

# JPMorgan European Discovery Trust plc

Uncovering Europe's hidden gems

Annual Report and Financial Statements  
for the Year Ended 31st March 2023

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**J.P.Morgan**  
ASSET MANAGEMENT

# Key features

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## Your Company

### Objective

Capital growth from smaller Continental European companies.

### Investment Policies

- To invest in a diversified portfolio of high-quality smaller companies in Continental Europe.
- To emphasise capital growth rather than income. Shareholders should expect the dividend to vary from year to year.
- To manage liquidity and borrowings to increase potential returns to shareholders. The Board's current gearing policy is to be between 20% net cash and 20% geared.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

### Risk

It should be noted that the Company invests in the shares of smaller companies, which tend to be more volatile than those of larger companies. The Company also employs gearing to generate greater returns. The Company's shares should therefore be regarded as carrying greater than average risk.

Further details on investment policies and risk management are given in the Strategic Report on page 27.

### Benchmark

MSCI Europe (ex UK) Small Cap Net Total Return Index in sterling terms.

### Capital Structure

At 31st March 2023, the Company's issued share capital comprised 157,474,931 ordinary shares of 5p each.

### Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager' or the 'Investment Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

### Association of Investment Companies ('AIC')

The Company is a member of the AIC.

### Website

More information about the Company can be found online at [www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk).

## Strategic Report

Financial Highlights	5
Chairman's Statement	7
Investment Managers' Report	10
Portfolio Information	16
Ten Year Record	21
Environmental, Social and Governance ('ESG')	23
Business Review	27
Principal and Emerging Risks	30
Long Term Viability	33
Duty to Promote the Success of the Company — section 172 statement	34

## Governance

Board of Directors	38
Directors' Report	39
Corporate Governance Statement	42
Audit Committee Report	48
Directors' Remuneration Report	50
Statement of Directors' Responsibilities	53

<b>Independent Auditor's Report</b>	<b>55</b>
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## Financial Statements

Statement of Comprehensive Income	63
Statement of Changes in Equity	64
Statement of Financial Position	65
Statement of Cash Flows	66
Notes to the Financial Statements	67

## Regulatory Disclosures

Alternative Investment Fund Managers' Directive ('AIFMD') Disclosures	86
Securities Financing Transactions Regulations ('SFTR') Disclosures	87

## Shareholder Information

Notice of Annual General Meeting	92
Alternative Performance Measures ('APMs') and Glossary of Terms	96
Investing in JPMorgan European Discovery Trust plc	98
Information about the Company	99

## Financial Highlights

## Total returns (including dividends reinvested) to 31st March

	2023	2022	3 years Cumulative	5 years Cumulative	10 years Cumulative
Return to shareholders <sup>1,A</sup>	-4.3%	-1.3%	+77.2%	+13.4%	+189.7%
Return on net assets <sup>2,A</sup>	-3.8%	+0.3%	+60.3%	+22.2%	+191.1%
Benchmark return <sup>3</sup>	-3.2%	+3.8%	+58.7%	+33.5%	+169.8%
Net asset return compared to benchmark return <sup>3</sup>	-0.6%	-3.5%	+1.6%	-11.3%	+21.3%
Shareholder return compared to benchmark return	-1.1%	-5.1%	+18.5%	-20.1%	+19.9%
Dividend	9.0p	6.7p			

<sup>1</sup> Source: Morningstar.<sup>2</sup> Source: Morningstar/J.P. Morgan using cum income net asset values per share.<sup>3</sup> Source: Morningstar. The Company's benchmark is the MSCI Europe (ex UK) Small Cap Net Total Return Index.<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 96 and 97.

## Financial Highlights

### Summary of Results

	2023	2022	% change
<b>Total returns for the year ended 31st March</b>			
Share price total return <sup>1,A</sup>	-4.3%	-1.3%	
Net asset value return <sup>2,A</sup>	-3.8%	+0.3%	
Benchmark return <sup>3</sup>	-3.2%	+3.8%	
<b>Net asset value, share price, discount and market data at 31st March</b>			
Shareholders' funds (£'000)	785,062	833,719	-5.8
Net asset value per share <sup>A</sup>	498.5p	526.1p	-5.2 <sup>4</sup>
Share price	423.0p	450.0p	-6.0 <sup>5</sup>
Share price discount to net asset value per share <sup>A</sup>	15.1%	14.5%	
Shares in issue	157,474,931	158,469,931	
<b>Revenue for the year ended 31st March</b>			
Gross revenue return (£'000)	22,502	16,498	+36.4
Net revenue attributable to shareholders (£'000)	17,512	11,154	+57.0
Revenue return per share	11.11p	7.00p	+58.7
Dividend per share	9.0p	6.7p	
<b>Gearing at 31st March</b>	<b>6.9%</b>	<b>0.04%</b>	
<b>Ongoing charges<sup>A</sup></b>	<b>0.94%</b>	<b>0.93%</b>	

<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: Morningstar/JPMorgan, using cum income net asset value per share.

<sup>3</sup> Source: Morningstar. the Company's benchmark is the MSCI Europe (ex UK) Small Cap Net Total Return Index.

<sup>4</sup> % change, excluding dividends paid. Including dividend the return is -3.8%.

<sup>5</sup> % change, excluding dividends paid. Including dividend the return is -4.3%.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 96 and 97.

## Chairman's Statement

Dear Shareholder,

I present the Company's results for the year ended 31st March 2023.

### Investment Performance

This has been a very challenging year for the market and for our Company. Global themes of rising inflation, central bank tightening and recession concerns dominated for much of the year. Inflationary pressures and subsequent monetary tightening by central banks increased the cost of capital globally. In addition, the war in Ukraine, continuing after-effects of the pandemic, rising tensions with China and the failure of Credit Suisse and some regional banks in the USA, have led to an increasingly uncertain environment. The Company's relative underperformance of 0.6 percent for the year is disappointing.

Over the year to 31st March 2023 total return on net assets was -3.8%, slightly underperforming the Company's benchmark index, the MSCI Europe (ex UK) Small Cap Net Total Return Index, which returned -3.2% over the same period. The total return to shareholders was -4.3%, reflecting a slight widening of the discount at which the Company's shares trade from 14.5% to 15.1% over the year.

The basis for this performance is explained in the Investment Managers' report on pages 10 to 15 which provides a detailed commentary on the portfolio positioning and the outlook for investing.

The Company's longer term performance remains strong, with the 3, 5 and 10 year total return on net assets at 60.3%, 22.2% and 191.1%, respectively, whilst the benchmark total return was 58.7%, 33.5% and 169.8%.

### Gearing

Gearing can be a differentiator for an investment trust and the Board believes that it can be beneficial to performance. The Board sets the overall strategic gearing policy and guidelines and reviews these at each Board meeting. Borrowings during the year consisted of a EUR 125 million revolving credit facility, which was completely drawn down at the year end. During the year, gearing varied between 10.4% geared and 6.6% cash.

### Revenue and Dividends

The Board's dividend policy is to pay out the majority of the revenue available each year. This is set against the Company's objective of maximising capital growth and the Investment Managers are therefore not constrained to deliver income in any one financial year.

An interim dividend of 1.2 pence per share was paid on 3rd February 2023, the same as last year. After taking into account the income received and the level of the Company's revenue reserves, and subject to shareholder approval at the forthcoming Annual General Meeting, a final dividend of 7.8 pence per share will be paid on 4th August 2023 to shareholders on the register as at the close of business on 30th June 2023 (ex-dividend date 29th June 2023).

### Discounts and Share Repurchases

The discount of the Company's share price to net asset value widened during the Company's financial year, from nearly 14.5% as at the end of March 2022 to 15.1% at 31st March 2023, with an average discount over the 12 months of 15.3%. As at 14th June 2023 the discount was 15.2%. The Board continues to monitor the level of the discount carefully and seeks to use its ability to repurchase shares to minimise the short term volatility and the absolute level of the discount when appropriate. The Company repurchased 995,000 shares during the year. There have been no buybacks since the year end.

Marc van Gelder  
Chairman

## Chairman's Statement

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### Manager Evaluation

During the year, the Management Engagement Committee undertook a formal review of the Manager, facilitated by an independent board evaluation firm, covering the investment management, company secretarial, administrative and marketing services provided to the Company. The review took into account the Manager's investment performance record, management processes, investment style, resources and risk control mechanisms. In addition, during the period of market volatility, the Board continued to meet more frequently to ensure support was available to the Investment Managers. The Board agreed with the Committee's recommendation that the continued appointment of the Manager is in the interests of shareholders as a whole.

### Environmental, Social and Governance ('ESG')

The Board has continued to engage with the Manager on the integration of ESG factors into its investment process which are considered at every stage of the investment decision. The Board shares the Investment Managers' view of the significance of ESG factors both when making long term investments and the requirement of sustained engagement with investee companies throughout the period of the investment. Further information on the Manager's ESG process and engagement is set out in the ESG Report on pages 23 to 26 with stock specific examples included in the Investment Managers' Report on pages 10 to 15.

### The Board

As planned and announced previously, Ashok Gupta will be retiring from the Board at the end of the forthcoming AGM, having served as a Director since 2013. The Board would like to thank Ashok for his significant contribution to the Company during his tenure and wish him well for the future.

Given Ashok's retirement, the Board undertook a search exercise to identify a new Director in the early part of this year. Following successful conclusion of the search exercise and as announced on 9th May 2023, Arun Sarwal has been appointed as an independent non-executive director, his appointment will take effect from the conclusion of the forthcoming Annual General Meeting. Arun brings extensive industry experience of global equities and fund management gained over some 30 years in the UK, Europe, and Asia. Building on his chartered accountancy background, he also has an understanding of the European business environment having worked in Amsterdam, Dublin and Paris, in addition to London.

### Annual General Meeting

The Company's Annual General Meeting ('AGM') will be held on Wednesday, 19th July 2023 at 12.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP.

The Investment Managers will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The AGM will be followed by lunch, providing shareholders with the opportunity to meet the Directors and representatives of the Manager. We look forward to seeing as many shareholders as possible at the AGM.

For shareholders wishing to follow the AGM proceedings but choosing not to attend, we will be able to welcome you through conferencing software. Details on how to register, together with access details, will be available shortly on the Company's website: [www.jpmorganeuropeandiscovery.co.uk](http://www.jpmorganeuropeandiscovery.co.uk), or by contacting the Company Secretary at [invtrusts.cosec@jpmorgan.com](mailto:invtrusts.cosec@jpmorgan.com).

As is normal practice, all voting on the resolutions will be conducted by a poll. Due to technological reasons, shareholders viewing the meeting via conferencing software will not be able to vote on the poll and we therefore encourage all shareholders, and particularly those who cannot attend physically, to exercise their votes in advance of the meeting by completing and submitting their form of proxy.

If you have any detailed or technical questions, it would be helpful if you could raise them in advance with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP or via the 'Ask a Question' link on the Company's website.

## Chairman's Statement

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If there are any changes to the arrangements for the Annual General Meeting, the Company will update shareholders through the Company's website and, if appropriate, through an announcement on the London Stock Exchange.

### Outlook

Whilst it is futile to predict the market environment and how the rest of the year will look, there are signs that many of the inflationary forces seen are now reversing along with growing signs of wage inflation normalising. The supply chain issues that many corporates faced are now clearing, which should help drive recovery and dampen inflation's larger impacts. The end of China's 'zero-covid' policy should further help improve the flow of global trade in due course. We believe that inflation has peaked, but will be a bit more persistent than we were accustomed to prior to the pandemic. Against this backdrop, the outlook for European small and mid-cap companies looks positive.

The Board retains its confidence in the Investment Manager's vast industry experience to navigate through these turbulent times and their high conviction and unconstrained approach leads the Board to believe that it can look forward with a degree of tentative optimism.

**Marc van Gelder**  
Chairman

15th June 2023



## Investment Managers' Report

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### Investment Scope and Process

The objective of the Company is to achieve capital growth from a portfolio of smaller Continental European companies. The investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark, the MSCI Europe (ex UK) Small Cap Index. At the end of March 2023, the benchmark index consisted of 735 companies with a free float adjusted market capitalisation range of GBP 62 million to GBP 5.6 billion. This universe of potential investments is screened using a proprietary multi-factor model, the results of which we apply fundamental analysis.

**Francesco Conte**  
Investment Manager

The investment process is driven by bottom-up stock selection with a focus on identifying market leading growth companies with a catalyst for outperformance. Stock position sizing is determined by investment conviction and trading liquidity. Investments are sold when there is a fundamental deterioration in business prospects, the valuation becomes unattractive, the market capitalisation has significantly outgrown the benchmark index or to raise cash for a more attractive investment. The Board has set a liquidity range of between 20 per cent cash and 20 per cent gearing within which the Investment Managers may operate. The policy is not to hedge the currency exposure of the portfolio's assets.

**Edward Greaves**  
Investment Manager

### Market Review

Equity markets fell for the first half of the Company's financial year as persistent inflation weighed on consumer confidence and valuation multiples. Several factors contributed to inflation including the Russian invasion of Ukraine, continued supply chain disruptions exacerbated by China's Zero-Covid policy, and a normalisation of demand post Covid-19 related lockdowns.

Markets rebounded in the second half of the financial year as data releases appeared to show a peak in headline inflation numbers globally. Easing of supply chain constraints, the impact of recent central monetary tightening, and a fall in energy and materials prices all contributed to reduced concerns around inflation. However, the rebound in the Company's benchmark was not enough to offset early falls with the MSCI Europe (ex UK) Small Cap Index down 3.2 per cent for the year to end March 2023. Small capitalisation companies significantly underperformed their larger peers with the MSCI Europe (ex UK) Index rising 8.6 per cent for the year. As a result, small caps ended the year looking very cheap versus their own history and versus large caps.

### Portfolio Performance

Over the financial year, the net asset value of the Company fell by 3.8 per cent, underperforming its benchmark by 0.6 per cent.

Top performers over the period include the French market research company IPSOS, which saw strong demand for market intelligence as brands and governments try to understand how consumer behaviour has changed in a post pandemic world; SPIE, the French technical services company, as demand for installation of electrical systems was boosted by the ongoing energy transition towards electrification; Melexis, the Belgian designer of automotive semiconductors, due to the continued increase in semiconductor content per vehicle, boosted by the growth of electric vehicles; Prysmian, the Italian cable manufacturer, as investments into the European electricity grid accelerated to cope with the current energy crisis; Elis, the French commercial laundry service provider, as demand for hospitality quickly rebounded once the COVID-related lockdowns were lifted; and Sanlorenzo, the Italian luxury yacht manufacturer, as the design and quality of its yachts continue to attract orders from wealthy clients.

Stock detractors from performance included the German manufacturer of warehouse automation solutions and forklift trucks, Kion, which struggled to increase prices on some projects while their input costs were rising significantly; VGP, the Belgian developer of warehouses, due to rising construction costs and higher interest rates putting pressure on real estate valuations and increasing financing costs; GN Store Nord, the Danish manufacturer of audio equipment and hearing aids, as their business suffered from falling consumer confidence and high debt following a recent acquisition; Banco de Sabadell, the Spanish banking group, which suffered from the concerns around the banking sector following the collapse of SVB and the takeover of Credit Suisse; and Virbac, the French animal health specialist, as demand normalised following the end of lockdowns.

## Investment Managers' Report

## PERFORMANCE ATTRIBUTION

Year ended 31st March 2023	%	%
<b>Contributions to total returns</b>		
<b>Benchmark return</b>		<b>-3.2%</b>
Asset allocation	0.8%	
Stock selection	-2.8%	
Gearing/cash effect	1.9%	
Currency effect	0.3%	
<b>Investment Managers' added contribution</b>		<b>0.2%</b>
<b>Portfolio return</b>		<b>-3.0%</b>
Management fees/other expenses	-0.9%	
Share Buy-Back/issuance	0.1%	
<b>Other effects</b>		<b>-0.8%</b>
<b>Return on net assets<sup>A</sup></b>		<b>-3.8%</b>
<b>Return to shareholders<sup>A</sup></b>		<b>-4.3%</b>

Source: JPMAM/Morningstar.

All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

<sup>A</sup> Alternative Performance Measure ('APM')

A glossary of terms and APMs is provided on pages 96 and 97.

## Portfolio Positioning

## Top 10 Sector Active Positions

TOP/BOTTOM ACTIVE SECTOR POSITIONS — MARCH 2023

TOP/BOTTOM ACTIVE SECTOR POSITIONS — MARCH 2022

Source: J.P. Morgan Asset Management, Factset. MSCI GICS Subsector shown. The Company is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice.

## Investment Managers' Report

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Industrials remained the largest sector overweight during the financial year. The Company continues to have high exposure to investments into energy efficiency and electrification. Within this theme, the Company owns companies that are enabling the transition to a low carbon economy such as the high voltage cable manufacturer, Prysmian, technical installation and services company, Bravida, which has a key role in refurbishing buildings to meet higher energy standards, and Aalberts, the Dutch manufacturer of piping systems for buildings which are pioneering increasingly energy efficient solutions.

The Consumer Discretionary sector became the second largest overweight. This increase occurred through the purchase of positions in the French household appliance maker, SEB, the Italian gym equipment manufacturer, Technogym, and the German fashion brand Hugo Boss, as the reopening Chinese economy has started to release a considerable amount of consumer spending.

Health Care and Real Estate were the most underweight sectors. Healthcare is impacted by the disruptions caused by the Covid-19 pandemic and Real Estate faces headwinds from both rising financing costs and pressure on valuations due to high bond yields.

