription shares (2015: 102,670), 530,377 new ordinary shares were issued for a total consideration of £1,315,000 (2015: £255,000). Following the final conversion on 29 April 2016, the opportunity to subscribe for ordinary shares lapsed and the remaining 20,014,801 subscription shares which had not been exercised were cancelled.

14. SHARE PREMIUM AND CAPITAL RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Capital reserves (arising on investments sold) £'000	Capital reserves arising on (revaluation of investments held) £'000
At 1 September 2015	61,899	110	152,732	26,228
Movement during the year:				
Purchase of subscription shares for cancellation	–	20	–	–
Share purchase costs	–	–	–	–
Exercise of subscription shares	1,315	–	–	–
Gains on realisation of investments	–	–	17,393	–
Change in investment holding gains	–	–	–	20,635
Profit/(loss) on foreign currency transactions	–	–	997	(30)
Finance costs, transaction costs and investment management fees	–	–	(1,896)	–
At 31 August 2016	63,214	130	169,226	46,833

15. DISTRIBUTABLE RESERVES

	Special reserve £'000	Revenue reserve £'000
At 1 September 2015	10,115	10,245
Movement during the year:		
Purchase of ordinary shares to be held in treasury	(5,582)	–
Share purchase costs written back	22	–
Return for the year	–	5,782
Dividend paid during the year	–	(5,187)
At 31 August 2016	4,555	10,840

16. RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/brge for a more detailed discussion of the risks inherent in investing in the Company.

Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFM); however, as disclosed in the Corporate Governance Statement on pages 27 to 30 and in the Statement of Director's Responsibilities on page 35, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the AIFM review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/brge.

NM1123U-3258137-54/76

The AIFM reserves to itself the investment performance, product risk monitoring and oversight and the responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group (RQA) which is a centralised group which performs an independent risk management function. RQA independently identifies, measures and monitors investment risk. RQA tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA have the ability to determine if the appropriate risk management processes are in place across the Company. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The AIFM reports to the Board twice yearly on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit Committee. Any issues are reported to the Board on an ad hoc basis as they arise.

Risk exposures

The risk exposures of BlackRock Greater Europe Investment Trust plc (the Company) are set out as follows:

(a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in European equities in the face of market movements.

Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. In the Annual Report and Financial Statements for the year ended 31 August 2015, VaR was calculated with reference to the analytical parametric model (AVaR). With effect from 1 September 2015 the adjusted historical simulation model (HVaR) replaced the analytical parametric model in the calculation of VaR and has therefore been used in these financial statements. The risk profile of the Company has not changed although the values generated by the historical simulation model are lower than those previously generated by the analytical parametric model.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 day and a historical observation period of not less than 2 years (500 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% 1 day VaR means that the expectation is that 99% of the time over a 1 day period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one day VaR as at 31 August 2016 and 31 August 2015 (based on a 99% confidence level) was 2.55% and 3.62%, respectively.

(i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency sensitivity risk has been covered by the VaR analysis under the market risk section.

The fair values of the Company's monetary items which have foreign currency exposure at 31 August 2016 and 31 August 2015 are shown overleaf. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

16. RISK MANAGEMENT POLICIES AND PROCEDURES continued

	2016 Euro £'000	2016 Swiss Franc £'000	2016 Other £'000	2015 Euro £'000	2015 Swiss Franc £'000	2015 Other £'000
Debtors (due from brokers, dividends and other income receivable)	907	819	83	561	1,583	37
Cash and cash equivalents	430	–	–	2,420	–	–
Total foreign currency exposure on net monetary items	1,337	819	83	2,981	1,583	37
Investments at fair value through profit or loss that are equities	202,171	30,937	62,484	171,528	40,567	48,412
Total net foreign currency exposure	203,508	31,756	62,567	174,509	42,150	48,449

Management of foreign currency risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board of the Company on a regular basis.

The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowing facilities are available in the form of a multi-currency overdraft facility to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Derivative contracts are not used to hedge against exposure to foreign currency risk.

Consequently, the Company is exposed to risks that the exchange rate of its reporting currencies relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than their own currencies.

(ii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and variable rate borrowings. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits and the level of interest payable on variable rate borrowings. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments.