### Top 10 Country Active Positions

TOP/BOTTOM ACTIVE COUNTRY POSITIONS — MARCH 2023

TOP/BOTTOM ACTIVE COUNTRY POSITIONS — MARCH 2022

*Source: FactSet; including cash/gearing. The above portfolio characteristics are shown for illustrative purposes only and are subject to change without notice. The Fund is an actively managed portfolio; holdings, sector weights, allocations and leverage, as applicable are subject to change at the discretion of the Investment Manager without notice.*

During the period Italy grew to be the Company's largest country overweight. This was achieved through the addition of Brembo, the manufacturer of premium automotive brake discs and callipers, and Technogym, both of which we believe will benefit as economies around the world continue to reopen and supply chain disruptions normalise.

## Investment Managers' Report

After being the largest underweight at the end of the previous financial year, the Company's allocation to German companies rose due to the purchase of companies involved in the automotive supply chain. These companies should benefit from automotive volumes recovering to pre-Covid 19 levels. They include Stabilus, the manufacture of gas spring and power rise solutions, Fuchs Petrolub, the producer of automotive lubricants, and Elmos Semiconductor, an automotive semiconductor manufacture supplier.

Switzerland dropped to become the Company's second largest underweight as we reduced exposure to local names with defensive business profiles such as the insurance companies Baloise and Helvetia, where we saw their valuations as less attractive following outperformance. We also reduced exposure to PSP, a Swiss focused property company with prime location only office exposure, on worries around general real estate valuations.

Due to our increase in German exposure, Norway dropped to become the Company's largest underweight, despite a small increase in the Company's exposure to the country over the period.

At the end of the financial year, the Company was 6.9 per cent geared.

### Equity Valuation

EUROPEAN SMALL CAP EX UK P/B RATIO

EUROPEAN SMALL CAP EX UK VS LARGE CAP EX UK P/B RATIO

Source: J.P.Morgan Asset Management, Bloomberg. Data as of 31 March 2023.

Small capitalisation equities in Europe performed very poorly in 2022 as risk premiums rose, driven by the uncertain outlook for inflation and economic activity. As a result, on a price to book ratio basis small caps became very cheap versus their own history and versus large cap peers. While the potentially easing inflation outlook in late 2022 resulted in a rise in equity markets and a bounce in valuations, European small caps remain cheap versus history, especially versus large caps. As a result, valuations appear attractive when considering normalised market conditions.

## Investment Managers' Report

### ESG Considerations

We consider ESG challenges as part of our investment process, specifically where we see these risks as a threat to the long-term earnings capacity of companies. However, the Company does not have an ESG based exclusion list of stocks or sectors.

For companies where we see ESG risks, we conduct due diligence on their business models and perform extensive engagement with management to ensure the sustainability of their long-term financial performance. An example of the type of engagement held by the Investment Managers this year is AAK. Despite the potential ESG risks related to AAK's business model, we are happy to hold a position in the company due to the significant progress they are making to manage their risks, especially around palm oil traceability to sustainable sources.

#### Example: AAK

During the financial year, we met with the Management Team of AAK, the Swedish speciality oils and fats producer, to understand how the firm's products contribute to sustainable nutrition, supply chain traceability and oversight, and broader environmental management and governance. There are three key areas we see as vital for any company working in the food supply chain industry.

On the topic of increasing access to nutrition, AAK confirmed that their understanding of "healthy" food solutions are those either contributing to environmental solutions (e.g. deforestation-free) or nutrition (e.g. lower sugar). Their focus is more on the environmental and social elements within the supply chain; however they are also developing more plant-based solutions.

On the supply chain, AAK discloses commitments and the current state on traceability to plant and industry certification (it was a founding-member of RSPO). In 2021, the firm stated they had 67% (+34% from 2020) verified deforestation-free and conversion-free palm and 30% (-3%) verified deforestation-free and conversion-free soy supply chains. They have also committed to reduce scope 1 and 2 emissions by 50% by 2030, relative to 2019. We asked if they will be disclosing a scope 3 emissions reduction target, which they said they are seeking to set next year.

On Governance, AAK has appointed a Chief Strategy & Sustainability Officer who is a member of the Executive Committee and reports to the Board on sustainability.

Alongside our due diligence performed at the point of investment, the Investment Management team frequently engage with management teams on an ongoing basis to ensure that our investment companies maintain or improve their ESG profiles. We conducted over 250 such company meetings during the past financial year.

As small cap investors, we often find that the companies we meet, and invest in, often have very high ESG standards but can be poor at publically communicating this. Generally, the companies we meet are small, sometimes new to the market and have small investor relations departments. In such instances, we see our role as stewards by helping these companies establish standards of best practice in areas such as governance, employee welfare and the environment. In the past year we have held deep formal engagements with companies including AcadeMedia, Andritz, ASR, Befesa, Nexans and Wienerberger to help them understand the ESG best practices that they should aim for.

### Outlook

We began 2022 believing that inflation would prove to be transient. However, the tragic events in the Ukraine followed by Covid-19 lockdowns in China resulted in the risk of more persistent inflation. As a result, we transitioned the portfolio towards companies that can continue to perform well in such an inflationary environment. We focused on companies with high barriers to entry and pricing power. We also added to Insurance and Banks which are positively correlated with rising bond yields.

More recently there have been signs that we have passed peak inflation, although inflation could stay elevated above Central Bank targets for some time. Markets feel much more optimistic than at any time since inflation began increasing mid-way through 2021. Sentiment is supported by falling energy prices and China reopening paving the way for a boost to European manufacturing exporters.

Nevertheless, the economic outlook is uncertain. Some leading economic indicators are under pressure and the US yield curve remains inverted which has historically led recessions, albeit with an unpredictable delay. There is a risk that earnings downgrades are coming for more cyclically exposed companies although there are no signs of this yet in order books. As a result, active management and thorough fundamental research will be paramount, and quality – of both management and balance sheets – will be imperative in a more uncertain environment.

## Investment Managers' Report

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2022 was a difficult year in absolute and relative performance. However, 2023 looks much more encouraging. While the last decade has been all about the US and technology, Europe looks extremely attractive in this new cycle as it starts with compelling valuations and, unlike China which also looks cheap, seems to be in a period of relatively harmonious internal politics, although Russia remains a wildcard.

Another uncertainty is how Artificial Intelligence ("AI") will impact companies and sectors in the future. Just like the internet, AI will have a profound impact. But, like the internet it is difficult to predict the exact consequences. Nevertheless, it is likely that AI will have an overall positive impact on economies and equity markets due to efficiency gains. Companies will need to adapt; those that do not, risk being fatally disrupted. However, companies that take advantage of AI will reap the rewards. Understanding these consequences will be an important focus for the Investment Managers.

In relative terms, 2022 was very macro driven – such periods do not last forever and eventually bottom-up fundamentals reassert themselves. We expect this to be the case in 2023 and so we are optimistic that 2023 will be a good year for the Company.

Francesco Conte  
Edward Greaves  
Investment Managers

15th June 2023

## Portfolio information

### Ten largest equity investments

At 31st March

Company	Country	2023 Valuation			2022 Valuation		
		Number of shares	£'000	% <sup>1</sup>	Number of shares	£'000	% <sup>1</sup>
<b>SPIE</b> SPIE is the independent European leader in multi-technical services in the areas of energy and communication.	France	1,595,548	37,489	4.5	1,397,922	25,351	3.1
<b>Melexis<sup>2</sup></b> Melexis designs, develops, tests and markets advanced integrated semiconductor devices for use in automotive electronics systems.	Belgium	347,262	32,436	3.8	278,391	19,762	2.4
<b>Sanlorenzo<sup>2</sup></b> Sanlorenzo S.P.A. is a luxury yacht builder. Founded in 1958, the Company manufactures "made to measure" yachts and superyachts fully customised for each client. Sanlorenzo serves customers worldwide.	Italy	827,702	29,092	3.5	827,702	25,705	3.1
<b>Alten</b> Alten SA offers consulting and engineering services in telecommunication, computer systems, networking, multimedia, defence, aviation and information system.	France	220,755	28,495	3.4	287,981	33,438	4.0
<b>Prysmian<sup>2</sup></b> Prysmian S.p.A. develops, designs, produces, supplies, and installs a wide range of cables for applications in the energy and telecommunications industries. The Company offers submarine transmission, asset monitoring systems, network components, and optical fibres.	Italy	831,847	28,287	3.4	747,825	19,553	2.3
<b>Bravida</b> Bravida Holding AB provides technical installation and service solutions for builders and plants. The company offers integrated solutions in electrical installations, heating and plumbing and HVAC. Bravida Holding services customers in Sweden, Norway and Denmark.	Sweden	3,031,005	27,683	3.3	2,655,582	23,352	2.8
<b>Arcadis<sup>2</sup></b> Arcadis N.V. offers consulting and engineering services worldwide. The Company performs feasibility studies, develops projects, offers financial and legal consulting services, assists in the permitting process, and offers design and maintenance services.	Netherlands	801,662	26,598	3.2	489,931	16,917	2.0
<b>Trelleborg 'B'<sup>2</sup></b> Trelleborg AB manufactures and distributes industrial products. The Company produces noise suppression and anti-vibration systems for the automobile industry and complete wheel systems for forest and farm machines and other equipment. Trelleborg also develops and makes industrial fluid systems and polymer and bitumen based building products.	Sweden	1,058,834	24,362	2.9	927,686	16,618	2.0
<b>Helvetia<sup>2</sup></b> Helvetia Holding AG provides a broad range of life, casualty, liability, accident and transportation insurance. The Company insures individuals, property such as vehicles and buildings, and consumer goods and personal belongings during transportation. Helvetia operates in Switzerland and in other European countries.	Switzerland	212,203	23,915	2.8	292,529	29,117	3.5
<b>Ellis<sup>2</sup></b> Elis SA provides commercial services. The Company offers rental and cleaning of textile and hygiene articles such as workwear, linen, air purification products, dryers, personal protection equipment, automatic dispensers, mats, mops, beverage machines, consumables, and accessories.	France	1,539,404	23,847	2.8	1,625,407	18,392	2.2
<b>Total<sup>3</sup></b>			282,204	33.6			

<sup>1</sup> Based on total investments of £839.6m (2022: £834.0m).<sup>2</sup> Not included in the ten largest investments at 31st March 2022.<sup>3</sup> At 31st March 2022, the value of the ten largest investments amounted to £259.8 million representing 31.2% of total investments.

## Portfolio information

## Geographical analysis

	31st March 2023		31st March 2022	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
France	20.0	10.8	19.3	9.4
Italy	19.2	9.7	16.5	7.7
Sweden	15.7	16.6	14.3	18.0
Germany	12.4	13.7	6.2	14.1
Netherlands	9.9	6.0	12.5	6.4
Switzerland	8.6	13.5	14.8	13.5
Belgium	7.4	4.1	9.1	4.9
Denmark	1.9	5.9	2.4	4.6
Finland	1.7	3.8	1.9	4.2
Spain	1.2	5.3	1.2	5.4
Austria	1.1	2.7	—	2.4
Norway	0.9	6.4	0.8	7.1
Ireland	—	0.7	—	1.6
Portugal	—	0.8	—	0.7
Czech Republic	—	—	1.0	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £839.6m (2022: £834.0m).

## Sector analysis

	31st March 2023		31st March 2022	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Industrials	48.5	30.1	46.3	27.7
Consumer Discretionary	17.2	11.8	13.9	11.8
Information Technology	15.2	9.9	13.1	9.3
Financials	11.7	14.0	11.9	14.3
Materials	3.4	6.1	1.0	6.0
Consumer Staples	1.9	5.4	1.0	5.6
Real Estate	1.7	7.1	4.2	10.4
Communication Services	0.3	2.1	0.0	2.1
Health Care	0.1	7.4	3.9	7.1
Utilities	—	2.8	4.7	3.2
Energy	—	3.3	—	2.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £839.6m (2022: £834.0m).



## Portfolio information

### Investment activity

During the year ended 31st March 2023

	Value at 31st March 2022		Purchases £'000	Sales £'000	Changes in value £'000	Value at 31st March 2023	
	£'000	%				£'000	% of portfolio
France	160,897	19.3	96,373	(105,170)	15,801	167,901	20.0
Italy	137,889	16.5	135,619	(114,116)	1,682	161,074	19.2
Sweden	119,442	14.3	101,647	(78,918)	(10,286)	131,885	15.7
Germany	51,916	6.2	105,660	(44,517)	(8,746)	104,313	12.4
Netherlands	104,385	12.5	26,287	(37,480)	(9,864)	83,328	9.9
Switzerland	123,342	14.8	65,076	(112,702)	(3,986)	71,730	8.6
Belgium	75,668	9.1	22,314	(35,192)	(414)	62,376	7.4
Denmark	19,670	2.4	50,325	(46,130)	(8,023)	15,842	1.9
Finland	15,723	1.9	30,560	(29,733)	(2,529)	14,021	1.7
Spain	9,978	1.2	45,359	(37,229)	(8,302)	9,806	1.2
Austria	—	—	15,858	(4,069)	(2,338)	9,451	1.1
Norway	6,570	0.8	19,439	(15,025)	(3,129)	7,855	0.9
Czech Republic	8,538	1.0	7,772	(5,513)	(10,797)	—	—
Ireland	—	—	16,734	(22,189)	5,455	—	—
<b>Total investments</b>	<b>834,018</b>	<b>100.0</b>	<b>739,023</b>	<b>(687,983)</b>	<b>(45,476)</b>	<b>839,582</b>	<b>100.0</b>

## Portfolio information

## List of investments

At 31st March 2023

Company	Valuation £'000	Company	Valuation £'000
<b>France</b>		<b>Germany</b>	
SPIE	37,489	Bechtle	22,786
Alten	28,495	CTS Eventim	22,266
Elis	23,847	Stabilus	15,288
Verallia	21,701	FUCHS PETROLUB Preference	13,479
IPSOS	19,857	Bilfinger	10,517
SEB	16,853	Elmos Semiconductor	9,856
Sopra Steria	11,368	Jungheinrich	7,197
Cie Plastic Omnium	8,291	HUGO BOSS	2,924
	<b>167,901</b>		<b>104,313</b>
<b>Italy</b>		<b>Netherlands</b>	
Sanlorenzo	29,092	Arcadis	26,598
Prysmian	28,287	TKH, CVA	19,695
Interpump	23,491	Aalberts	18,888
Brembo	13,819	Koninklijke Vopak	10,412
Ariston	11,130	ASR Nederland	7,735
Intercos	10,142		<b>83,328</b>
Technogym	9,034	<b>Switzerland</b>	
Reply	8,852	Helvetia	23,915
Banco BPM	7,247	Georg Fischer	19,546
BFF Bank	6,985	SIG	10,034
BPER Banca	6,953	Bossard	7,858
Unipol Gruppo	6,042	Kardex	5,047
	<b>161,074</b>	Inficon	3,161
<b>Sweden</b>		Huber + Suhner	2,169
Bravida	27,683		<b>71,730</b>
Trelleborg	24,362	<b>Belgium</b>	
AAK	16,275	Melexis	32,436
Hexpol	14,688	D'ieteren	11,698
Sweco	14,399	Azelis	9,423
AFRY	12,718	Shurgard Self Storage	7,586
Loomis	8,675	Fagron	1,233
JM	6,979		<b>62,376</b>
Nordnet AB publ	6,106	<b>Denmark</b>	
	<b>131,885</b>	ISS	9,409
		Sydbank	6,433
			<b>15,842</b>

## Portfolio information

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Company	Valuation £'000
<b>Finland</b>	
TietoEVERY	14,021
	<b>14,021</b>
<b>Spain</b>	
Banco de Sabadell	9,806
	<b>9,806</b>
<b>Austria</b>	
BAWAG	9,451
	<b>9,451</b>
<b>Norway</b>	
Storebrand	7,855
	<b>7,855</b>
<b>Total Investments</b>	<b>839,582</b>

## Ten year record

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**Ten year performance**

Figures were rebased to 100 on 31st March 2013

<sup>1</sup> Source: Morningstar, share price. JPMorgan, share price total return calculation.

<sup>2</sup> Source: Morningstar, cum income net asset value per share. JPMorgan, net asset value total return calculation.

<sup>3</sup> Source: Morningstar. The Company's benchmark is the MSCI Europe ex UK Small Cap Index (Net) (2019 and before: Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms).

**Ten year performance relative to benchmark**

Figures were rebased to 100 on 31st March 2013

## Ten year record

### Ten year financial record

At 31st March	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total assets less current liabilities (£'m)	366.0	474.8	473.1	495.4	620.8	794.2	637.8	517.3	923.0	833.7	785.1
Net asset value per share (p) <sup>A</sup>	195.1	270.7	268.3	309.3	388.1	438.9	400.0	324.4	530.7	526.1	498.5
Share price (p)	169.8	240.0	233.5	276.0	334.0	406.0	349.0	251.0	462.0	450.0	423.0
Share price discount (%) <sup>A</sup>	13.0	11.3	13.0	10.8	13.9	7.5	12.8	22.6	12.9	14.5	15.1
Gearing (%) / (Net cash) <sup>A</sup>	12.9	12.6	7.5	(2.8)	5.3	7.9	(5.2)	3.8	8.8	0.0	6.9
Ongoing charges (%) <sup>A</sup>	1.26	1.31	1.32	1.18	1.15	1.03	1.07	1.05	0.91	0.93	0.94

### Year ended 31st March

Gross revenue return (£'000)	8,481	8,016	8,586	8,448	10,771	13,251	15,837	15,077	9,625	16,498	22,502
Net revenue available for shareholders (£'000)	6,134	5,047	5,519	5,732	7,807	9,575	11,680	10,886	7,051	11,154	17,512
Revenue return per share (p)	3.29	2.99	3.45	3.58	4.88	5.98	7.31	6.83	4.42	7.0	11.11
Total dividend(s) per share (p)	3.2	2.9	3.2	3.2	4.7	6.7	6.7	6.7	6.7	6.7	9.0

### Total returns

#### Rebased to 100 at 31st March 2013

Total return to shareholders <sup>1,A</sup>	100.0	143.6	141.6	169.5	207.5	255.3	223.1	163.4	306.5	302.7	289.7
Total return on net assets <sup>2,A</sup>	100.0	140.6	141.0	164.4	208.4	238.3	220.4	181.6	301.8	302.7	291.1
Benchmark total return <sup>3</sup>	100.0	132.8	132.9	142.5	183.8	202.1	194.8	170.0	268.5	278.8	269.8

<sup>1</sup> Source: Morningstar, share price. JPMorgan, share price total return calculation.

<sup>2</sup> Source: Morningstar, cum income net asset value per share. JPMorgan, net asset value total return calculation.

<sup>3</sup> Source: Euromoney. The Company's benchmark is the MSCI Europe ex UK Small Cap Index (Net) (2019 and before: Euromoney Smaller European Companies (ex UK) Total Return Index in sterling terms).

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs definitions is provided on pages 96 and 97.

## Environmental, Social and Governance

### Manager's Approach to ESG and JPMorgan European Discovery Trust plc (the 'Company')

#### What is ESG?

**E is for Environmental.** Environmental issues are defined as issues related to the quality and function of the natural environment and natural systems. Some examples include greenhouse gas emissions, climate change resilience, pollution (air, water, noise, and light), biodiversity/habitat protection and waste management.

**S is for Social.** Social issues are defined as issues related to the rights, wellbeing and interests of people and communities. Some examples include workplace safety, cybersecurity and data privacy, human rights, local stakeholder relationships, and discrimination prevention.

**G is for Governance.** Governance issues are issues related to the way companies are managed and overseen. Some examples include independence of chair/board, fiduciary duty, board diversity, executive compensation and bribery and corruption.

#### Why do we integrate ESG into our investment process?

At J.P. Morgan Asset Management, we define ESG integration as the systematic inclusion of financially material ESG factors (including sustainability risks) as additional inputs into investment analysis and investment decision-making, where possible and appropriate. Essentially, we aim to determine whether, in our opinion, a company faces potential headwinds or tailwinds from ESG considerations which may ultimately have a significant impact on its share price.

#### ESG Integration within the Company's portfolio

ESG integration does not change a strategy's investment objective, exclude specific types of companies, or constrain a strategy's investable universe. However, our assessment of financially material ESG factors may influence our investment decision. Ultimately, it may impact your Investment Manager's decision to purchase a company or not, or impact the position size taken in a Company due to the level of conviction.

#### Engagement

We recognise and embrace our wider stewardship responsibilities to clients as a major asset owner. We use it not only to understand how companies and issuers consider issues related to ESG but also to try to influence their behaviour and encourage best practices, for the purpose of enhancing returns for our clients. Active ownership in the context of ESG integration allows us to manage ESG risks and to systematically incorporate insights gained from engagement into our investment decisions. For further details on our engagement processes, please see our Annual Investment Stewardship Report (<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf>).

Examples of our recent activity with regard to engagement with stocks in the Company's portfolio at the end of the year are provided below and in the Investment Managers' Report on page 10:

Our Investment Stewardship Team met with **BAWAG Group**, the Austrian financial services company, to discuss remuneration arrangements. This followed significant dissent at its 2022 AGM, with 67% of shareholders voting against approval of the remuneration report. The company explained their philosophy of remuneration, saying their focus is to attract and retain the current management team, which is cheaper than hiring from outside in a tight talent market. The company also indicated that salary and the remuneration structure overall is a product of when the company was private, and they recognise that demands for a public company are different. They are therefore in the process of ensuring that their remuneration more broadly aligns with shareholder expectations. We mentioned that there remains significant room for the annual bonus structure to be tightened up, including disclosure practices as well as performance metrics and targets that the company measures against. The company acknowledged that there was work to do on their annual bonus performance conditions. They noted that they have hired an external consultant to review and advise on compensation and acknowledged that work needs to be done on the financial and non-financial performance metrics for annual bonuses. We will be monitoring their public disclosure with a view to follow up engagement in advance of voting at this year's AGM.

## Environmental, Social and Governance

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### Proxy voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We aim to vote at all meetings called by the companies in which we are invested unless there are any market restrictions or conflicts of interests.

We believe that corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

## Environmental, Social and Governance Statement

A summary of key voting statistics and activity for the Company during the year is detailed below:

	For	Against	Abstain Against	Did Not Vote*	Against/ Abstain Total	Total Items	% Against/ Abstain
Audit Related	58	2	0	4	2	64	3.1
Capitalisation	127	8	0	9	8	144	5.6
Company Articles	25	1	0	2	1	28	3.6
Compensation	201	57	0	15	57	273	20.9
Director Election	208	27	0	16	27	251	10.8
Director Related	270	22	0	6	22	298	7.4
Non-Routine Business	11	0	0	1	0	12	0.0
Routine Business	270	10	0	18	10	298	3.4
Strategic Transactions	6	0	0	0	0	6	0.0
Miscellaneous	1	1	0	1	1	3	33.3
<b>Total</b>	<b>1,177</b>	<b>128</b>	<b>0</b>	<b>72</b>	<b>128</b>	<b>1,377</b>	<b>9.3</b>

\*Meetings may not be voted due to share blocking and/or conflicts of interest

Examples of our proxy voting activity over the last year are provided below.

### Meier Tobler Group – Switzerland

#### Issue

Meier Tobler Group is a Swiss manufacturer of heating and air conditioning systems worldwide. Further, the company provides consulting, planning, construction, maintenance, and other services for building services planners, installers, architects, and suppliers. At the 2023 Annual General Meeting, misalignment issues were highlighted, related to gender diversity at Board level.

#### Action

We voted against the Chair of the Nomination Committee, due to the member being accountable for the nomination process where the Board lacks gender diversity. Currently there is a quota in place for Swiss listed companies with at least 250 employees and total assets exceeding CHF 20 million or revenues exceeding CHF 40 million for two consecutive years. The quota for each gender is set at 30 percent for the board of directors and is on a comply-or-explain basis. It is widespread practice for company Boards to be gender diverse, however, this company has single gender representation, which falls outside of best practice in Europe more broadly.

#### Outcome

We will engage with the company and encourage them to review gender diversity at Board level, aligning to market best practice for the upcoming 2024 AGM.

### IPSOS – France

#### Issue

We engaged with IPSOS, the French market research company ahead of the company's annual general meeting to discuss the minority shareholder filing of a resolution for the appointment of an independent board member. This filing followed the announcement that the soon-to-be appointed CEO, Nicola Roo's, would not take on the position, just days before she was due to be appointed. From a corporate governance perspective, this falls well below best practice, and ultimately would give the impression of a Board not aligning with shareholders best interests.

#### Action

We engaged with the company to better understand the succession planning process and the cancellation of the appointment of a new incoming CEO immediately before they were due to start.



## Environmental, Social and Governance Statement

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### **Outcome**

We were reassured that the company is taking the issue very seriously. They acknowledged the issues around poor practice, agreeing that they could have done a better job in engaging and holding discussions with their large and minority shareholders, and undertook to engage more frequently going forward. We will continue to engage with the company and monitor any changes implemented by the newly appointed CEO.

### **SKF AB – Sweden**

#### **Issue**

We identified concerns regarding Board committee independence and over-boarding.

#### **Action**

We contacted the company regarding director over-boarding concerns. The company acknowledged our communication, noting that the director commits adequate time to each directorship and has stepped down from two Boards, therefore now only holding four directorships. We remained concerned about the time commitments and as a result we voted against two director elections due to lack of independence and over-boarding.

#### **Outcome**

Whilst SKF responded and noted that the Nomination Committee had accepted the non-executive director's rationale regarding these directorships, we felt that stronger voting action was appropriate this year. As a result, we wrote to the company explaining that we had voted against the director election and would welcome further engagement with the Board and investor relations on broader sustainability matters to encourage market best practice.

## **The Future**

In investing your Company's assets, your Investment Managers have always looked for companies with the ability to create value over the long term. That scrutiny remains firmly embedded in our process and we know that the Directors of the Company, shareholders and potential investors, view attention to ESG factors as important in their assessment of us as Investment Managers. We expect ESG to remain an important consideration for the Company's portfolio and the course being taken by regulators suggests that its importance will only increase in years to come. The research we do and the approach we take in investing the Company's assets will continue to reflect that and evolve as necessary.

On 7th September 2022, J.P.Morgan Asset Management successfully became a signatory to the UK Stewardship Code. This reflects our commitment to our stewardship responsibilities to drive positive corporate change and industry developments that benefit our clients and the communities we serve.

### **J.P.Morgan Asset Management**

## Business Review

### The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide a cost effective, investment vehicle for investors who seek capital growth from a portfolio of high-quality smaller companies in Continental Europe, over the long term. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises non-executive Directors from a diverse background, including gender and ethnicity, who have a *breadth of relevant experience and contribute in an open and transparent boardroom culture that both supports and challenges the Manager and its other third party suppliers.* The Board's culture itself is one of openness, collaboration and transparency of debate. The Directors are comfortable to give their opinions in a respectful environment, allowing challenge and constructive discussion. The Board maintains a desire for strong governance and diversity of thought. All Directors act with integrity, lead by example and seek to promote the Company's culture through ongoing dialogue and engagement with its stakeholders.

### Business of the Company and Investment Objective

JPMorgan European Discovery Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. It is a constituent of the FTSE 250 Index. The Company is incorporated in England and Wales. Its objective is to achieve capital growth from smaller Continental European companies. In seeking to achieve this objective, the Company employs JPMorgan Funds Limited ('JPMF') which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited ('JPMAM') to actively manage the Company's assets. The Board has determined an investment policy and related guidelines and limits as described below. It aims to outperform the MSCI Europe (ex UK) Small Cap Net Total Return Index (prior to 31st March 2020 the benchmark was the Euromoney Smaller Companies (ex UK) Net Total Return Index (in sterling terms)).

The Company is subject to legislation and regulations including UK company law, United Kingdom Accounting Standards, the FCA Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law and the Company's own Articles of Association. Since 31st December 2020, autonomous UK regulations became effective and the UK no longer applies EU regulations. However, those EU regulations that were relevant to the Company have been incorporated by UK regulations and therefore there has been no change in practice. The Company has assessed the impact of this to be minimal.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

### Investment Policies and Risk Management

In order to achieve its investment objective and to seek to manage investment risks, the Company invests in a diversified portfolio of high-quality smaller companies in Continental Europe. The investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the benchmark index which, at the end of March 2023, consisted of 735 companies with a free float adjusted market capitalisation range of GBP 62 million to GBP 5.6 billion.

The Company manages liquidity and borrowings with the aim of increasing potential Sterling returns to shareholders. The Company borrows in Euros in order to hedge the currency risk in respect of the geared portion of the portfolio. The Company does not normally hedge the foreign currency exposure of the remainder of the portfolio.

The investment policy emphasises capital growth rather than income and shareholders should therefore expect dividends to vary from year to year.

The Board has set no minimum or maximum limits on the number of investments in the portfolio but, in the year under review, the number of investments ranged between approximately 50-70. To gain the appropriate exposure, the investment managers are permitted to invest in collective investment schemes. On a day-to-day basis, the assets are managed by two investment managers based in London, supported by a team of over 180 equity professionals.

It should be noted that the Company invests in the shares of smaller companies which tend to be more volatile than those of larger companies and the Company's shares should therefore be regarded as having greater than average risk.

### Investment Restrictions and Guidelines

The Board seeks to manage the risks facing the Company by imposing various limits and restrictions;

- The Company will not invest more than 5% of its total assets in any one individual stock at the time of acquisition.
- No more than 25% of assets may be invested outside the benchmark. Any such investments must be in European ex UK companies or a UK investment company that invests in Europe.
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval.

## Investment restrictions and guidelines and key performance indicators

- No more than 25% of the Company's assets may be invested in the aggregate of: (i) securities not listed on a recognised exchange; and (ii) holdings in which the Company has 20% or more of the issued equities. It is unlikely that the Company would invest in companies that fall into either of these categories and did not do so in the year under review.
- In accordance with the FCA Listing Rules, the Company will not invest more than 15% of its gross assets in other UK listed closed-ended investment funds and will not invest more than 10% of its gross assets in UK listed closed-ended investment funds that themselves may invest more than 15% of gross assets in UK listed closed-ended investment funds. It is very unlikely that the Company would wish to have substantial positions in such companies and had no such investments in the year under review.
- The Board has set a normal gearing range of 20% net cash to 20% geared.
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval.

These limits and restrictions may be varied by the Board at any time at its discretion.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

### Performance

In the year ended 31st March 2023, the Company produced a share price total return of -4.3% and a net asset value total return of -3.8%. This compares with the total return on the Company's benchmark index of -3.2%. As at 31st March 2023 the value of the Company's investment portfolio was £839.6 million (2022: £834.0 million). The Investment Managers' Report on pages 10 to 15 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

### Key Performance Indicators ('KPIs')

At each Board meeting the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The principal KPIs are performance relative to the benchmark index, performance against the Company's peers, performance attribution, share price discount to net asset value per share and ongoing charges. Unless there is a particular reason for the Board to change the KPIs (which would require an explanation to shareholders), consistency is maintained to provide continuity. Further details of the principal KPIs are given below.

#### ● Performance relative to the benchmark index

This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report on pages 7 to 15.

### Performance Relative to Benchmark Index

Figures have been rebased to 100 since 31st March 2013

## Key performance indicators

## Ten Year Performance

## Discount

Figures have been rebased to 100 since 31st March 2013

- **Performance against the Company's peers**

The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds with similar objectives.

- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock selection and asset allocation. Details of the attribution analysis for the year ended 31st March 2023 are given in the Investment Managers' Report on page 11.

- **Share price discount to net asset value ('NAV') per share**

The Board recognises that the possibility of a short term widening of the discount can be a key disadvantage of investment trusts that can discourage investors, but is of the view that over the long term it is not a material factor in long term shareholder return. The Board has for several years operated a share repurchase programme which seeks to address imbalances in the supply of and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year ended 31st March 2023, the discount ranged between 9.3% and 19.4%. More information on the Board's share repurchase policy is given in the Chairman's Statement on page 7.

- **Ongoing charges**

The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st March 2023 were 0.94% (2022: 0.93%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

## Principal and Emerging risks

### Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company, as well as emerging risks. In assessing the risks and how they can be mitigated, the Board has given particular attention to those risks that might threaten the viability of the Company. The AIC Code of Corporate Governance requires the Audit Committee to put in place procedures to identify emerging risks. The Committee has looked at this area and has conducted horizon scanning. It does not believe that currently there are any emerging risks facing the Company. These key risks fall broadly under the following categories:

Principal Risk	Description	Mitigating Activities
<b>Underperformance and Inappropriate Strategy</b>	An inappropriate investment strategy, or poor implementation of the strategy, for example excessive concentration of investments, asset allocation, the level of gearing or the degree of portfolio risk, may lead to underperformance against the Company's benchmark index and peer companies.	The Board manages these risks by diversification of investments and through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMF provides the Directors with timely and accurate management information. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Board sets strategic guidelines for gearing as well as investments; decisions on levels of gearing are delegated to the investment managers, whose decisions are subject to challenge by the Board. The Board holds a separate meeting devoted to strategy each year.
<b>Loss of Manager</b>	Investment performance could be adversely affected by the loss of one or more of the investment management team.	To reduce the likelihood of such an event, the Manager ensures appropriate succession planning and adopts a team-based approach as well as efforts to retain key personnel.
<b>Market and Currency</b>	Market risk arises from uncertainty about the future prices of the Company's investments which may reflect underlying uncertainties arising from economic, social, fiscal, climate, inflationary and regulatory changes. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. Investing in smaller companies is inherently more risky and volatile, partly due to the potential lack of liquidity in some shares.  The majority of the Company's assets, liabilities and income are denominated in Euros rather than in the Company's functional currency of Sterling (in which it reports). As a result, movements in the Euro: Sterling exchange rate may affect the sterling value of those items. Therefore, there is an inherent risk from these exchange rate movements.	The Board manages these risks by diversification of investments and monitoring of the implementation and results of the investment process with the investment manager. The Board includes an assessment of these risk factors at Board meetings and has placed investment restrictions and guidelines to limit these risks.  The Company borrows in Euros in order to hedge the currency risk in respect of the geared portion of the portfolio. The Company does not hedge the foreign currency exposure of the remainder of the portfolio.
<b>Discount Control Risk</b>	Investment trust shares often trade at discounts to their underlying NAVs, although they can also trade at a premium. Discounts and premiums can fluctuate considerably leading to volatile returns for shareholders.	The Board continues to monitor the level of the discount carefully and seeks to use its ability to repurchase shares to minimise the short term volatility and the absolute level of the discount, when appropriate.

## Principal and Emerging risks

Principal Risk	Description	Mitigating Activities
<b>Accounting, Legal and Regulatory</b>	In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Business of the Company' on page 27. Were the Company to breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to capital gains tax. In addition, changes to relevant regulations and legislation, such as financial or tax legislation, may have a negative impact on the Company.	The Section 1158 qualification criteria are continually monitored by JPMF and the results reported to the Board each month. The Board relies on the support of the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act, the FCA Listing Rules, the Market Abuse Regulations ('MAR'), Disclosure Guidance and Transparency Rules ('DTRs'), the Alternative Investment Fund Managers Directive ('AIFMD') and all other relevant legislation. The Manager takes specialist advice, where necessary, to review the impact of new legislation on the Company.
<b>Operational</b>	Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position. The risk of fraud or other control failures or weaknesses within the Manager or other service providers could result in losses to the Company.	The Audit Committee receives independently audited reports on the Managers and other service providers' internal controls, as well as a report from the Manager's Compliance function. The Company's management agreement obliges the Manager to report on the detection of fraud relating to the Company's investments and the Company is afforded protection through its various contracts with suppliers, of which one of the key protections is the Depositary's indemnification for loss or misappropriation of the Company's assets held in custody. Details of how the Board monitors the services provided by JPMF and its associates and the key elements designed to provide effective risk management and internal control are included within the Risk Management and Internal Control section of the Corporate Governance Statement on page 45.
<b>Cyber Crime</b>	The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security.	The Board has received the cyber security policies for its key third party service providers and JPMF has provided assurance to the Directors that the Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested and reported on every six months against the AAF Standard.