Interest rate exposure

The exposure at 31 August 2016 and 31 August 2015 of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re-set; and
- fixed interest rates – when the financial instrument is due for repayment.

NM1123U-3258137-56/76

	2016			2015		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash and cash equivalents	432	–	432	2,420	–	2,420
Total exposure to interest rates	432	–	432	2,420	–	2,420

The Company does not have any fixed rate exposure at 31 August 2016 or 31 August 2015.

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowings under the multi-currency overdraft facility. Derivative contracts are not used to hedge against the exposure to interest rate risk. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

The Company finances part of its activities through borrowings at levels approved and monitored by the Board of the Company. The Company, generally, does not hold significant balances, with short term borrowings being used when required.

Interest received on cash balances, or paid on the bank overdraft respectively, is approximately 0.00% and 0.00% per annum (2015: 0.30% and 1.00% per annum).

(iii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments. The movements in the prices of these investments result in movements in the performance of the Company.

Management of other price risk

By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the NAV of the Company is minimised which is in line with the investment objectives of the Company.

(b) Counterparty credit risk

Credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments.

Credit risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk team (RQA CCR). The team is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer.

RQA CCR completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures and the collateral management process.

16. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Depositary

The Company's Depositary is BNY Mellon Trust & Depositary (UK) Limited (the Depositary) (Moody's long term credit rating as at 30 September 2016: Aa2). All of the equity assets and cash of the Company are held within the custodial network of the global custodian appointed by the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk at 31 August 2016 is the total value of investments held with the Depositary and cash and cash equivalents in the balance sheet.

In accordance with the requirements of the depositary agreement, the Depositary is required to ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus in the event of insolvency or bankruptcy of the Depositary, the Company's non-cash assets are segregated and this reduces counterparty credit risk.

The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited as the Company's custodian. Bankruptcy or insolvency of the custodian may also cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

The Company will also be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company.

Counterparties/brokers

All transactions in listed securities are settled/paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on a purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk also arises on transactions with a broker in relation to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit rating and financial position of the brokers used to further mitigate this risk.

Amounts due from debtors are disclosed on the balance sheet as receivables. The counterparties included in debtors are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty and Concentration Risk team. The Company monitors the ageing of receivables to mitigate the risk of debtor balances becoming overdue.

In summary, the exposure to credit risk at 31 August 2016 and 31 August 2015 was as follows:

	2016 Balance sheet £'000	2015 Balance sheet £'000
Sales for future settlement	738	1,410
Prepayments and accrued income	124	24
Taxation recoverable	979	772
Cash and cash equivalents	432	2,420
	2,273	4,626

Management of counterparty credit risk

RQA are responsible for the risk management of the Company, with duties comprising of identifying, monitoring and managing risk, including counterparty credit risk. RQA are supported in this role by the Investment Manager.

The Company has a low level of counterparty/credit risk, which is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and with counterparties selected by RQA CCR on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;
- the Company's listed investments are held on its behalf by BNYM as the Company's custodian (as sub-delegated by the Depositary). 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 control reports;
- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by the RQA CCR team;
- all transactions in quoted securities are settled on a payment against delivery basis using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meets its obligation. The RQA CCR team review the credit standard of the Company's brokers on a periodic basis, and set limits on the amount that may be due from any one broker;
- amounts due from other receivables as disclosed on the Balance Sheet are subject to the same scrutiny by the BlackRock RQA CCR team and BlackRock's Fund administration team monitors the ageing of debtors to mitigate the risk of balances becoming overdue.

The Board monitors the Company's counterparty risk by reviewing:

- the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's custodian where controls are reviewed and tested;
- the custodian's Service Organisation Control (SOC 1) Reports which include a report by the custodian's reporting accountants. This report sets out any exceptions or issues noted as a result of the reporting accountant's review of the custodian's control processes;
- the Manager's SOC 1 Reports which include a report by the Manager's reporting accountants. This report sets out any exceptions or issues noted as a result of the reporting accountant's review of the Manager's control processes;
- in addition the Depositary and the Manager report any significant breaches or issues arising to the Board as soon as these are identified.

(c) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At the year end, the Company had an overdraft facility of £20 million (2015: £36.5 million).

Liquidity risk exposure

The remaining undiscounted gross cash outflows of the financial liabilities as at 31 August 2016 and 31 August 2015, based on the earliest date on which payment can be required, were as follows:

	2016 Within 1 year £'000	2015 Within 1 year £'000
Current liabilities:		
Creditors – amounts falling due within one year	(2,957)	(3,674)
	(2,957)	(3,674)

16. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Management of liquidity risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The Portfolio Managers review daily forward-looking cash reports which project cash obligations. These reports allow them to manage their obligations.

The Board of Directors gives guidance to the Investment Manager as to the maximum amount of the Company's resources that should be invested in any one Company. The policy is that the Company should remain fully invested in normal market conditions and that short term borrowings be used to manage short term cash requirements.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

(d) Valuation of financial instruments

The Company has early adopted the amendments to FRS 102 'Fair Value Hierarchy disclosures' effective for the annual periods beginning on or after 1 January 2017. These amendments improve the consistency of fair value disclosures from financial instruments with those required by EU adopted IFRS.

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). Section 11 of FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note in the Financial Statements on pages 45 and 46.

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 fair value hierarchy has the following levels:

Level 1 – Quoted market price for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

NM1123U-3258137-60/76

The table below is an analysis of the Company's financial instruments measured at fair value at the balance sheet date.

Financial assets at fair value through profit or loss at 31 August 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	295,592	–	–	295,592

Financial assets at fair value through profit or loss at 31 August 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	260,507	–	–	260,507

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 31 August 2016 and 31 August 2015. The Company did not hold any level 3 securities throughout the financial year or as at 31 August 2016 (2015: nil).

(e) Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. The Company may also employ leverage in its investment programme through foreign exchange forward contracts. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject. No derivatives were used for leverage purposes during the year.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

Derivatives	Commitment leverage As at 31 August 2016	Commitment leverage As at 31 August 2015	Gross leverage As at 31 August 2016	Gross leverage As at 31 August 2015
Leverage ratio	1.00	1.00	1.00	1.00

(f) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- secure long term capital growth primarily through investing in securities of large, mid and smaller capitalisation European companies, together with some investments in the developing markets of Europe.

This is to be achieved through an appropriate balance of equity capital and gearing. The policy is that gearing should not exceed 15% of gross assets. The Company's objectives, policies and processes for managing capital remain unchanged from the preceding accounting period.

The Company's total capital as at 31 August 2016 was £294,908,000 (2015: £261,459,000) comprising equity shares, capital and reserves.

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view on the market; and
- the need to buy back equity shares, either for cancellation or to be held in treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium).

16. RISK MANAGEMENT POLICIES AND PROCEDURES continued

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- 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 law.

During the year, the Company complied with the externally imposed capital requirements to which it was subject.

17. TRANSACTIONS WITH MANAGER AND INVESTMENT MANAGER

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on pages 18 and 19.

Effective from 1 September 2015, the investment management fee is levied quarterly, based on 0.85% per annum of net asset value on the last day of each month. Until 31 August 2015, the investment management fee was 0.70% per annum of the market capitalisation of the Company's ordinary shares on the last day of each month. The investment management fee due for the year ended 31 August 2016 amounted to £2,312,000 (2015: £1,792,000). At the year end, £1,190,000 was outstanding in respect of the management fee (2015: £927,000).

Effective from 1 September 2015, the Company no longer pays a performance fee. The performance fee payable at 31 August 2015 of £872,000 was based on the outperformance of the Company's share price relative to the FTSE World Europe ex UK Index over a three year rolling period. A performance fee of nil (2015: £872,000) was outstanding at the year end.

The Company held an investment in BlackRock's Institutional Cash Series plc – Euro Assets Liquidity Fund liquidity of £430,000 (2015: £2,325,000), a money market fund managed by BlackRock Group, which for the year ended 31 August 2016 has been presented in the financial statements as cash equivalents.

In addition to the above services, BlackRock provided the Company with marketing services. The total fees paid or payable for these services for the year ended 31 August 2016 amounted to £49,000 excluding VAT (2015: £48,000). Marketing fees of £45,000 excluding VAT were outstanding at 31 August 2016 (2015: £161,000).