## Principal and Emerging risks

Principal Risk	Description	Mitigating Activities
<b>Corporate Governance and Shareholder Relations</b>	The Board considers failure to communicate effectively with investors and inappropriate sales and marketing strategy to be a risk to the Company.	The Board relies on the Manager to arrange regular meetings with major institutional holders and effective communication. Marketing Strategy and practices are regularly reviewed by the Board. Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on page 42.
<b>Pandemic Risk</b>	The global reach and disruption to markets caused by Covid-19 highlighted the speed and extent of economic damage that can arise from a pandemic, both on global stock markets and more widely. It also introduced risks, particularly in terms of controls, resulting from changes to works practices (including working from home).	The Board regularly reviews the mitigation measures and business continuity plans which JPMorgan Asset Management and other key service providers have in place to maintain operational resilience. It is satisfied that these are appropriate as demonstrated even during the worst extremes of the Covid-19 pandemic.
<b>Climate Change</b>	Climate change has become a critical issue confronting portfolio companies and their investors. Climate change can have a significant impact on the business models, sustainability and even viability of individual companies, sectors and asset classes.	The Board receives ESG reports from the Manager on the portfolio and the way ESG considerations are integrated into the investment decisions making so as to mitigate risk at the level of stock selection and portfolio construction. At the level of the Company, as extreme weather events become more common, the resiliency, business continuity planning and location strategies of the Company's service providers will come under greater scrutiny.
<b>Artificial Intelligence (AI)</b>	Advances in computing power means that AI has become a powerful tool that will impact a huge range of areas. AI could be a significant driver for new business as well as a disrupter to current business and processes leading to added volatility and uncertainty in corporate valuations.	The Board will work with the Manager to monitor the developments concerning AI and its potential impact on the portfolio, our service providers and the wider market.
<b>Geopolitical</b>	There is an increasing risk to market stability and investment opportunities from geopolitical conflicts, such as between Russia and Ukraine, and China and Taiwan.	The Company discusses global developments with the Manager and will continue to monitor these issues.
<b>Global recession</b>	Government/Central Banks' fiscal or monetary responses to the debt burden from Covid-19 stimulus packages results in inflation and/or stagflation. These, together with the consequences of the war in Ukraine, could result in regional and/or global recession leading to material adverse movements in asset prices.	The Manager's market strategists are available to the Board and can discuss market trends. The Board can, with shareholder approval, look to amend the investment policy and objectives of the Company, if required, to enable investment in companies or assets which offer more appealing risk/return characteristics in prevailing economic conditions.

## Long term viability

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### Long Term Viability

Taking account of the Company's current position, the principal and emerging risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering the principal risks, the risk of breaching the Company's debt covenants as a result of a reduction in its asset base, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the European economies and equity markets. The Board has further considered the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience. In addition to the above, the Company has carried out stress testing in connection with the Company's stated principal risks including a number of scenarios where the Company might be put under significant stress due to market volatility or other exogenous shocks. This included modelling the impact of substantial market falls, and testing portfolio liquidity under stress. The scenarios assumed that there would be no recovery in asset prices.

The results demonstrated the impact on the Company's NAV, its expenses, its debt levels and the covenants attached to that debt as well as the Company's ability to meet its liabilities. In even the most stressed scenario, the Company was shown to have sufficient cash, or to be able to liquidate a sufficient portion of its listed holdings, in order to meet its liabilities as they fall due.

Given the Company's objective of achieving long term capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by investment advisers; that investors should consider investing in equities for a minimum of five years. Thus, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.



## Duty to promote the success of the company

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### Duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole. In doing so, each Director has regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company. The Board is responsible for all decisions relating to the Company's investment objective and policies, gearing, discount management, corporate governance and strategy, and for monitoring the performance of the Company's third party service providers, including the Manager.

The Board's philosophy is that the Company should foster a culture where all the Company's stakeholders are treated fairly and with respect. The Board recognises the importance of acting fairly between them, which is front of mind in its key decision making. As an externally managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its Manager, its debt providers, and its other professional third party service providers (corporate broker, registrar, auditor, custodian and depositary) and wider society. The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

As the Company acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations. The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Directors will receive regular reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers at least annually whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

## Duty to promote the success of the company

The table below sets out details of the Company's engagement with these stakeholders:

Stakeholder Engagement
<p><b>Shareholders</b></p> <p>The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance, and reports formally to shareholders twice a year by way of the Annual Report &amp; Financial Statements and the Half Year Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares. In addition, the Company issues announcements for all substantive news which are available on the Company's website together with monthly factsheets published by the Manager.</p> <p>The Board seeks regular engagement with the Company's major shareholders to understand their views on governance and performance against the Company's investment objective and investment policy, either directly or through the Company's brokers, the portfolio managers and JPMF by holding discussions on an ongoing basis. During the year the investment management team, JPMF and the Company's brokers held discussions with the larger shareholders. Where requested, Directors attend shareholder meetings arranged by the Manager. The Chairman and other Directors make themselves available as and when required to address any shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 99.</p> <p>The Annual General Meeting (AGM) provides the key forum for the Board and Investment Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Investment Managers and raise any questions or concerns. A recording of the Investment Managers' presentation is also available on the Company's website following the AGM.</p>
<p><b>Manager</b></p> <p>The principal supplier is the Manager's investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. The Manager's investment management function is fundamental to the long term success of the Company through the pursuit of the investment objective. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director whose interactions extend well beyond the formal business addressed at each Board and Committee meeting. This enables the Board to remain regularly informed of the views of the Investment Managers and the Company's shareholders (and vice versa).</p>
<p><b>Investee companies</b></p> <p>The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager. In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies. In respect of the year under review, the Manager voted at the annual general meetings and extraordinary meetings held during the year by the Company's portfolio companies (full details can be found in the ESG report on page 23). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.</p>
<p><b>Other key service providers</b></p> <p>The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board consider the Company's Custodian, Depositary, Registrar, Auditor and Broker to be stakeholders. The Board maintains regular contact with its key external service providers, either directly, or via its dedicated company secretary or client director, and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers.</p>

## Duty to promote the success of the company

### Wider society and the Environment

Whilst strong long term investment performance is essential, the Board recognises that to provide an investment vehicle that is viable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society.

The Manager is a signatory to the United Nations Principles for Responsible Investing (UNPRI) and has, in the course of the year, with the support and encouragement of the Board, continued the process of further integrating environmental, social and governance matters into its investment process.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Some of the key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

### Key Decisions and Actions

#### Re-appointment of Manager

The Directors have reviewed the competitiveness of the management fee and the Company's other operating costs, held the Manager to account for investment performance and encouraged the Manager to enhance its sales and marketing efforts. A review of the Manager and its services was undertaken during the year. Post the review process, the Board re-appointed the Manager.

#### Dividends Payable to Shareholders

The Board's decision to recommend a final dividend of 7.8p per share, providing a total of 9.0p per share to the shareholders for the year 31st March 2023 balances the Company's investment objective to provide capital growth with the value placed by some investors on the receipt of a dividend.

#### Succession Planning

The Board progressed its succession plans during the year resulting in the decision to appoint Arun Sarwal as an independent non-executive director. His appointment will take effect from the conclusion of the Annual General Meeting on 19th July 2023. Further details are included in the Chairman's statement. Shareholder interests are best served by ensuring a smooth and orderly succession for the Board which serves to provide both continuity and refreshment whilst ensuring diversity of both background and experience.

#### Managing the Company's Discount

During the year, the Board had a buyback policy which aimed to minimise the volatility and absolute level of the discount when appropriate.

During the year 995,000 shares were repurchased, at a cost of £50 million, representing 0.6% of the Company's issued share capital.

#### Gearing and Borrowings


During the year, the Company renewed its loan facility with Scotiabank for a further one year. The facility is for EUR 125 million and expires in January 2024.

For and on behalf of the Board

Marc van Gelder

Chairman

15th June 2023





## Board of Directors

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### Marc van Gelder (Chairman)

A Director since 1st August 2016.

**Last reappointed to the Board: 2022.**

**Other directorships:** Chairman of NN Group N.V. (Continuity Foundation), Holland, Director of Stichting Administratiekantoor Continuïteit ABN AMRO Group and Stichting Administratiekantoor Heijmans, Holland. He has worked for 20 years in business in Europe and his former roles include CEO of Mediq, a Dutch listed pharmaceutical distributor, which was acquired by Advent in 2013.

**Connections with the Manager: None.**

**Shared Directorships with other Directors: None.**

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### Nicholas Smith (Chairman of the Audit Committee, Remuneration Committee and Senior Independent Director)

A Director since 1st May 2015.

**Last reappointed to the Board: 2022.**

**Other directorships:** Chairman of Preyshot Estates Ltd.

FCA with a long-term career in investment banking and, from 1993 to 1997, CFO of Jardine Fleming.

**Connections with the Manager: None.**

**Shared Directorships with other Directors: None.**

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### Ashok Gupta

A Director since 1st January 2013.

**Last reappointed to the Board: 2022.**

**Other directorships:** Non-executive Director of Sun Life Financial Inc and Non-executive Chairman of eValue Ltd, EV Risk Ratings Ltd and Mercer Ltd. Formerly Non-executive Chairman of AA Insurance Services Limited and Skandia UK and director of The Pensions Regulator, St James's Place and the Phoenix Group.

**Connections with the Manager: None.**

**Shared Directorships with other Directors: None.**

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### Sarah Watters

A director since 1st July 2021.

**Last reappointed to the Board: 2022.**

**Other directorships:** Executive Director at Bellecapital UK. Her recent roles include serving as the Head of Equities, UK, Europe and Emerging Markets at BP Investment Management Ltd.

**Connections with the Manager: None.**

**Shared Directorships with other Directors: None.**

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### Suzy Ross

A director since 1st March 2022.

**Last reappointed to the Board: 2022.**

**Other directorships:** Member of the leadership team of Google Cloud as a Director - Strategic Customer Partnerships. Her previous roles include Senior Retail Adviser to Accenture, Acting Chief Customer Officer at Jaeger and Global Chief Marketing Officer at SpaceNK.

**Connections with the Manager: None.**

**Shared Directorships with other Directors: None.**

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All Directors are members of the Audit, Management Engagement, Nomination and Remuneration Committees and are considered by the Board to be independent of the Manager.

## Directors' Report

The Directors present their report and audited financial statements for the year ended 31st March 2023.

### Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'). JPMF is employed under a contract which can be terminated on six months' notice, without penalty. The contract may also be terminated on three months' notice if Francesco Conte ceases to be one of the named managers of the Company's portfolio. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation. The active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM'). The Manager is a wholly owned subsidiary of JPMorgan Chase Bank, N.A. which, through other subsidiaries, also provides accounting, banking, dealing and custodian services to the Company.

A dedicated Company Secretary is nominated by JPMF to service the Board.

The Management Engagement Committee conducts a formal evaluation of the performance of the contractual relationship with the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received represents value for money for shareholders. The Committee has thoroughly reviewed the performance of the Manager over the course of the year. The review covered consideration of the investment strategy and process of the Manager, resources and risk controls, performance against the benchmark over the long term and the quality of support that the Company received including the marketing support provided. As a result of that process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

### The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day-to-day management of the Company's portfolio to JPMAM. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

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 Company's website at [www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk). 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.

JPMF's remuneration disclosures are set out on page 86.

### Management Fee

With effect from 1st April 2020 the management fee has been charged at the annual rate of 0.85% of the Company's net assets (until 31st March 2020 it was charged at 1.0% of the Company's net assets on the first £400 million and at 0.85% of net assets above that amount). The fee is calculated and paid monthly in arrears. An adjustment is made to exclude from the calculation investments in funds on which the Manager charges a management fee and therefore there is no double charging of management fees on investment in JPM funds.

### Directors

All Directors of the Company who held office at the end of the period under review are detailed on page 38. Details of their beneficial shareholdings in the Company may be found in the Directors' Remuneration Report on page 51.

In accordance with corporate governance best practice, all Directors, except Ashok Gupta, who will be retiring at the forthcoming Annual General Meeting, will offer themselves for re-appointment. The Board is satisfied that all Directors remain independent from the Manager. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be re-appointed.

### Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. For the Directors who served during the year under review, these indemnities were in place throughout the year and remains in place at the date of this report.

An insurance policy is maintained by the Company which insures the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

## Directors' Report

### Disclosure of information to Auditors

In the case of persons who are Directors of the Company at the time when this report was approved:

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's Auditors are unaware, and
- (b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

### Independent Auditors

Ernst & Young LLP were appointed as Auditors in 2019 and have expressed their willingness to continue in office as the Auditors. A resolution to reappoint Ernst & Young LLP for the ensuing year is being put to shareholders at the forthcoming Annual General Meeting and to authorise the Directors to determine their remuneration.

### Total Return, Revenue and Dividends

Gross loss for the year amounted to £23.1 million (2022: Gross gain £14.3 million) and net total loss after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £33.9 million (2022: Net return £2.9 million). Net revenue return after taxation for the year amounted to £17.5 million (2022: £11.2 million). An interim dividend of 1.2p per share (2022: 1.2p) was paid during the year, costing £1.9 million (2022: £1.9 million). The Directors have proposed a final dividend of 7.8p (2022: 5.5p) per share. This dividend will amount to £12.3 million and the total revenue reserve will amount to £5.8 million after the payment of this dividend. Further details are set out in note 72 to the financial statements.

### Share Repurchases

The Directors have authority on behalf of the Company to repurchase shares in the market either for cancellation or into Treasury and to sell Treasury shares or issue new Ordinary shares for cash.

During the financial year, the Company repurchased 995,000 shares, for a total consideration of £50 million. Since the year end, the Company has not purchased any shares.

No shares were issued during the year or since the year end.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Special Resolutions to renew the Company's authorities to issue and repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

### Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the latest practicable date are given in note 16 to the Notice of Annual General Meeting on page 95.

### Borrowings

The Company has a EUR 125 million unsecured loan facility with Scotiabank. The facility was fully drawn down at the year end. This agreement was renewed in January 2023 and expires in January 2024.

### Notifiable Interests in the Company's Voting Rights

At the end of the financial year, the following had declared a notifiable interest in the Company's voting rights:

Shareholder	Ordinary shares	%
Allspring Global Investment, Holdings, LLC	25,244,643	16.03
City of London Investment Management Company Limited	15,804,806	10.04
1607 Capital Partners, LLC	7,911,826	5.02

### Listing Rule 9.8.4R

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

## Directors' Report

### Annual General Meeting

**NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.**

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting. The full text of the resolutions is set out in the Notice of Meeting on pages 92 to 95.

**(i) Authority to allot new shares and to disapply statutory pre-emption rights (Resolutions 10 and 11)**

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash or by way of a sale of Treasury shares up to an aggregate nominal amount of £787,375, such amount being equivalent to approximately 10% of the issued share capital (excluding Treasury shares) as at the latest practicable date before the publication of this document or, if different, the number of ordinary shares which is equal to 10% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2024 unless renewed at a prior general meeting.

Resolution 11 will enable the allotment of ordinary shares otherwise than by way of a pro rata issue to existing shareholders. It is advantageous for the Company to be able to issue new shares (or to reissue shares from Treasury) to investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), thereby increasing the NAV per share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's net assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in a general meeting.

**(ii) Authority to repurchase the Company's shares (Resolution 12)**

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2022 Annual General Meeting, will expire on 17th January 2024 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 12 gives the Company authority to repurchase its own issued ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum number of ordinary shares, representing approximately 14.99% of the Company's issued ordinary shares as at the latest practicable date before the publication of this document or, if less, the number of ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. The authority also sets minimum and maximum prices.

If resolution 12 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate. This authority will expire in January 2025, or when the whole of the 14.99% has been acquired, whichever is the earlier, however it is the Board's intention to seek renewal of the authority at the 2024 Annual General Meeting.

**(iii) Resolution 13**, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The amendment being introduced in the New Articles relates to increasing the limit on aggregate annual Directors' fees from £200,000 to £225,000.

**(iv) Resolution 14**, which will be proposed as a special resolution, seeks shareholder approval to call a general meeting, other than an Annual General Meeting, on no less than 14 clear days' notice. The Company will only use the shorter notice period where it is merited by the purpose of the meeting.

### Recommendation

The Board considers that Resolutions 1 to 14 are likely to promote the success of the Company and are 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, where voting rights are exercisable, in respect of their own beneficial holdings which, as at the year end, amounted in aggregate to 116,100 shares representing less than 1% of the voting rights in the Company.



## Directors' Report

### Corporate Governance Statement

#### Compliance

The Board takes its governance responsibilities very seriously and follows best practice requirements as closely as possible. The revised UK Code of Corporate Governance (the UK Code) published in 2018 requires enhanced disclosure setting out how we, as Directors, have fulfilled our duties in taking into account the wider interests of stakeholders in promoting the success of the Company. As part of this reporting, and given the environmental, social and governance (ESG) issues that are faced by many companies, we have provided a detailed report on these matters in the Strategic Report. We have also provided more information on our Manager's approach to shareholder engagement and voting activities.