18. RELATED PARTY DISCLOSURE

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report on pages 25 and 26. At 31 August 2016, £9,000 (2015: £11,000) was outstanding in respect of Directors' fees.

19. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 August 2016 (2015: nil).

NM1123U-3258137-62/76

Additional information

Shareholder information

FINANCIAL CALENDAR

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

April
Half yearly figures announced and half yearly financial report published.

May
Interim dividend paid.

October
Annual results and final dividend for year announced. Annual Report and Financial Statements published.

End November/early December
Annual General Meeting.

December
Final dividend paid.

DIVIDEND – 2016

The proposed final dividend in respect of the year ended 31 August 2016 is 3.65p per share. The Board also declared an interim dividend of 1.65p per share which was paid on 27 May 2016 to shareholders on the register on 29 April 2016.

Ex-dividend date (shares transferred without the dividend)	3 November 2016
Record date (last date for registering transfers to receive the dividend)	4 November 2016
Last date for registering DRIP instructions	14 November 2016
Dividend payment date	5 December 2016

PAYMENT OF DIVIDENDS

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website investorcentre.co.uk, or by telephone on 0370 707 1163, or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Tax vouchers will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

DIVIDEND REINVESTMENT SCHEME (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC, through their secure website investorcentre.co.uk, or by telephone on 0370 707 1163. Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is 14 November 2016.

SHARE PRICES

The Company's mid-market share prices are quoted daily in The Financial Times and The Times under 'Investment Companies' and in The Daily Telegraph under 'Investment Trusts'. The share price is also available on the BlackRock website at blackrock.co.uk/brge.

ISIN/SEDOL NUMBERS

The ISIN/SEDOL numbers and mnemonic codes for the Company's ordinary shares are:

	Ordinary shares
ISIN	GB00B01RDH75
SEDOL	B01RDH7
Reuters code	BRGE.L
Bloomberg code	BRGE LN

DIVIDEND TAX ALLOWANCE

From April 2016, dividend tax credits will be replaced by an annual £5,000 tax free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is a shareholder's responsibility to include all dividend income when calculating any tax liability.

This change was announced by the Chancellor, as part of the UK Government Budget, in July 2015. If you have any tax queries, please contact a financial advisor.

DETAILS OF SUBSCRIPTION SHARES – CAPITAL GAINS TAX

The subscription shares, which lapsed on 29 April 2016, were admitted to trading on 19 April 2013. The middle market prices of the ordinary shares and subscription shares on 19 April 2013 were as follows:

Ordinary shares	210.50p
Subscription shares	18.00p

Accordingly, an individual investor who, on 19 April 2013, held five ordinary shares (or a multiple thereof) would apportion the base cost of such holding 98.32% to the five ordinary shares and 1.68% to the subscription shares. For holders who purchased the subscription shares on any other date, the base cost for the purpose of calculating capital gains tax will generally be the amount paid for the subscription shares

together with the base cost of the subscription shares, along with any other allowable costs of acquisition.

SHARE DEALING

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service.

For existing shareholders the Company's registrar, Computershare Investor Services PLC, has both internet and telephone share dealing services. To access the internet share dealing service, log on to computershare.com/sharedealingcentre. The telephone share dealing service is available on 0370 703 0084. To use these services, you will need your shareholder reference number, which is detailed on your share certificate.

Internet dealing – The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone dealing – The fee for this service will be 1% of the value of the transaction (plus £35). Stamp duty of 0.5% is payable on purchases.

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

ELECTRONIC COMMUNICATIONS

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online. This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation.

Shareholders who opt for this service will receive an email from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded. Please submit your email address by visiting investorcentre.co.uk/ecomms. You will require your shareholder reference number which you will find on your share certificate or tax voucher.

You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

ELECTRONIC PROXY VOTING

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at eproxyappointment.com using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

LIVE STREAMING

For the first time, the Annual General Meeting of the Company to be held at 12.00 noon on Wednesday, 30 November 2016 will be live streamed via the internet. If you are unable to attend the meeting you can therefore view it online as it happens via a link on the Company's website at www.blackrock.co.uk/brge.

You will be able to watch Portfolio Managers present their outlook for the coming months.

Questions can also be submitted online prior and during the event using the online question form available through the link above.

The Annual General Meeting will be available to watch on demand shortly after the meeting on the Company's website, www.blackrock.co.uk/brge.

NOMINEE CODE

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and
- that investors in the BlackRock Investment Trusts Savings Plan and NISA are automatically sent shareholder communications, including details of general meetings, together with a Form of Direction to facilitate voting and to seek authority to attend.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

NM1123U-3258137-64/76

PUBLICATION OF NET ASSET VALUE/PORTFOLIO ANALYSIS

The net asset value (NAV) per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at blackrock.co.uk/brge and through the Reuters News Service under the code 'BLRKINDEX', on page 8800 on Topic 3 (ICV terminals) and under 'BLRK' on Bloomberg (monthly information only).

ONLINE ACCESS

Other details about the Company are available on the website at blackrock.co.uk/brge. The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at investorcentre.co.uk. To access Computershare's website you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.
- e-Comms sign-up – choose to receive email notification when your shareholder communications become available instead of paper communications.
- Outstanding payments – reissue payments using the online replacement service.
- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

SAVINGS PLAN

The Company participates in the BIM (UK) Investment Trust Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call BIM (UK) free on 0800 44 55 22.

STOCKS AND SHARES INDIVIDUAL SAVINGS ACCOUNTS (NISA)

NISAs are a tax-efficient method of investment and the Company's shares are eligible investments within the BlackRock Investment Trust Stocks and Shares NISA. In the 2016/2017 tax year, investors have an annual NISA allowance of £15,240. Details are available from BlackRock by calling free on 0800 44 55 22.

SHAREHOLDER ENQUIRIES

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from your share certificate, tax voucher or other electronic communications you have previously received from Computershare. The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0370 707 1163.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

GENERAL ENQUIRIES

Enquiries about the Company should be directed to:

The Company Secretary
BlackRock Greater Europe Investment Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Enquiries about the Savings Plan or NISA should be directed to:

Freepost RLTZ-KHUH-KZSB
BlackRock Investment Management (UK) Limited
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

NM1123U-3258137-65/76

Additional information

Analysis of ordinary shareholders at 31 August

BY TYPE OF HOLDER

	Number of shares	% of total 2016	% of total 2015	Number of holders	% of total 2016	% of total 2015
Direct private investors	30,557,920	29.8	30.7	8,436	89.4	89.9
Banks and nominee companies	70,069,488	68.3	67.9	910	9.6	9.1
Others	1,975,705	1.9	1.4	95	1.0	1.0
	102,603,113	100.0	100.0	9,441	100.0	100.0

BY SIZE OF HOLDING

	Number of shares	% of total 2016	% of total 2015	Number of holders	% of total 2016	% of total 2015
1-5,000	14,314,354	13.9	14.1	7,222	76.5	76.3
5,001-100,000	25,265,121	24.6	24.9	2,140	22.7	22.9
100,001-1,000,000	19,059,797	18.6	17.4	67	0.7	0.7
1,000,001-5,000,000	17,310,273	16.9	16.8	10	0.1	0.1
Over 5,000,000	26,653,568	26.0	26.8	2	0.0	0.0
	102,603,113	100.0	100.0	9,441	100.0	100.0

Historical Record

Year ended 31 August	Ordinary shares in issue ex. Treasury	Treasury shares	Net assets attributable to ordinary shareholders	Net asset value per ordinary share – undiluted	Ordinary share price	Revenue attributable to ordinary shareholders	Revenue earnings per share	Dividend per share
			£'000	p	p	£'000	p	p
2005	140,414,347	–	182,339	129.86	123.00	2,882	1.82	1.60
2006	130,238,932	3,466,164	206,273	158.38	151.00	3,396	2.53	2.00
2007	119,843,969	4,885,076	221,331	184.68	179.00	3,823	3.06	2.40
2008	112,388,958	2,728,833	191,040	169.98	156.75	4,308	3.73	3.00
2009	105,124,598	1,696,092	172,713	164.29	153.75	3,519	3.26	3.15
2010	99,042,423	2,642,046	174,375	176.06	159.25	3,194	3.13	3.30
2011	95,859,314	1,739,788	178,535	186.25	181.00	6,581	6.77	3.50*
2012	119,793,123	4,760,637	223,041	186.19	175.00	5,984	5.52	4.20
2013	108,719,211	5,718,353	254,941	234.49	228.75	7,295	6.32	4.50**
2014	108,828,058	5,429,676	258,987	237.98	228.50	4,964	4.59	4.70
2015	104,309,663	5,488,898	261,459	250.66	244.00	5,609	5.28	5.00
2016	102,603,113	7,725,825	294,908	287.43	272.00	5,782	5.60	5.30