The 2019 AIC Code applies to accounting periods beginning on or after 1st January 2019 and the Board has fully complied with the recommendations of the 2019 AIC Code. Copies of the UK Code and the AIC Code may be found on the respective organisation's websites: [www.frc.org.uk](http://www.frc.org.uk) and [www.theaic.co.uk](http://www.theaic.co.uk).

#### Role of the Board

A management agreement between the Company and JPMF sets out the matters which have been delegated to the Manager. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes the determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets at least five times during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and for compliance with applicable rules and regulations.

#### Board Composition

The Board, chaired by Marc van Gelder, currently comprises five non-executive Directors, all of whom, including the Chairman, are regarded by the Board as independent of the Company's Manager. The Directors have a breadth of investment knowledge, business, marketing and financial skills and experience relevant to the Company's business. Brief biographical details of each Director are set out on page 38.

During the year, as part of the Board succession planning process, Tyzack Partners, a recruitment consultancy firm, were appointed to undertake a non-executive director search. After a short list for interview, the decision was made to appoint Arun Sarwal as a Director. His appointment will be effective from the conclusion of the forthcoming Annual General Meeting on 19th July 2023. Tyzack Partners has no other connection with the Company.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. In line with corporate governance practice, Mr Nicholas Smith, the Senior Independent Director, leads the evaluation of the Chairman and may be contacted by shareholders if they have concerns that cannot be resolved through discussions with the Chairman.

#### Board Diversity

In terms of diversity, the current gender balance of three men and two women Directors exceeds the target of 33% of women on FTSE 350 company boards set under The Hampton-Alexander Review. The Board has also complied with the recommendations of the Parker Review in respect of board diversity. The recent changes to the FCA's Listing Rules which set new diversity targets and associated disclosure requirements for UK companies listed on the premium and standard segment of the London Stock Exchange. Listing Rule 9.8.6R (9) requires listed companies to include a statement in their annual reports and accounts in respect of certain targets on board diversity, or if those new targets have not been met to disclose the reasons for this. This new requirement applies to accounting periods commencing on or after 1 April 2022 and therefore the Company has included the table below to report against these diversity targets.

## Directors' Report

Diversity Table<sup>1</sup>

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	3	60	2	NA	NA
Women	2	40	0	NA	NA
Other Categories	0	0	0	NA	NA
Not specified/prefer not to say	NA	NA	NA	NA	NA
<b>Ethnicity<sup>2</sup></b>					
White British (or any other white background)	4	80	2	NA	NA
Asian or Asian British	1	20	0	NA	NA

<sup>1</sup> Data as at 31st March 2023.

<sup>2</sup> Categorisation of ethnicity is stated in accordance with the Office of National Statistics ('ONS') classification.

The information in the above table was provided by individual Directors in response to a request from the Company. The Company is pleased to report that, as at the date of approval of this Annual Report, it meets FCA's target on the below:

- at least 40% of the board should be women.
- at least one member of the board should be from an ethnic minority background, excluding white ethnic groups (using ONS categories).

With regards to target of having at least one senior board position (Chair, CEO, CFO or Senior Independent Director) held by a woman, the Board is cognisant of the fact that this condition was not met during the financial year, however, the Board has decided to appoint Ms. Sarah Watters as the new Senior Independent Director and this appointment will be effective later in the financial year.

### Reappointment of Directors

The Directors of the Company standing for re-appointment and their brief biographical details are set out on page 38. The skills and experience that each Director brings to the Board, and hence why their contributions are considered important to the long term success of the Company, are summarised below.

**Resolution 5** relates to the reappointment of Marc van Gelder. Marc has over 20 years working knowledge of European business.

**Resolution 6** relates to the reappointment of Nicholas Smith. Nicholas is a chartered accountant with investment banking experience.

**Resolution 7** relates to the reappointment of Sarah Watters. Sarah has extensive investment management experience.

**Resolution 8** relates to the reappointment of Suzy Ross. Suzy has extensive experience in retail and marketing.

For details of current directorships of the Directors, please refer to page 38.

### Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. A Director's continued appointment is subject to the performance evaluation carried out each year, Board approval and shareholder reappointment. The Board has adopted corporate governance best practice and all Directors stand for annual reappointment.

The Board believes that Directors should be willing to serve at least two terms of at least three years and serve more than nine years only in exceptional circumstances, except in the case of a serving Chairman where the second term of three years in the role of Chairman would result in the nine year term being exceeded.

The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code and the AIC Code, including the need to refresh the Board and its Committees periodically.

As mentioned in the Chairman's Statement, Ashok Gupta will be retiring from the Board at this year's AGM, having served on the Board for more than nine years and Arun Sarwal will be appointed with effect from the conclusion of the forthcoming Annual General Meeting on 19th July 2023.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

## Directors' Report

### Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described on page 44.

### Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of the membership of these Committees are shown with the Directors' profiles on page 38.

The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings, one Management Engagement Committee meeting, one Nomination and one Remuneration Committee meeting. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. There is also regular contact between the Directors and the Manager and Company Secretary throughout the year.

### Meetings Attended

Director	Board	Management			
		Audit Committee	Engagement Committee	Nomination Committee	Remuneration Committee
Marc VanGelder*	4	2	-	-	-
Nicholas Smith*	4	2	1	1	1
Ashok Gupta	5	2	1	1	1
Sarah Watters	5	2	1	1	1
Suzy Ross	5	2	1	1	1

\*Absences due to illness/family illness.

### Board Committees

The Nomination, Remuneration, Management Engagement and Audit Committees have written terms of reference which define clearly their respective responsibilities, and copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the Annual General Meeting.

#### Nomination Committee

The Nomination Committee, currently chaired by Marc van Gelder, consists of all Directors and meets at least annually. The Nomination Committee reviews the composition, structure and diversity of the Board, succession planning, the independence of the Directors and whether each Director has sufficient time available to discharge their duties effectively.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment

process. The Board remains committed to appointing the most appropriate candidate and seeks to ensure that it does not unwittingly exclude any group.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, and how it works together. The Senior Independent Director leads the evaluation of the Chair's performance, which includes an appraisal of his Board leadership and effectiveness in the role. The Board undertook an externally facilitated board evaluation this year. The Company used an independent advisory firm who sent questionnaires to each Director to be completed, along with individual interviews with the Directors and members of the Manager. The responses were then collated and discussed by the Committee. The evaluation of the individual Directors is led by the Chairman and the Senior Independent Director leads the evaluation of the Chairman's performance, which includes an appraisal of his Board leadership and effectiveness in the role.

Having completed the annual evaluation process, the Committee confirms that it believes that the Board has an appropriate balance of skills and experience, that all Directors should be considered as Independent in accordance with the provisions of the AIC Code and that all Directors have the time available to discharge their duties effectively.

#### Remuneration Committee

The Board has established a Remuneration Committee for the purpose of reviewing Directors' fees. It makes recommendations to the Board as and when appropriate, in relation to remuneration policy and implementation. All Directors are members of the Remuneration Committee and the Chairman is Nicholas Smith.

#### Management Engagement Committee

The membership of the Management Engagement Committee consists of all independent Directors and is chaired by Marc van Gelder. The Committee meets at least once a year to review the terms of the management agreement between the Company and the Manager, the performance of the Manager and fees, the notice period that the Board has with the Manager and to make recommendations to the Board on the continued appointment of the Manager following these reviews.

#### Audit Committee

The Report of the Audit Committee is set out on pages 48 and 49.

## Directors' Report

### Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice each year by way of the Annual Report and Financial Statements and the Half Year Report. These are supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares and the Company's level of gearing.

During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required including attending the AGM, to interact with and address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 99, or via the Company's website. The Senior Independent Director, may be contacted by shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

### Annual General Meeting ('AGM')

As mentioned in the Chairman's statement, this year's Annual General Meeting will be held on 19th July 2023 at 12.30pm at 60 Victoria Embankment, London EC4Y 0JP. Apart from the formal business of the meeting, the shareholders will have the opportunity to hear from our two portfolio managers, Francesco Conte and Edward Greaves who will be presenting, followed by a question and answer session. Shareholders are invited to attend the meeting and raise any questions they have, either by asking questions at the meeting, or in advance by writing to the Company Secretary at the address on page 99, or via email to [invtrusts.cosec@jpmorgan.com](mailto:invtrusts.cosec@jpmorgan.com). As is normal practice, all voting on the resolutions will be conducted on a poll. The Board strongly encourages all shareholders to exercise their votes by completing and returning their proxy forms in accordance with the notes to the Notice of Meeting on page 93.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least twenty working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to do so via the Company's website or write to the Company Secretary at the address shown on page 99. A formal process is in place for all letters to the Directors to be immediately forwarded. As part of this process, any feedback from shareholders is also communicated to the Board.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

### Risk Management and Internal Control

The AIC requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 30 to 32). This process has been in place for the year under review and up to the date of the approval of the Annual Report and Financial Statements, and it accords with the Financial Reporting Council's guidance. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board. The key elements designed to provide effective internal control are as follows:

- **Financial Reporting**  
Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.
- **Information Technology Systems**  
The Manager and the Company's other suppliers have security systems in place to protect the Company's information. Information technology controls are tested and reported on regularly by independent third parties.
- **Management Agreement**  
Evaluation and Appointment of a manager and custodian, regulated by the FCA, whose responsibilities are clearly defined in written agreements.

## Directors' Report

### ● Management Systems

The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules.

### ● Investment Strategy

Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;
- reviews reports on the risk management and internal control and the operations of its Custodian, JPMorgan Chase Bank, N.A., which is itself independently reviewed; and
- reviews every six months an independent report on the risk management and internal control and the operations of the Manager.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st March 2023 and to the date of approval of this Annual Report and Financial Statements.

The Board confirms that any failings or weaknesses identified during the course of its review of the system of risk management and internal control were not significant and did not affect the Company.

### Employees, Social, Community, Environmental, Human Rights Issues and Greenhouse Gas Emissions

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive, the day-to-day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees.

The Board notes JPMAM's global policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

*JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share*

*price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.*

*JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our approach to how we implement the principles is set out in the Manager's Approach to ESG on pages 23 to 26. The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.*

### Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on Environmental, Social and Governance considerations are included in the Strategic Report on pages 23 to 26.

#### Corporate Governance

*JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.*

#### Proxy Voting

*JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.*

#### Stewardship/Engagement

*JPMAM believes effective investment stewardship can materially contribute to helping build stronger portfolios over the long term for our clients. At the heart of JPMAM's approach lies a close collaboration between our portfolio managers, research analysts and investment stewardship specialists to*

## Directors' Report

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engage with the companies in which JPMAM invests. Regular engagement with JPMAM's investee companies through investment-led stewardship has been a vital component of JPMAM's active management heritage.

JPMAM continues to exercise active ownership through regular and ad hoc meetings, and through its voting responsibilities.

JPMAM's formal stewardship structure is designed to identify risks and understand its portfolio companies' activities, in order to enhance value and mitigate risks associated with them. JPMAM has identified five main investment stewardship priorities it believes have universal applicability and will stand the test of time:

- governance;
- strategy alignment with the long term;
- human capital management;
- stakeholder engagement; and
- climate risk

Within each priority area, JPMAM identified related themes it is seeking to address over a shorter time frame. These themes will evolve as JPMAM engages with companies to understand issues and promote best practice. This combination of long-term priorities and evolving, shorter-term themes provides JPMAM with a structured and targeted framework to guide its investors and investment stewardship teams globally as JPMAM engages with investee companies around the world.

JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council ('FRC') in the UK Stewardship Code, to which JPMAM is a signatory.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:  
<https://am.jpmorgan.com/gb/en/asset-management/institutional/about-us/investment-stewardship/>

By order of the Board

Priyanka Vijay Anand, for and on behalf of  
JPMorgan Funds Limited,  
Company Secretary

15th June 2023



## Directors' Report

### Audit Committee Report

I am pleased to present my formal report to shareholders as chairman of the Audit Committee for the year ended 31st March 2023.

#### Composition

Membership of the Audit Committee consists of all the Directors and the Committee meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Audit Committee and have a combination of financial, investment and other experience gained throughout their careers. Given the size of the Board, it has been determined that the Chairman of the Board, Marc van Gelder should be a member of the Audit Committee. This is permitted under the AIC Code because the Chairman was deemed to be independent on appointment. As a Chartered Accountant, I have recent and relevant experience, and the Committee as a whole has competence relevant to the sector.

#### Role and Responsibility

The Committee is responsible for monitoring and reviewing the principles, policies and practices adopted in the preparation and audit of the accounts of the Company and the integrity of the financial statements. The Committee is also responsible for monitoring the effectiveness of the internal controls and the risk management framework. The Audit Committee reviews the actions and judgements of the Manager in relation to the Half Year and Annual Report and Financial Statements and the Company's compliance with the AIC Code.

The Audit Committee keeps under review its Terms of Reference and recommends any necessary changes to the Board.

#### Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2023, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments and derivatives are undertaken in accordance with the accounting policies, disclosed in note 1(b) and (g) to the accounts on pages 67 and 68. 100% of the portfolio can be verified against daily published prices. Controls are in place to ensure valuations are appropriate and existence is verified through custodian and depositary reconciliations. The Board monitors controls and significant movements in the underlying portfolio by reviewing reports regularly in Board Meetings.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 67. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st April 2013 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.
Going Concern/ Long Term Viability	<p>The Audit Committee has reviewed the appropriateness of the adoption of the Going Concern basis in preparing the accounts. The Audit Committee recommended that the adoption of the Going Concern basis is appropriate (see Going Concern statement on page below).</p> <p>The Audit Committee also assessed the Long Term Viability of the Company and recommended to the Board its expectation that the Company would remain in operation for the five year period of the assessment.</p>

The Board is required to be made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the Financial Statements.

## Directors' Report

### Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Board has, in particular, considered the impact of market volatility since the Covid-19 outbreak, the ongoing conflict between Ukraine and Russia, and does not believe the Company's going concern status is affected. The Company's assets, the vast majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly under all stress test scenarios reviewed by the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Directors have also assessed the ability of the Company to repay the amount drawn down under its revolving credit facility, which expires in January 2024, and are satisfied as to its ability to do so on account of the ability of the Company to raise new finance via loans or share issuances, or alternatively through the realisation of investments in the Company's highly liquid quoted securities. Furthermore, the Directors are satisfied that the Company's key third party service providers have in place appropriate business continuity plans to ensure their operational resilience and the performance of these service providers is reviewed at least annually by the Management Engagement Committee.

In preparing the financial statements, the Directors have reviewed the Company's ability to continue operating as a going concern. This review took into consideration the principal and emerging risks described on pages 30 to 32.

Accordingly, the financial statements have been prepared on the going concern basis as it is the Directors' reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The Company's longer-term viability is considered in the Viability Statement on page 33.

### Risk and Internal Control

The Audit Committee also examines the effectiveness of the Company's internal control systems and receives information from the Manager's compliance department. The Directors' statement on the Company's system of Risk Management and Internal Control is set out on page 45. The Audit Committee also reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditors. In the Directors' opinion the Auditors are independent.

The Audit Committee considers the key risks facing the Company and the adequacy and effectiveness of the risk management process.

The Company is in Compliance with the provisions of "The Statutory Audit Services for Large Companies Market Investigation" (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 as issued by the Competition & Markets Authority.

### Auditor Appointment and Tenure

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft Annual Report and Financial Statements are considered and also engage with the Directors as and when required.

As part of its review of the continuing appointment of the Auditors, the Audit Committee considered the length of tenure of the audit firm, its fee, its quality of service and its independence from JPMF and the Investment Managers and any matters raised during the audit. A formal tender exercise was undertaken in 2019, as a result of which Ernst & Young LLP was appointed in place of PricewaterhouseCoopers LLP. This is the Audit Partner's (Caroline Mercer) fourth of a five year maximum term. Details of the fees paid for audit services are included in note 6 on page 70.

### Provision on non-audit services

The Board reviews and approves any non-audit services provided by the independent Auditors and assesses the impact of any non-audit work on the ability of the auditors to remain independent. No such work was undertaken during the year.

### Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report and Financial Statements for the year ended 31st March 2023, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on any findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 53.

*Marc van Gelder*

Nicholas Smith  
Chairman of the Audit Committee

15th June 2023



## Directors' Report

### Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st March 2023 which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditors to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditors' opinion is included in their report on pages 55 to 61.

### Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has decided to seek binding approval annually, and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board and retained. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes research carried out by third parties on the level of fees paid to the Directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses.

In the year under review, Directors' fees were paid at the following rates: Chairman £45,000; Chairman of the Audit Committee £37,000; and other Directors £30,000. With effect from 1st April 2023, the fees have been increased to the following rates: Chairman £46,500; Chairman of the Audit Committee £38,250; and other Directors £31,000.

The Company's Articles of Association provide that any increase in the maximum aggregate annual limit on

Directors' fees, currently £200,000, requires both Board and shareholder approval. Following the appointment of a new Director and to provide additional flexibility, the Directors are recommending that the aggregate maximum level of fees payable to Directors be increased to £225,000. This change will be effected if shareholders approve Resolution 13 relating to amendment of the Company's Articles of Association. The full text of the resolution is set out in the Notice of Meeting on page 93.

The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

The Company has not sought shareholder views on its remuneration policy. The Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 43.

### Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st March 2022 and no changes are proposed for the year ending 31st March 2024.

At the Annual General Meeting held on 18th July 2022, of votes cast in respect of the Remuneration Policy, 99% were in favour (or granted discretion to the Chairman who voted in favour) and less than 1% were against. Abstentions were received from less than 1% of the votes cast. Of the votes cast in respect of the Remuneration Report, 99% were in favour (or granted discretion to the Chairman who voted in favour) and less than 1% were against. Abstentions were received from less than 1% of the votes cast.

Details of the implementation of the Company's remuneration policy are given below.

### Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

## Directors' Report

Single total figure table<sup>1</sup>

Directors' Name	2023			2022		
	Fees	Taxable expenses <sup>2</sup>	Total	Fees	Taxable expenses <sup>2</sup>	Total
	£	£	£	£	£	£
Marc van Gelder	45,000	-	45,000	43,000	-	43,000
Ashok Gupta	30,000	-	30,000	28,500	-	28,500
Nicholas Smith	37,000	-	37,000	35,000	-	35,000
Stephen White <sup>3</sup>	-	-	-	16,651	-	16,651
Tanya Cordrey <sup>4</sup>	-	-	-	18,664	-	18,664
Sarah Watters <sup>5</sup>	30,000	-	30,000	21,375	32	21,407
Suzy Ross <sup>6</sup>	30,000	220	30,220	2,583	-	2,583
Total	172,000	220	172,220	165,773	32	165,805

<sup>1</sup> Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto.

<sup>2</sup> Taxable travel and subsistence expenses incurred in attending Board and Committee meetings (gross, including tax and NI).

<sup>3</sup> Retired on 31st October 2021.

<sup>4</sup> Retired on 26th November 2021.

<sup>5</sup> Appointed on 1st July 2021.

<sup>6</sup> Appointed on 1st March 2022.

A table showing the total remuneration for the Chairman over the five years ended 31st March 2023 is below:

## Remuneration for the Chairman over the five years ended 31st March 2023

Year ended 31st March	Fees
2023	£45,000
2022	£43,000
2021	£42,000
2020	£40,500
2019	£40,000

Directors' Shareholdings<sup>1</sup>

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The beneficial shareholdings of the Directors who held office at the year end are detailed below.

Directors' Name	31st March 2023	31st March 2022 or as at date of appointment
Marc van Gelder	80,000	80,000
Ashok Gupta	19,500	7,500
Nicholas Smith	11,600	11,600
Sarah Watters	5,000	-
Suzy Ross	-	-

<sup>1</sup> Audited information.

As at the latest practicable date before the publication of this document, there have been no other changes to the Directors' shareholdings.

The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, (until 31st March 2020 the Euromoney Smaller European Companies (ex UK) Index), over the last 10 years is shown below. The Board believes that the current benchmark of the Company; the MSCI Europe (ex UK) Small Cap Net Total Return Index (the 'Index') is the most representative comparator for the Company, because the Company's investment universe is defined at the time of purchase by the countries and market capitalisation range of the constituents of the Index.

## Ten Year Share Price and Benchmark Total Return Performance to 31st March 2023

## Directors' Remuneration Report

### Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the three years to 31st March:

Directors' Name	Percentage change for the year to 2023	Percentage change for the year to 2022	Percentage change for the year to 2021
Marc van Gelder	5%	2.4%	14.5%
Ashok Gupta	5%	3.6%	4.3%
Nicholas Smith	6%	3.1%	4.9%
Stephen White <sup>1</sup>	n/a	n/a	4.3%
Tanya Cordrey <sup>2</sup>	n/a	n/a	n/a
Sarah Watters <sup>3</sup>	n/a	n/a	n/a
Suzy Ross <sup>4</sup>	n/a	n/a	n/a

<sup>1</sup> Retired 31st October 2021.

<sup>2</sup> Retired on 26th November 2021.

<sup>3</sup> As Sarah Watters was appointed on 1st July 2021, the fees paid in 2022 was not representative of the full year, hence the percentage increase on directors fees paid would not be meaningful and is shown as n/a. On a full year basis, the increase is 5%.

<sup>4</sup> As Suzy Ross was appointed on 1st March 2022, the directors fees paid in 2022 was not representative of the full year, hence the percentage increase on directors fees paid would not be meaningful and is shown as n/a. On a full year basis, the increase is 5%.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

### Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st March	
	2023 £	2022 £
Remuneration paid to all Directors	172,220	165,805
Distribution to shareholders		
— by way of dividends paid	10,551,000	10,680,000
— by way of share repurchases	4,254,000	4,760,000

*Nicholas Smith*

For and on behalf of the Board

Nicholas Smith

Chairman

15th June 2023

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the Annual Report and Accounts are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping proper 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 to 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 financial statements are published on the [www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk) website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. The financial statements are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Strategic Report, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

Each Director, whose names and functions are listed on page 38 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Strategic Report 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 Board confirms that it is satisfied that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

*Marc van Gelder*

For and on behalf of the Board  
Marc Van Gelder  
Chairman

15th June 2023

## Independent Auditor's Report

### Opinion

We have audited the financial statements of JPMorgan European Discovery Trust Plc ('the Company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows, and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- Confirmation of our understanding of the Company's going concern assessment process and discussed with the directors and the company secretary those factors they considered important in their assessment.

- Inspection of the directors' assessment of going concern, including the revenue forecast, for the period to 30 June 2024 which is at least twelve months from the date the financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Review of the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the revenue forecast and the liquidity assessment of the investments and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised are appropriate to be able to make an assessment for the Company
- Assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We calculated the Company's compliance with debt covenants and performed reverse stress testing in order to identify what factors would lead to the Company breaching the debt covenants.
- Consideration of the mitigating factors included in the revenue forecasts and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to cover working capital requirements should revenue decline significantly.
- Review of the Company's going concern disclosures included in the annual report in order to assess that the disclosures were consistent with the financial statements and our understanding of the Company and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period assessed by the directors, being the period to 30 June 2024 which is at least 12 months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

## Independent Auditor's Report

### Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>● Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income</li> <li>● Risk of incorrect valuation or ownership of the investment portfolio</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>● Overall materiality of £7.85m which represents 1% of shareholders' funds.</li> </ul>

### An overview of the scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

#### Climate change

Stakeholders are increasingly interested in how climate change will impact the companies. The Company has determined that the most significant future impacts from climate change on its operations will be from how climate change could affect the Company's investments and overall investment process. This is explained on page 32 in the principal risks and uncertainties. This disclosure forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in Note 1a and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by FRS102. We also challenged the directors' considerations of climate change in their assessment of viability and associated disclosures.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income</b></p> <p><i>Refer to the Audit Committee Report (page 48); Accounting policies (page 67).</i></p> <p>The total revenue for the year to 31 March 2023 was £22.50 million (2022: £16.50 million), consisting primarily of dividend income from listed equity investments.</p> <p>The Company received special dividends amounting to £2.68 million (2022: £0.93 million). All were classified as revenue.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition, the directors may exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.</p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of the Administrator's process and controls surrounding revenue recognition by performing walkthrough procedures.</p> <p>For all dividends received and accrued, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We also agreed all exchange rates to an external source and, for all dividends received and dividends accrued, we agreed the amounts to bank statements.</p> <p>To test completeness of recorded income, we tested that expected dividends for each investee company held during the year had been recorded as income with reference to an external source.</p> <p>For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the entitlement arose prior to 31 March 2023.</p> <p>For all investments held during the year, we inspected the type of dividends paid with reference to an external data source to identify those which were special dividends. We identified five special dividends, amounting to £2.68m, were received during the year. We tested all special dividends by recalculating the amount received and assessing the appropriateness of classification as revenue or capital by reviewing the underlying circumstances of the special dividends received.</p>	<p>The results of our procedures identified no material misstatements in relation to the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.</p>

## Independent Auditor's Report

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Incorrect valuation or ownership of the investment portfolio</b></p> <p><i>Refer to the Audit Committee Report (page 48) and Accounting policies (page 68))</i></p> <p>The valuation of the investment portfolio at 31 March 2023 was £839.58 million (2022: £834.02 million) consisting primarily of listed equities.</p> <p>The valuation of investments held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or failure to maintain proper legal title of the investments held by the Company, could have a significant impact on the portfolio valuation and the return generated for shareholders.</p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of the Administrator's processes and controls surrounding investment valuation and legal title by performing walkthrough procedures.</p> <p>For all listed investments, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year end.</p> <p>We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed within one business day and verified whether the listed price is a valid fair value. We did not identify any investments with stale pricing.</p> <p>We compared the Company's investment holdings at 31 March 2023 to independent confirmations received directly from the Company's Custodian and Depositary.</p>	<p>The results of our procedures identified no material misstatements in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>



# Independent Auditor's Report

## 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 £7.85 million (2022: £8.34 million), which is 1% (2022: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure 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, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £5.89m (2022: £6.25m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.97 million (2022: £0.66million), being 5% of the net revenue return before taxation.

### Reporting threshold

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

We agreed with the audit committee that we would report to them all uncorrected audit differences in excess of £0.39m (2022: £0.42m), 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.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion::

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

## Independent Auditor's Report

- 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.

### Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that 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 by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 49;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 33;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 49;
- Directors' statement on fair, balanced and understandable set out on page 49;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 40;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 46; and;
- The section describing the work of the audit committee set out on page 48.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 53, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice and Section 1158 of the Corporation Tax Act 2010;
- We understood how the Company is complying with those frameworks through discussions with the audit committee and company secretary, and review of Board minutes and papers provided to the audit committee.

## Independent Auditor's Report

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the statement of comprehensive income. Further discussion of our approach is set out in the key audit matter above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the company secretary's reporting to the directors with respect to the application of the documented policies and procedures, and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the

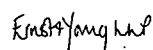
Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company at its annual general meeting on 10 July 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the period from our appointment through to the period ending 31 March 2023
- The audit opinion is consistent with the additional report to the audit committee.

### Use of our report

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



Caroline Mercer (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Edinburgh

15th June 2023

## Statement of Comprehensive Income

For the year ended 31st March 2023

		2023			2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	3	—	(45,535)	(45,535)	—	(1,046)	(1,046)
Foreign exchange gains/(losses) on liquidity fund		—	2,265	2,265	—	(860)	(860)
Net foreign currency losses		—	(2,366)	(2,366)	—	(253)	(253)
Income from investments	4	22,389	—	22,389	16,360	—	16,360
Interest receivable and similar income	4	113	—	113	138	—	138
<b>Gross return/(loss)</b>		<b>22,502</b>	<b>(45,636)</b>	<b>(23,134)</b>	<b>16,498</b>	<b>(2,159)</b>	<b>14,339</b>
Management fee	5	(1,925)	(4,491)	(6,416)	(2,360)	(5,507)	(7,867)
Other administrative expenses	6	(690)	—	(690)	(719)	—	(719)
<b>Net return/(loss) before finance costs and taxation</b>		<b>19,887</b>	<b>(50,127)</b>	<b>(30,240)</b>	<b>13,419</b>	<b>(7,666)</b>	<b>5,753</b>
Finance costs	7	(530)	(1,237)	(1,767)	(271)	(633)	(904)
<b>Net return/(loss) before taxation</b>		<b>19,357</b>	<b>(51,364)</b>	<b>(32,007)</b>	<b>13,148</b>	<b>(8,299)</b>	<b>4,849</b>
Taxation	8	(1,845)	—	(1,845)	(1,994)	—	(1,994)
<b>Net return/(loss) after taxation</b>		<b>17,512</b>	<b>(51,364)</b>	<b>(33,852)</b>	<b>11,154</b>	<b>(8,299)</b>	<b>2,855</b>
<b>Return/(loss) per share</b>	<b>9</b>	<b>11.11p</b>	<b>(32.60)p</b>	<b>(21.49)p</b>	<b>7.00p</b>	<b>(5.21)p</b>	<b>1.79p</b>

A final dividend of 7.8p per share (2022: 5.5p per share) is proposed in respect of the year ended 31st March 2023, costing £12,283,000 (2022: 8,716,000). More details can be found in note 10(a) on page 72.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the profit and loss account of the Company and the revenue and capital columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The net return/(loss) on ordinary activities after taxation represents the profit for the year and also Total Comprehensive Income.

The notes on pages 67 to 84 form an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31st March 2023

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves <sup>1</sup> £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>At 31st March 2021</b>	<b>7,974</b>	<b>1,312</b>	<b>7,662</b>	<b>820,196</b>	<b>9,160</b>	<b>846,304</b>
Repurchase and cancellation of the Company's own shares	(50)	—	50	(4,760)	—	(4,760)
Net return on ordinary activities	—	—	—	(8,299)	11,154	2,855
Dividends paid in the year (note 10)	—	—	—	(1,520)	(9,160)	(10,680)
<b>At 31st March 2022</b>	<b>7,924</b>	<b>1,312</b>	<b>7,712</b>	<b>805,617</b>	<b>11,154</b>	<b>833,719</b>
Repurchase and cancellation of the Company's own shares	(50)	—	50	(4,254)	—	(4,254)
Net return on ordinary activities	—	—	—	(51,364)	17,512	(33,852)
Dividends paid in the year (note 10)	—	—	—	—	(10,551)	(10,551)
<b>At 31st March 2023</b>	<b>7,874</b>	<b>1,312</b>	<b>7,762</b>	<b>749,999</b>	<b>18,115</b>	<b>785,062</b>

<sup>1</sup> These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividend payments. The dividend payment for the year ended 31st March 2022 was split between revenue reserve and capital reserve as the revenue reserve opening balance was entirely exhausted.

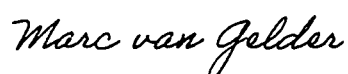
The notes on pages 67 to 84 form an integral part of these financial statements.

## Statement of Financial Position

At 31st March 2023

	Notes	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	11	839,582	834,018
<b>Current assets</b>	12		
Derivative financial instruments		—	2
Debtors		16,100	2,266
Cash and cash equivalents		47,000	75,318
		<b>63,100</b>	<b>77,586</b>
<b>Current liabilities</b>	13		
Creditors: amounts falling due within one year		(117,620)	(77,885)
<b>Net current liabilities</b>		<b>(54,520)</b>	<b>(299)</b>
<b>Total assets less current liabilities</b>		<b>785,062</b>	<b>833,719</b>
<b>Net assets</b>		<b>785,062</b>	<b>833,719</b>
<b>Capital and reserves</b>			
Called up share capital	14	7,874	7,924
Share premium	15	1,312	1,312
Capital redemption reserve	15	7,762	7,712
Capital reserves	15	749,999	805,617
Revenue reserve	15	18,115	11,154
<b>Total shareholders' funds</b>		<b>785,062</b>	<b>833,719</b>
<b>Net asset value per share</b>	16	<b>498.5p</b>	<b>526.1p</b>

The financial statements on pages 63 to 66 were approved and authorised for issue by the Directors on 15th June 2023 and were signed on their behalf by:



Marc van Gelder  
Director

The notes on pages 67 to 84 form an integral part of these financial statements.

Company registration number: 2431143.

## Statement of Cash Flows

For the year ended 31st March 2023

	2023 £'000	2022' £'000
<b>Cash flows from operating activities</b>		
Net (loss)/return before finance costs and taxation	(30,240)	5,753
Adjustment for:		
Net loss on investments held at fair value through profit or loss	45,535	1,046
Foreign exchange (gains)/losses on liquidity fund	(2,265)	860
Net foreign currency losses	2,366	253
Dividend income	(22,201)	(16,360)
Scrip Dividends received as income	(188)	—
Realised loss on foreign exchange transactions	(567)	(804)
Realised exchange losses/(gains) on Liquidity	2,897	(1,413)
Increase in accrued income and other debtors	(40)	(9)
Increase/(decrease) in accrued expenses	17	(1)
	<b>(4,686)</b>	<b>(10,675)</b>
Dividends received	21,467	13,119
Interest received	1	1
Overseas withholding tax recovered	(2,841)	215
<b>Net cash inflow from operating activities</b>	<b>13,941</b>	<b>2,660</b>
Purchases of investments and derivatives	(733,345)	(620,647)
Sales of investments and derivatives	675,882	707,608
Settlement of forward currency contracts	2	118
<b>Net cash outflow/(inflow) from investing activities</b>	<b>(57,461)</b>	<b>87,079</b>
Equity dividends paid	(10,551)	(10,680)
Repurchase and cancellation of the Company's own shares	(4,412)	(4,602)
Repayment of bank loans	(42,528)	—
Drawdown of bank loans	74,509	—
Interest paid	(1,184)	(919)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>15,834</b>	<b>(16,201)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(27,686)</b>	<b>73,538</b>
Cash and cash equivalents at start of year	75,318	1,407
Exchange movements	(632)	373
<b>Cash and cash equivalents at end of year</b>	<b>47,000</b>	<b>75,318</b>
<b>Cash and cash equivalents consist of:</b>		
Cash and short term deposits	447	430
Cash held in JPMorgan Euro Liquidity Fund	46,553	74,888
<b>Total</b>	<b>47,000</b>	<b>75,318</b>

## Reconciliation of net debt

	As at 31st March 2022 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st March 2023 £'000
<b>Cash and cash equivalents:</b>				
Cash	430	17	-	447
Cash equivalents	74,888	(27,703)	(632)	46,553
	<b>75,318</b>	<b>(27,686)</b>	<b>(632)</b>	<b>47,000</b>
<b>Borrowings</b>				
Debt due within one year	(76,056)	(31,981)	(1,799)	(109,836)
<b>Net debt</b>	<b>(738)</b>	<b>(59,667)</b>	<b>(2,431)</b>	<b>(62,836)</b>

<sup>1</sup> The presentation of the Cash Flow Statement, as permitted under FRS 102, has been changed so as to present the reconciliation of 'net (loss)/return before finance costs and taxation' to 'net cashflow from operating activities' on the face of the Cash Flow Statement. Previously, this was shown by way of note. Other than consequential changes in the presentation of the certain cash flow items, there is no change to the cash flows as presented in previous periods.