* Excluding a special dividend of 2.50p per share.
** Excluding a special dividend of 1.00p per share.

NM1123U-3258137-66/76

Additional information

Management & other service providers

Registered Office
(Registered in England, No. 5142459)
12 Throgmorton Avenue
London EC2N 2DL

Investment Manager and Secretary
BlackRock Investment Management (UK) Limited*
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Alternative Investment Fund Manager
BlackRock Fund Managers Limited*
12 Throgmorton Avenue
London EC2N 2DL

Depositary
BNY Mellon Trust & Depositary (UK) Limited*
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Registrar
Computershare Investor Services PLC*
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1163

Auditor
Ernst & Young LLP
Chartered Accountants and Statutory Auditors
25 Churchill Place
Canary Wharf
London E14 5EY

Stockbrokers
Cenkos Securities plc*
6.7.8 Tokenhouse Yard
London EC2R 7AS

Solicitors
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Savings Plan and NISA Administrator
Freepost RLTZ-KHUH-KZSB
BlackRock Investment Management (UK) Limited*
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

* Authorised and regulated by the Financial Conduct Authority.

NM1123U-3258137-67/76

Regulatory disclosures

AIFMD disclosures

REPORT ON REMUNERATION

The Alternative Investment Fund Managers' Directive (the AIFMD) requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the website at blackrock.co.uk/brge and have applied to the Manager since 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as the Company's AIFM.

QUANTITATIVE REMUNERATION DISCLOSURE

Disclosures in accordance with FUND 3.3.5, Article 22(2)e and 22(2)(f) of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the website at blackrock.co.uk/brge.

LEVERAGE

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject.

Consistent with its investment objectives and policy, the Company may also utilise derivative instruments as part of its investment policy. The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject. No derivatives were used for leverage purposes during the year.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment leverage as at 31 August 2016	Gross leverage as at 31 August 2016
Leverage ratio	1.0	1.0

OTHER RISK DISCLOSURES

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 16 to the notes to the financial statements on pages 52 to 60.

PRE INVESTMENT DISCLOSURES

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at blackrock.co.uk/brge.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED

Company Secretary
19 October 2016

NM1123U-3258137-68/76

Regulatory disclosures

Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and (6) No director of the Company has waived or agreed to waive any current or future emoluments from the Company or any subsidiary undertaking.

9.8.4 (7), (8) and (9) The Company has not allotted any equity securities for cash other than in connection with the allotment of ordinary shares arising on the conversion of subscription shares which was specifically authorised by the Company's shareholders on 25 March 2013.

The Company is a stand-alone entity therefore Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
19 October 2016

NM1123U-3258137-69/76

Annual general meeting

Notice of annual general meeting

Notice is hereby given that the twelfth Annual General Meeting of BlackRock Greater Europe Investment Trust plc will be held at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on Wednesday, 30 November 2016 at 12.00 noon to consider and, if thought fit, pass Resolutions 1 to 8 inclusive as ordinary resolutions and Resolutions 9 to 12 as special resolutions:

ORDINARY BUSINESS

1. To receive the report of the Directors and the financial statements for the year ended 31 August 2016, together with the report of the auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 31 August 2016.

3. To declare a final dividend for the year ended 31 August 2016 of 3.65p for each ordinary share in the capital of the Company.