## Notes to the Financial Statements

For the year ended 31st March 2023

### 1. Accounting policies

#### (a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in July 2022. In preparing these financial statements the Directors have considered the impact of climate change risk as a principal risk as set out on page 32, and have concluded that it does not have a material impact on the Company's investments. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the 31 March 2023 and therefore reflect market participants view of climate change risk.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The Board has, in particular, considered the impact of market volatility with the ongoing conflict between Ukraine and Russia, rising tension in China and the after effects of Covid-19 outbreak, and does not believe the Company's going concern status is affected. They have considered the potential impact and the mitigation measures which key service providers including Managers, have in place to maintain operational resilience particularly in light of a pandemic. The Directors have reviewed income and expense projections to 30th June 2024 and the liquidity of the investment portfolio in making their assessment. Further details of Directors' considerations regarding this are given in the Chairman's Statement, Investment Managers' report, Going Concern Statement, Viability Statement and Principal Risks section of this Annual Report.

The policies applied in these financial statements are consistent with those applied in the preceding year.

#### (b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are classified by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are recognised in the capital column of the Statement of Comprehensive Income, at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts. Investments that are subject to securities lending arrangements are recognised in the Statement of Financial Position.

All purchases and sales are accounted for on a trade date basis.

#### (c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency cash balances and loans, realised gains and losses on foreign currency contracts, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within Realised gains and losses

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, plus unrealised gains and losses on foreign currency contracts or foreign currency loans are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

#### (d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are included gross of any withholding tax.



## Notes to the Financial Statements

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### (d) Income (continued)

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

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

Deposit interest receivable is taken to revenue on an accruals basis.

Securities lending income is taken to revenue on a receipts basis which is not considered to be materially different to the accruals basis.

The Directors may exercise judgement in assessing the classification of special dividends as revenue or capital income.

### (e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Statement of Comprehensive Income with the following exceptions:

- The management fee is allocated 30% to revenue and 70% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission.

### (f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method.

Finance costs are allocated 30% to revenue and 70% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

### (g) Financial instruments

Financial instruments are recognised only when the Company becomes a party to contractual provisions of the instruments. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash. The Liquidity fund portfolio consists of short dated deposits and commercial paper, a maturity profile of less than three months and low volatility net asset value.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are recorded initially at the proceeds received net of direct issue costs. Loans are subsequently recorded at amortised cost using the effective interest method. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

The private placement in issue is classified as financial liabilities at amortised cost. It was initially measured at the proceeds net of direct issue costs and subsequently measured at amortised cost. The amortisation of direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

Derivative financial instruments, including short term forward currency contracts, are valued at fair value, which is the net unrealised gain or loss, and are included in current assets or current liabilities in the Statement of Financial Position. Any profits or losses on the closure or revaluation of positions are recognised in the statement of Comprehensive Income and taken to capital reserves.

## Notes to the Financial Statements

### 1. Accounting policies *continued*

#### (h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

#### (i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

#### (j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates.

The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the Statement of Comprehensive Income as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

#### (k) Dividends payable

Dividends are included in the financial statements in the year in which they are paid.

#### (l) Repurchase of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

#### (m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Directors are of the opinion that the Company is engaged in a single segment of investment business. The Directors manage the business in this way.

### 2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

## Notes to the Financial Statements

### 3. (Losses)/gains on investments held at fair value through profit or loss

	2023 £'000	2022 £'000
Realised (losses)/gains on sales of investments	(45,047)	18,918
Net change in unrealised gains and losses on investments	(429)	(19,931)
Other capital charges	(59)	(33)
<b>Total capital losses on investments held at fair value through profit or loss</b>	<b>(45,535)</b>	<b>(1,046)</b>

### 4. Income

	2023 £'000	2022 £'000
<b>Income from investments</b>		
Overseas dividends	18,725	15,266
Scrip dividends	188	—
Special dividends	3,476	1,094
	22,389	16,360
<b>Interest receivable and similar income</b>		
Securities lending income	113	136
Deposit interest	—	2
	113	138
<b>Total income</b>	<b>22,502</b>	<b>16,498</b>

### 5. Management fee

	Revenue £'000	2023 Capital £'000	Total £'000	Revenue £'000	2022 Capital £'000	Total £'000
Management fee	1,925	4,491	6,416	2,360	5,507	7,867

Details of the management fee are given in the Directors' Report on page 39.

### 6. Other administrative expenses

	2023 £'000	2022 £'000
Administrative expenses	379	401
Directors' fees <sup>1</sup>	172	166
Depositary fees	89	114
Auditors' remuneration for audit services	50	38
	690	719

<sup>1</sup> Full disclosure is given in the Directors' Remuneration Report on pages 50 to 52.

## Notes to the Financial Statements

## 7. Finance costs

	Revenue £'000	2023 Capital £'000	Total £'000	Revenue £'000	2022 Capital £'000	Total £'000
Interest on bank loans and overdrafts	530	1,237	1,767	271	633	904

## 8. Taxation

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

	2023 £'000	2022 £'000
Overseas withholding tax	1,845 <sup>1</sup>	1,994
<b>Total tax charge for the year</b>	<b>1,845</b>	<b>1,994</b>

<sup>1</sup> Contains historic withholding tax reclaimed under EU law based principles and recognised as windfall on receipt.

## (b) Factors affecting total tax charge for the year

The tax charged for the year is lower (2022: lower) than the Company's applicable rate of corporation tax for the year of 19% (2022: 19%). The factors affecting the total tax charge for the year are as follows:

	Revenue £'000	2023 Capital £'000	Total £'000	Revenue £'000	2022 Capital £'000	Total £'000
Net return/(loss) before taxation	19,357	(51,364)	(32,007)	13,148	(8,299)	4,849
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2022: 19%)	3,678	(9,759)	(6,081)	2,498	(1,577)	921
Effects of:						
Non taxable capital losses	—	8,671	8,671	—	410	410
Non taxable overseas dividends	(4,218)	—	(4,218)	(3,108)	—	(3,108)
Non taxable scrip dividends	(36)	—	(36)	—	—	—
Overseas withholding tax	1,845	—	1,845	1,994	—	1,994
Tax attributable to expenses and finance costs charged to capital	(1,088)	1,088	—	(1,167)	1,167	—
Unutilised expenses carried forward to future periods	1,664	—	1,664	1,777	—	1,777
<b>Total tax charge for the year</b>	<b>1,845</b>	<b>—</b>	<b>1,845</b>	<b>1,994</b>	<b>—</b>	<b>1,994</b>

## (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £29,578,000 (2022: £27,388,000) based on a prospective corporation tax rate of 25% (2022: 25%). The March 2022 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021 and became effective from 2nd June 2021. The deferred tax asset has arisen due to £118,312,000 (2022: £109,553,000) the cumulative excess of deductible expenses over taxable income.

Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

## Notes to the Financial Statements

### 9. Return/(loss) per share

	2023 £'000	2022 £'000
Revenue return	17,512	11,154
Capital loss	(51,364)	(8,299)
<b>Total (loss)/return</b>	<b>(33,852)</b>	<b>2,855</b>
Weighted average number of shares in issue during the year	157,569,054	159,257,259
Revenue return per share	11.11p	7.00p
Capital loss per share	(32.60)p	(5.21)p
<b>Total (loss)/return per share</b>	<b>(21.49)p</b>	<b>1.79p</b>

### 10. Dividends

#### (a) Dividends paid and proposed

	2023 £'000	2022 £'000
<b>Dividends paid</b>		
2022 final dividend of 5.5p (2021: 5.5p) per share	8,661	8,770
2023 Interim dividend of 1.2p (2022: 1.2p) per share	1,890	1,910
<b>Total dividends paid in the year</b>	<b>10,551</b>	<b>10,680</b>
<b>Dividend proposed</b>		
2023 final dividend of 7.8p (2022: 5.5p) per share	12,283	8,716

All dividends paid and declared in the period have been funded from the revenue reserve.

The final dividend has been proposed in respect of the year ended 31st March 2023 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st March 2024.

#### (b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £17,512,000 (2022: £9,160,000). The revenue reserve after payment of the final dividend will amount to £5,832,000 (2022: £2,438,000).

	2023 £'000	2022 £'000
Interim dividend of 1.2p (2022: 1.2p) per share	1,890	1,910
Final dividend of 7.8p (2022: 5.5p) per share	12,283	8,716
	<b>14,173</b>	<b>10,626</b>

## Notes to the Financial Statements

**11. Investments**

	2023 £'000	2022 £'000
Investments listed on a recognised stock exchange	839,582	834,018
Opening book cost	723,582	790,833
Opening investment holding gains	110,436	130,367
Opening valuation	834,018	921,200
Movements in the year:		
Purchases at cost	739,023	621,545
Sales — proceeds	(687,983)	(707,714)
Losses on investments	(45,476)	(1,013)
	839,582	834,018
Closing book cost	729,575	723,582
Closing investment holding gains	110,007	110,436
<b>Total investments held at fair value through profit or loss</b>	<b>839,582</b>	<b>834,018</b>

Transaction costs on purchases during the year amounted to £1,100,000 (2022: £719,000) and on sales during the year amounted to £368,000 (2022: £442,000). These costs comprise mainly brokerage commission.

The company received £687,983,000 (2022: £707,714,000) from investments sold in the year. The book cost of these investments when they were purchased was £733,030,000 (2022: £688,796,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The Company participates in stock lending arrangements and further details can be found in note 20 (c), Credit risk, on page 83.

**12. Current assets**

	2023 £'000	2022 £'000
<b>Derivative financial instruments</b>		
Forward foreign currency and spot contracts	—	2
	—	2
<b>Debtors</b>		
Securities sold awaiting settlement	12,129	64
Overseas tax recoverable	2,935	1,939
Dividends and interest receivable	940	207
VAT recoverable	40	29
Other debtors	56	27
	<b>16,100</b>	<b>2,266</b>

The Directors consider that the carrying amount of debtors approximates to their fair value.

**Cash and cash equivalents**

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these represents their fair value.

## Notes to the Financial Statements

### 13. Current liabilities

	2023 £'000	2022 £'000
<b>Current liabilities</b>		
<b>Creditors: amounts falling due within one year</b>		
Securities purchased awaiting settlement	6,823	1,333
Loan interest payable	753	170
Bank Loan	109,836	76,056
Repurchases of the Company's own shares awaiting settlement	—	158
Other creditors and accruals	208	168
	117,620	77,885

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The Company has a Euro 125 million multicurrency rate facility with ScotiaBank Ireland. This facility was renewed in January 2023 for one year and expires on 16th January 2024.

At this year end the Company had drawn down Euro 125 million of the loan (2022: Euro 90 million).

Interest on the loan facility is payable at a margin of 3.428% over SONIA as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements.

### 14. Called up share capital

	2023		2022	
	Number of Shares	£'000	Number of Shares	£'000
Opening balance of ordinary shares of 5p each	158,469,931	7,924	159,462,885	7,974
Repurchase and cancellation of shares	(995,000)	(50)	(992,954)	(50)
<b>Closing balance of ordinary shares of 5p each</b>	<b>157,474,931</b>	<b>7,874</b>	<b>158,469,931</b>	<b>7,924</b>

Further details of transactions in the Company's shares are given in the Strategic Report on page 40.

## Notes to the Financial Statements

## 15. Capital and reserves

	Capital reserves <sup>1</sup>						Total £'000
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised Gains and losses £'000	Investment holding gains and losses £'000	Revenue reserve <sup>1</sup> £'000	
<b>2023</b>							
Opening balance	7,924	1,312	7,712	693,294	112,323	11,154	833,719
Net foreign currency gains on cash and cash equivalents	—	—	—	1,698	—	—	1,698
Unrealised gains/(losses) on foreign currency contracts	—	—	—	2	(2)	—	—
Realised losses on investments	—	—	—	(45,047)	—	—	(45,047)
Unrealised gains on investments	—	—	—	—	(429)	—	(429)
Repurchase and cancellation of the Company's own shares	(50)	—	50	(4,254)	—	—	(4,254)
Unrealised losses on loans	—	—	—	—	(1,524)	—	(1,524)
Realised losses on repayment of loans	—	—	—	(275)	—	—	(275)
Management fee and finance costs allocated to capital	—	—	—	(5,728)	—	—	(5,728)
Other capital charges	—	—	—	(59)	—	—	(59)
Dividends paid in the year	—	—	—	—	—	(10,551)	(10,551)
Retained revenue for the year	—	—	—	—	—	17,512	17,512
<b>Closing balance</b>	<b>7,874</b>	<b>1,312</b>	<b>7,762</b>	<b>639,631</b>	<b>110,368</b>	<b>18,115</b>	<b>785,062</b>

<sup>1</sup> This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors.

	Capital reserves <sup>1</sup>						Total £'000
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised Gains and losses £'000	Investment holding gains and losses £'000	Revenue reserve <sup>1</sup> £'000	
<b>2022</b>							
Opening balance	7,974	1,312	7,662	688,555	131,641	9,160	846,304
Net foreign currency losses on cash and cash equivalents	—	—	—	(1,726)	—	—	(1,726)
Unrealised gains on foreign currency contracts	—	—	—	—	2	—	2
Realised gains on investments	—	—	—	18,918	—	—	18,918
Unrealised gains on investments	—	—	—	—	(19,931)	—	(19,931)
Repurchase and cancellation of the Company's own shares	(50)	—	50	(4,760)	—	—	(4,760)
Unrealised gains on loans	—	—	—	—	611	—	611
Management fee and finance costs allocated to capital	—	—	—	(6,140)	—	—	(6,140)
Other capital charges	—	—	—	(33)	—	—	(33)
Dividends paid in the year	—	—	—	(1,520)	—	(9,160)	(10,680)
Retained revenue for the year	—	—	—	—	—	11,154	11,154
<b>Closing balance</b>	<b>7,924</b>	<b>1,312</b>	<b>7,712</b>	<b>693,294</b>	<b>112,323</b>	<b>11,154</b>	<b>833,719</b>

<sup>1</sup> This reserve forms the distributable reserves of the Company and may be used to fund distribution of profits to investors.



## Notes to the Financial Statements

### 16. Net asset value per share

	2023 £'000	2022 £'000
Net assets (£'000)	785,062	833,719
Number of shares in issue	157,474,931	158,469,931
Net asset value per share	498.5p	526.1p

### 17. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2022: same).

### 18. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 39. The management fee payable to the Manager for the year was £6,416,000 (2022: £7,867,000) of which £nil (2022: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 70 are safe custody fees payable to JPMorgan Chase amounting to £86,000 (2022: £122,000) excluding VAT of which £30,000 (2022: £20,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £67,000 (2022: £nil) of which £nil (2022: £nil) was outstanding at the year end.

The Company also holds cash in JPMorgan Euro Liquidity Fund, which is managed by JPMF. At the year end, this was valued at £46.6 million (2022: £74.9 million). Interest amounting to £nil were payable (2022: £nil) during the year of which £nil (2022: £nil) was outstanding at the year end.

Securities lending income amounting to £113,000 (2022: £136,000) were receivable by the Company during the year. JPMAM commissions in respect of such transactions amounted to £13,000 (2022: £15,000).

Handling charges on dealing transactions amounting to £59,000 (2022: £33,000) were payable to JPMorgan Chase during the year of which £29,000 (2022: £6,000) was outstanding at the year end.

At the year end, a bank balance of £447,000 (2022: £430,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £nil (2022: £2,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2022: £1,000) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 51.

## Notes to the Financial Statements

**19. Disclosures regarding financial instruments measured at fair value**

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

The investments are categorised into a hierarchy consisting of the following three levels:

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 67.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st March.

	2023		2022	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	839,582	—	834,018	—
Level 2 <sup>1</sup>	—	—	2	—
<b>Total</b>	<b>839,582</b>	<b>—</b>	<b>834,020</b>	<b>—</b>

<sup>1</sup> Includes forward currency contracts.

There have been no transfers between Levels 1, 2 or 3 during the year (2022: nil).

**20. Financial instruments' exposure to risk and risk management policies**

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in European equity shares, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short term debtors, creditors and cash arising directly from its operations;
- short term forward currency contracts for the purpose of settling short term liabilities; and
- loan facilities, the purpose of which are to finance the Company's operations.

## Notes to the Financial Statements

### (a) Market risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

#### (i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates may affect the sterling value of those items.

### Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least five occasions each year. The 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 rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the sterling value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

### Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31st March are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2023						
	Euro £'000	Swiss francs £'000	Danish krone £'000	Swedish krona £'000	Norwegian krone £'000	Total £'000
Current assets	60,885	1,371	466	540	—	63,262
Creditors	(116,811)	(148)	(761)	—	—	(117,720)
Foreign currency exposure on net monetary items	(55,926)	1,223	(295)	540	—	(54,458)
Investments held at fair value through profit or loss	612,271	71,729	15,842	131,884	7,856	839,582
<b>Total net foreign currency exposure</b>	<b>556,345</b>	<b>72,952</b>	<b>15,547</b>	<b>132,424</b>	<b>7,856</b>	<b>785,124</b>

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk throughout the year.

## Notes to the Financial Statements

20. Financial instruments' exposure to risk and risk management policies *continued*(a) Market risk *continued*(i) Currency risk *continued*Foreign currency exposure *continued*

	2022					
	Euro £'000	Swiss francs £'000	Danish krone £'000	Swedish krona £'000	Norwegian krone £'000	Total £'000
Current assets	76,454	1,772	166	15	—	78,407
Creditors	(77,413)	(1,075)	—	—	—	(78,488)
Foreign currency exposure on net monetary items	(959)	697	166	15	—	(81)
Investments held at fair value through profit or loss	564,996	123,341	19,670	119,441	6,570	834,018
<b>Total net foreign currency exposure</b>	<b>564,037</b>	<b>124,038</b>	<b>19,836</b>	<b>119,456</b>	<b>6,570</b>	<b>833,937</b>

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk throughout the year.

## Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2022: 10%) appreciation or depreciation in sterling against the Euro, Swiss francs, Danish krone, Swedish krona, Norwegian krone and US dollar to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2023		2022	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income — return after taxation				
Revenue return <sup>1</sup>	(2,239)	2,239	(1,636)	1,636
Capital return	5,446	(5,446)	8	(8)
Total return after taxation	3,207	(3,207)	(1,628)	1,628
<b>Net assets</b>	<b>3,207</b>	<b>(3,207)</b>	<b>(1,628)</b>	<b>1,628</b>

<sup>1</sup> The sensitivity is calculated on the income received during the year.

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the current and comparative year.

## Notes to the Financial Statements

### (ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on variable rate borrowings when interest rates are reset.

#### Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the floating rate loan facility. However, amounts drawn down on this facility are for short term periods and therefore there is limited exposure to interest rate risk.

Derivatives are not used to hedge against the exposure to interest rate risk.

#### Interest rate exposure

The Company has a loan carrying a variable rate of interest and the exposure is therefore already quantifiable. The exposure of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2023 £'000	2022 £'000
Exposure to floating interest rates:		
Cash and short term deposits	447	430
JPMorgan Euro Liquidity Fund	46,553	74,888
Loan Facility	(109,836)	(76,056)
<b>Total exposure</b>	<b>(62,836)</b>	<b>(738)</b>

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above SONIA respectively (2022: Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above SONIA respectively).

#### Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 4% (2022: 1%) increase or decrease in interest rates with regard to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2023		2022	
	4% increase in rate £'000	4% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income — return after taxation				
Revenue return	562	(562)	525	(525)
Capital return	(3,075)	3,075	(532)	532
Total return after taxation	(2,513)	2,513	(7)	7
<b>Net assets</b>	<b>(2,513)</b>	<b>2,513</b>	<b>(7)</b>	<b>7</b>

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the liquidity fund and amounts drawn down on the Company's loan facilities.

## Notes to the Financial Statements

**20. Financial instruments' exposure to risk and risk management policies** *continued***(a) Market risk** *continued***(iii) Other price risk**

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

**Management of other price risk**

The Board meets on at least five occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

**Other price risk exposure**

The Company's total exposure to changes in market prices at 31st March comprises its holdings in equity investments as follows:

	2023 £'000	2022 £'000
Investments held at fair value through profit or loss	839,582	834,018

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

**Concentration of exposure to other price risk**

An analysis of the Company's investments is given on pages 17 and 18. This shows that all of the investments' value is in European companies and there is no concentration of exposure to any one country. It should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

**Other price risk sensitivity**

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2022: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2023		2022	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(214)	214	(213)	213
Capital return	83,459	(83,459)	82,906	(82,906)
Total return after taxation	83,245	(83,245)	82,693	(82,693)
Net assets	83,245	(83,245)	82,693	(82,693)

## Notes to the Financial Statements

### (b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

#### Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements and to gear the Company as appropriate.

#### Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

2023				
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
<b>Creditors</b>				
Securities purchased awaiting settlement awaiting settlement	6,823	—	—	6,823
Other creditors	208	—	—	208
Bank loan, including interest	1,681	111,909	—	113,590
	<b>8,712</b>	<b>111,909</b>	<b>—</b>	<b>120,621</b>
2022				
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
<b>Creditors</b>				
Securities purchased awaiting settlement awaiting settlement	1,333	—	—	1,333
Repurchase of the Company's own shares	158	—	—	158
Other creditors	168	—	—	168
Bank loan, including interest	378	76,524	—	76,902
	<b>2,037</b>	<b>76,524</b>	<b>—</b>	<b>78,561</b>

The liabilities shown above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

## Notes to the Financial Statements

**20. Financial instruments' exposure to risk and risk management policies *continued*****(c) Credit risk**

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

**Management of credit risk*****Portfolio dealing***

The Company invests in markets that operate Delivery Versus Payment ("DVP") settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

***Cash and cash equivalents***

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager. The JPMorgan Euro Liquidity Fund has a AAA rating.

***Exposure to JPMorgan Chase***

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. The Depositary, BNY Mellon Trust and Depositary (UK) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

***Credit risk exposure***

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

***Stock Lending***

The aggregate value of securities on loan at 31st March 2023 amounted to £41.5 million (2022: £42.7 million) and the maximum value of stock on loan during the year amounted to £41.6million (2022: £42.8 million). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency. Full details of the collateral is disclosed on pages 88 to 90.

**(d) Fair values of financial assets and financial liabilities**

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value.



## Notes to the Financial Statements

### 21. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2023 £'000	2022 £'000
<b>Debt:</b>		
Bank Loan	109,836	76,056
<b>Equity:</b>		
Called up share capital	7,874	7,924
Reserves	777,188	825,795
	785,062	833,719
<b>Total debt and equity</b>	<b>894,898</b>	<b>909,775</b>

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range of 20% net cash to 20% geared.

	2023 £'000	2022 £'000
Investments held at fair value through profit or loss	839,582	834,018
Net assets	785,062	833,719
<b>Gearing/(Net cash)</b>	<b>6.94 %</b>	<b>0.04 %</b>

The Board, with the assistance of the 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 Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the opportunity for issues of new shares, including issues from Treasury; and
- the level of dividend distributions in excess of that which is required to be distributed.

### 22. Subsequent events

The Directors have evaluated the period since the year end and have not rated any subsequent events.



## Regulatory Disclosures

### Alternative investment fund managers' directive ('AIFMD') disclosures (unaudited)

#### Leverage

For the purposes of the Alternative Investment Fund Managers Directive ('AIFMD'), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company's maximum and actual leverage levels at 31st March 2023 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	114%	109%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan European Discovery Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers' Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period ('**Performance Year**') as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

#### Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the '**Remuneration Policy Statement**') can be found at <https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy>. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('**AIFMD Identified Staff**'). The AIFMD Identified Staff include members of the board of the Management Company, senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The JPM Fund's Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. As at 31st December 2021, the Board last reviewed and adopted the Remuneration Policy in May 2021 with no material changes and was satisfied with its implementation.

## Regulatory Disclosures

### Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2022 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 25 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 44 sub-funds) as at 31st December 2022, with a combined AUM as at that date of £21.6 billion and £21.3 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD\$'000s)	21,662	14,069	35,731	146

The aggregate 2022 total remuneration paid to AIFMD Identified Staff was USD \$114,556,000, of which USD \$1,232,000 relates to Senior Management and USD \$113,324,000 relates to other Identified Staff.<sup>1</sup>

<sup>1</sup> For 2022, the AIFMD identified staff disclosures include employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

## Regulatory Disclosures

### Securities financing transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFT for the accounting period ended 31st March 2023 are detailed below.

### Global Data

#### Amount of securities on loan

The total value of securities on loan as a proportion of the Fund's total lendable assets, as at the balance sheet date, is 4.91%. Total lendable assets represents the aggregate value of assets types forming part of the Fund's securities lending programme.

#### Amount of assets engaged in securities lending

The following table represents the total value of assets engaged in securities lending:

	Value £'000	% of AUM
Securities lending	41,510	5.29

### Concentration and Aggregate Transaction Data

#### Counterparties

The following table provides details of the counterparties (based on gross volume of outstanding transactions with exposure on a gross absolute basis) in respect of securities lending as at the balance sheet date:

Collateral	Country of Incorporation	Value £'000
Morgan Stanley	United States of America	26,805
BNP	France	10,774
Goldman Sachs	United States of America	2,241
Societe Generale	France	1,088
JP Morgan	United States of America	569
Citigroup	United States of America	34
<b>Total</b>		<b>41,510</b>

#### Maturity tenure of security lending transactions

The Company's securities lending transactions have open maturity.

## Regulatory Disclosures

**Collateral issuers**

The following table lists the issuers by value of non-cash collateral received by the Fund by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Collateral Value £'000
United States of America Treasury	20,097
United Kingdom Treasury	13,040
French Republic Government	6,728
Federal Republic of Germany Government	4,660
Kingdom of Netherlands Government	1,068
Kingdom of Belgium Government	228
<b>Total</b>	<b>45,821</b>

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

**Type, quality and currency of collateral**

The following table provides an analysis of the type, quality and currency of collateral received by the Fund in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Treasury Notes	Investment Grade	USD	19,293
Sovereign Debt	Investment Grade	GBP	13,041
Sovereign Debt	Investment Grade	EUR	12,683
Treasury Bonds	Investment Grade	USD	804
<b>Total</b>			<b>45,821</b>

**Maturity tenure of collateral**

The following table provides an analysis of the maturity tenor of collateral received in relation to securities lending transactions as at the balance sheet date.

Maturity	Value £'000
1 day to 1 week	—
1 to 4 weeks	1
1 to 3 months	1
3 to 12 months	323
more than 1 year	45,496
	<b>45,821</b>

## Regulatory Disclosures

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### Settlement and clearing

The Company's securities lending transactions including related collaterals are settled and cleared either bi-laterally, tri-party or through a central counterparty.

### Re-use of collateral

#### Share of collateral received that is reused and reinvestment return

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Cash collateral received in the context of securities lending transactions may be reused in accordance with the provisions contained within the Prospectus, however the Fund does not currently reinvest cash collateral received in respect of securities lending transactions.

### Safekeeping of collateral

All collateral received (£45,821,000) by the Fund in respect of securities lending transactions as at the balance sheet date is held by the Depository.

### Return and cost

JPMorgan Chase Bank, N.A (JPMCB), the lending agent, receives a fee of 10% of the gross revenue for its services related to the Stock Lending Transactions. The remainder of the revenue, 90%, is received by the Fund i.e. for the benefit of Shareholders.





## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of JPMorgan European Discovery Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 19th July 2023 at 12.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31st March 2023.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2023.
4. To declare a final dividend of 7.8 pence per share.
5. To reappoint Marc van Gelder as a Director of the Company.
6. To reappoint Nicholas Smith as a Director of the Company.
7. To reappoint Sarah Watters as a Director of the Company.
8. To reappoint Suzy Ross as a Director of the Company.

To consider the following resolution as an ordinary resolution:

9. THAT Ernst & Young be reappointed as Auditor of the Company and that their remuneration be fixed by the Directors.

### Special Business

To consider the following resolutions:

#### Authority to allot new shares — Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £787,375 or, if different the aggregate nominal amount representing approximately 10% of the Company's issued ordinary share capital (excluding Treasury shares) as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

#### Authority to disapply pre-emption rights on allotment of relevant securities — Special Resolution

11. THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £787,375 or, if different, the aggregate nominal amount representing approximately 10% of the issued share capital as at the date of the passing of this resolution (excluding Treasury shares) at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

#### Authority to repurchase the Company's shares — Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares in the capital of the Company on such terms and in such manner as the Directors may from time to time determine:

##### PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be the number of ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be the nominal value of such ordinary share;
- (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of:
  - (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; or
  - (b) the price of the last independent trade; or
  - (c) the highest current independent bid;

## Notice of Annual General Meeting

- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 17th January 2025 unless the authority is renewed at the Company's Annual General Meeting in 2024 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

### Adoption of New Articles of Association – Special Resolution

- 13. That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

### Authority to hold general meetings – Special Resolution

- 14. THAT a general meeting, other than an Annual General Meeting, may be called on no less than 14 clear days' notice.

By order of the Board  
 Priyanka Vijay Anand  
 for and on behalf of JPMorgan Funds Limited,  
 Company Secretary  
 15th June 2023

### Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.
2. A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12.30 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting

## Notice of Annual General Meeting

(the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

7. A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.  
  
Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous Meeting, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this Notice of Meeting has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of Meeting will be available on the Company's website [www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk)
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). They will also be

## Notice of Annual General Meeting

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available for inspection at the Meeting. No Director has any contract of service with the Company.

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/ Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Instruction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at [www.shareview.co.uk](http://www.shareview.co.uk). Full instructions are given on both websites.
16. As at 14th June 2023 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 157,474,931 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company are 157,474,931.

### Electronic appointment — CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

## Alternative Performance Measures ('APMS') and Glossary of Terms (unaudited)

### Return to Shareholders (APM)

Total return to the shareholder, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

	Page	Year ended 31st March 2023	Year ended 31st March 2022	
<b>Total return calculation</b>				
Opening share price (p)	6	450.0	462.0	(a)
Closing share price (p)	6	423.0	450.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.018071	1.013793	(c)
Adjusted closing share price (d = b x c)		430.6	456.2	(d)
<b>Total return to shareholders (e = d / a - 1)</b>		<b>-4.3%</b>	<b>-1.3%</b>	<b>(e)</b>

<sup>1</sup> The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

### Return on Net Assets (APM)

Total return on net asset value ("NAV") per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

	Page	Year ended 31st March 2023	Year ended 31st March 2022	
<b>Total return calculation</b>				
Opening cum-income NAV per share (p)	6	526.1	530.7	(a)
Closing cum-income NAV per share (p)	6	498.5	526.1	(b)
Total dividend adjustment factor <sup>1</sup>		1.014844	1.011652	(c)
Adjusted closing cum-income NAV per share (d = b x c)		505.9	532.2	(d)
<b>Total return on net assets (e = d / a - 1)</b>		<b>-3.8%</b>	<b>0.3%</b>	<b>(e)</b>

<sup>1</sup> The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

### Benchmark total return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

### Net asset value per share

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 16 on page 76 for detailed calculations.

## Alternative Performance Measures ('APMS') and Glossary of Terms (unaudited)

### Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

		31st March 2022 £'000	31st March 2021 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	65	839,582	834,018	(a)
Net assets	6	785,062	833,719	(b)
<b>Gearing/(net cash) (c = a / b - 1)</b>		<b>6.9%</b>	<b>0.04%</b>	<b>(c)</b>

### Ongoing Charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

		31st March 2023 £'000	31st March 2022 £'000	
Ongoing charges calculation	Page			
Management fee	63	6,416	7,867	
Other administrative expenses	63	690	719	
Total management fee and other administrative expenses		7,106	8,586	(a)
Average daily cum-income net assets		753,063	925,207	(b)
<b>Ongoing charges (c = a / b)</b>		<b>0.94%</b>	<b>0.93%</b>	<b>(c)</b>

### Share Price Discount/Premium to Net Asset Value ('NAV') per Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share.

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 6).

## Investing in JPMorgan European Discovery Trust plc

You can invest in a J.P. Morgan European Discovery Trust plc through the following:

### 1. Via a third party provider

Third party providers include:

AJ Bell You Invest	Hargreaves Lansdown
Barclays Smart investor	iDealing
Bestinvest	IG
Charles Stanley Direct	interactive investor
Close brothers A.M. Self Directed Service	iWeb
Fidelity Personal Investing	shareDeal active
Freetrade	Willis Owen
Halifax Share Dealing	X-O.co.uk

Please note this list is not exhaustive and the availability may vary depending on the provider. These are third party providers and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each provider and their site's privacy and cookie policies as well as their platform charges structure.

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at [www.theaic.co.uk/aic/shareholder-voting-consumer-platforms](http://www.theaic.co.uk/aic/shareholder-voting-consumer-platforms) for information on which platforms support these services and how to utilise them.

### 2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at [unbiased.co.uk](http://unbiased.co.uk)

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit [fca.org.uk](http://fca.org.uk)

## Be ScamSmart

### Investment scams are designed to look like genuine investments

#### 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.

### Avoid investment fraud

#### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, 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 FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

#### 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 reporting form at [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm). 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](http://www.actionfraud.police.uk)

**Find out more at**  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



## Information about the Company

**FINANCIAL CALENDAR**

Financial year end	31st March
Final results announced	June
Half year end	30th September
Half year results announced	December
Annual General Meeting	July

**History**

On 24th April 1990, the Company acquired the undertaking and assets of Fleming European Fledgeling Fund Limited (the 'Fund') in exchange for the issue of its shares and warrants. That Fund was an open-ended, unquoted investment company based in Jersey with the same objectives and investment policies as the Company. The Company changed its name from JPMorgan European Smaller Companies Trust plc to JPMorgan European Discovery Trust plc on 15th June 2021. It is a constituent of the FTSE 250 index.

**Company Numbers**

Company registration number: 2431143  
 London Stock Exchange number: 0341969  
 ISIN: GB00BMTS0Z37  
 Bloomberg code: JEDT LN  
 LEI: 54930049CEWDI46Y3U28

**Market Information**

The Company's net asset value ('NAV') per share is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times and on the Company's website at [www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk), where the share price is updated every fifteen minutes during trading hours.

**Website**

[www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk)

**Share Transactions**

The Company's shares may be dealt indirectly through a stockbroker or professional adviser acting on an investor's behalf.

**Manager and Company Secretary**

JPMorgan Funds Limited.

**Company's Registered Office**

60 Victoria Embankment  
 London EC4Y 0JP  
 Telephone: 020 7742 4000

For company secretarial issues and administrative matters, please contact Priyanka Vijay Anand.

**Depository**

The Bank of New York Mellon (International) Limited  
 1 Canada Square  
 London E14 5AL

The Depository has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

**Registrars**

Equiniti Limited  
 Reference 1083  
 Aspect House  
 Spencer Road  
 Lancing  
 West Sussex BN99 6DA  
 Telephone: 0371 384 2325

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1083.

Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk)

**Independent Auditors**

Ernst & Young LLP  
 Statutory Auditor  
 Atria One  
 144 Morrison Street  
 Edinburgh EH3 8EB

**Brokers**

Cenkos Securities plc  
 6.7.8 Tokenhouse Yard  
 London EC2R 7AS

**Financial Conduct Authority ('FCA') regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'**

The Company currently conducts its affairs so that the shares it issues can be recommended by 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.

The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the COB sourcebook.



The Association of  
 Investment Companies A member of the AIC



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## CONTACT

60 Victoria Embankment

London

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Tel +44 (0) 20 7742 4000

Website [www.jpmeuropeandiscovery.co.uk](http://www.jpmeuropeandiscovery.co.uk)



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**J.P.Morgan**  
ASSET MANAGEMENT