4. To re-elect Ms C C Ferguson as a Director.

5. To re-elect Mr E F Sanderson as a Director.

6. To reappoint Ernst & Young LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.

7. To authorise the Audit and Management Engagement Committee to determine the auditor's remuneration.

SPECIAL BUSINESS
ORDINARY RESOLUTION

8. That, in substitution for all existing authorities, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot relevant securities in the Company (as described in that section) up to an aggregate nominal amount of £10,200 (being 10% of the aggregate nominal amount of the issued ordinary share capital, excluding treasury shares, of the Company at the date of this notice) provided that this authority shall (unless previously revoked) expire at the conclusion of the Company's Annual General Meeting to be held in 2017, but the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot such securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

SPECIAL RESOLUTIONS

9. That, in substitution for all existing authorities and subject to the passing of the resolution numbered 8 above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the Act) to:

   (a) allot up to 10,200,311 ordinary shares of 0.1p each in the Company (Ordinary Shares) with a maximum nominal amount of £10,200 (representing 10% of the aggregate nominal amount of the issued ordinary share capital, excluding treasury shares, of the Company at the date of this notice) at a price of not less than the net asset value per Ordinary Share as close as practicable to the allotment; and

   (b) resell any Ordinary Shares held by the Company in treasury (and, for the purposes of LR 15.4.11 R of the Listing Rules of the UK Listing Authority, such Ordinary Shares being permitted to be sold or transferred out of treasury for cash at a price which represents a discount to the prevailing net asset value per Ordinary Share of the existing Ordinary Shares in issue (excluding treasury shares) and a discount not greater than 2% to the net asset value per Ordinary Share at the latest practicable time before such sale);

   in each case wholly for cash as if section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall (unless previously revoked) expire at the conclusion of the Company's Annual General Meeting to be held in 2016, but the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot such Ordinary Shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

10. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 0.1p each in the Company (Ordinary Shares), the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases of Ordinary Shares (within the meaning of section 693 of the Act) provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 15,290,266 or, if less, that number of Ordinary Shares which is equal to 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 30 November 2016;

    (b) the minimum price which may be paid for any such Ordinary Share shall be 0.1p;

    (c) the maximum price which may be paid for any such Ordinary Share shall be the higher of (i) 105% of the average of the middle market quotations (as derived from the Official List) of the Ordinary Shares for the five dealing days prior to the date on which the market purchase is made and (ii) the higher of the price quoted for the last independent trade and the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and

NM1123U-3258137-70/76

(d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under the authority hereby conferred and may make a purchase of Ordinary Shares pursuant to any such contract notwithstanding such expiry.

All Ordinary Shares purchased pursuant to the above authority shall be either:

(i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or

(ii) cancelled immediately upon completion of the purchase.

11. That, in addition to the authority given to the Company to purchase its own shares pursuant to the resolution numbered 10 above and in accordance with the terms and conditions of the Company's regular tender offers, the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases (within the meaning of section 693 of the Act) of its ordinary shares of 0.1p each (Ordinary Shares), provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 20,400,622 or, if less, that number of Ordinary Shares which is equal to 20% of the Ordinary Shares in issue as at 31 May 2017 (excluding any Ordinary Shares held in treasury);

(b) the price which may be paid for an Ordinary Share shall be an amount equal to 98% of the net asset value per Ordinary Share (calculated on a fully diluted basis) as at 31 May 2017; and

(c) the authority hereby conferred shall expire on 31 July 2017 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

12. That, in addition to the authority given to the Company to purchase its own shares pursuant to the resolutions numbered 10 and 11 above and in accordance with the terms and conditions of the Company's regular tender offers, the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases (within the meaning of section 693 of the Act) of its ordinary shares of 0.1p each (Ordinary Shares), provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 20,400,622 or, if less, that number of Ordinary Shares which is equal to 20% of the Ordinary Shares in issue as at 30 November 2017 (excluding any Ordinary Shares held in treasury);

(b) the price which may be paid for an Ordinary Share shall be an amount equal to 98% of the net asset value per Ordinary Share (calculated on a fully diluted basis) as at 30 November 2017; and

(c) the authority hereby conferred shall expire on 31 January 2018 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
19 October 2016

Registered Office:
12 Throgmorton Avenue
London EC2N 2DL

NM1123U-3258137-71/76

Annual general meeting

Notice of annual general meeting continued

Notes:

1. A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy you may use the form of proxy enclosed with this Notice of Annual General Meeting. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions thereon as soon as possible and in any event by not later than 12.00 noon on 28 November 2016. Amended instructions must also be received by the Company's registrar by the deadline for receipt of forms of proxy. Alternatively you can vote or appoint a proxy electronically by visiting eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 12.00 noon on 28 November 2016.
3. Completion and return of the form of proxy will not prevent you from attending the meeting and voting in person.
4. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only ordinary shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
5. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only ordinary shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the time of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Holders of ordinary shares through the Savings Schemes are entitled to attend and vote at the meeting if the voting instruction form, which is enclosed with this document, is correctly completed and returned in accordance with the instructions printed thereon.
9. 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 before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

NM1123U-3258137-72/76

14. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are laid before the meeting; or
    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

    The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
15. Further information regarding the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at blackrock.co.uk/brge.
16. As at 19 October 2016 (being the last practicable date prior to the publication of this Notice of Annual General Meeting), the Company's issued share capital comprised 102,003,113 ordinary shares of 0.1p each, excluding shares held in treasury. Each ordinary share carries the right to one vote and therefore the total number of voting rights in the Company as at 19 October 2016 is 102,003,113.
17. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

NM1123U-3258137-73/76

Glossary

NET ASSET VALUE PER SHARE (CUM INCOME NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue. For example, as at 31 August 2016 equity shareholders' funds were worth £294,908,000 and there were 102,603,113 ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 287.43p per ordinary share.

Equity shareholders' funds are calculated by deducting from the Company's total assets, its current and long term liabilities and any provision for liabilities and charges.

NET ASSET VALUE PER SHARE (CAPITAL ONLY NAV)

The capital only NAV is a popular point of reference when comparing a range of investment trusts. This NAV focuses on the value of the Company's assets disregarding the current period revenue income, on the basis that most trusts will distribute substantially all of their income in any financial period. It is also the measure adopted by the Association of Investment Companies for preparation of statistical data. It is calculated by dividing 'equity shareholders' funds' (excluding current period revenue) by the total number of ordinary shares in issue.

As at 31 August 2016, equity shareholders' funds less the current year net revenue return (after interim dividends) amounted to £289,126,000 and there were 102,603,113 ordinary shares in issue (excluding treasury shares); therefore the capital only NAV was 281.79p.

Equity shareholders' funds are calculated by deducting from the Company's total assets its current and long term liabilities and any provision for charges.

NET ASSET VALUE PER SHARE WITH INCOME REINVESTED (TOTAL RETURN NAV)

This is the theoretical return on shareholders' funds per share, reflecting the change in value of the NAV per share assuming that dividends paid to shareholders were reinvested at the first opportunity.

As at 31 August 2016, the 'Cum income NAV' stood at 287.43p; a reinvestment factor of 1.245174 (rounded) was applied to reach a calculation of NAV with income reinvested of 357.90p.

DISCOUNT

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price was 270p and the NAV 285p, the discount would be 5.3%.

PREMIUM

A premium occurs when the share price is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 275p and the NAV 270p, the premium would be 1.8%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

LEVERAGE

Leverage is defined in the AIFM Directive as *"any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means"*.

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

Leverage ratio = exposure: net asset value

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except that, where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity's exposure is effectively reduced.

NM1123U-3258137-74/76

Financial Conduct Authority

Be ScamSmart

Investment scams are designed to look like genuine investments.

In association with the Institute of Chartered Secretaries and Administrators Registrars Group

Spot the warning signs.

Have you been...

- **contacted out of the blue**
- **promised tempting returns and told the investment is safe**
- **called repeatedly, or**
- **told the offer is only available for a limited time?**

If so, you might have been contacted by fraudsters.

How to avoid share fraud

1. **Reject cold calls**
   If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2. **Check the firm on the FS register at www.fca.org.uk/register**
   The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

3. **Get impartial advice**
   Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk.

Find out more at **www.fca.org.uk/scamsmart**

April 2015

NM1123U-3258137-75/76

blackrock.co.uk/brge

BLACKROCK®

006904a-OTHR-AUG16